

**MORROW METROPOLITAN HOUSING AUTHORITY**

**MORROW COUNTY**

**REGULAR AUDIT**

**OCTOBER 1, 2015 – SEPTEMBER 30, 2016**







# Dave Yost • Auditor of State

Board of Trustees  
Morrow Metropolitan Housing Authority  
619 West Marion Rd Rm 107  
Mount Gilead, Ohio 43338

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Morrow 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

May 11, 2017

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**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

Morrow Metropolitan Housing Authority  
Morrow County  
619 West Marion Road, Suite 107  
Mount Gilead, Ohio 43338

To the Board of Trustees:

### ***Report on the Financial Statements***

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

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

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

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**

Ten West Locust Street

Newark, Ohio 43055

(740) 345-6611

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Morrow Metropolitan Housing Authority  
Morrow County  
Independent Auditor's Report

***Other Matters***

*Required Supplementary Information*

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

*Supplementary Information*

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

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

The 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report February 28, 2017, 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  
February 28, 2017

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**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

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

The Morrow Metropolitan Housing Authority, Morrow County, (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, and (d) identify individual fund issues or concerns.

Since the Management’s Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority’s financial statements (beginning on page 13).

**FINANCIAL HIGHLIGHTS**

- During fiscal year 2016, the Authority’s net position increased by \$14,073 (or 382%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net position. Net position for fiscal year 2015 was \$3,686 and \$17,759 for fiscal year 2016.
- Revenues increased by \$51,974 (or 9%) during fiscal year 2016, and were \$561,922 and \$613,896 for fiscal year 2015 and fiscal year 2016, respectively.
- Expenses increased by \$39,163 (or 7%) during fiscal year 2016. Total expenses were \$560,660 and \$599,823 for fiscal year 2015 and fiscal year 2016, respectively.

**USING THIS ANNUAL REPORT**

The following is a graphic outlining the three major sections of the 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 ~

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

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

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

**Government-Wide Financial Statements**

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

These Statements include a Statement of Net Position, which is 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 outflows of resources, minus liabilities and deferred inflows 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" portion) 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:

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 has no debt.

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 assets that do not meet the definition of "Investment in Capital Assets", or "Restricted".

The Government-wide 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 grant revenue, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, Non-Operating Revenue, such as interest revenue.

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

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

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

**THE AUTHORITY'S FUND**

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

**Business-Type Activities:**

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

**Resident Opportunity and Family Sufficiency Program** – represents HUD resources to enable participating families to increase earned income and financial literacy, reduce or eliminate the need for welfare assistance, and make progress toward economic independence and self-sufficiency.

**HOME Investment Partnerships Program** – represents HUD resources developed from contracts with the Morrow County to provide low income housing for residents.

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/(asset) 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/(asset) 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.

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016  
(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/(asset) not accounted for as deferred inflows/outflows.

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**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

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

**Statement of Net Position**

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

**STATEMENT OF NET POSITION**

	<u>2016</u>	<u>2015</u>
Current and Other Noncurrent Assets	\$ 65,217	\$ 62,213
Capital Assets	<u>583</u>	<u>1,056</u>
Total Assets	<u>65,800</u>	<u>63,269</u>
Deferred Outflows of Resources	<u>17,430</u>	<u>1,783</u>
Current Liabilities	3,999	3,050
Non-Current Liabilities	<u>60,558</u>	<u>57,729</u>
Total Liabilities	<u>64,557</u>	<u>60,779</u>
Deferred Inflows of Resources	<u>914</u>	<u>587</u>
Net Position		
Investment in Capital Assets	583	1,056
Restricted	11,748	3,374
Unrestricted	<u>5,428</u>	<u>(744)</u>
Total Net Position	<u>\$ 17,759</u>	<u>\$ 3,686</u>

For more detailed information see page 13 for the Statement of Net Position.

**Major Factors Affecting the Statement of Net Position**

Current and other non-current assets (primarily cash and cash equivalents) remained consistent between fiscal year ends increasing only \$3,004 due to revenues increasing more than expenses which resulted in net position and cash. Deferred outflow of resources increased based on increased amounts reported by the pension system; the amount reflects the Authority’s proportionate share of the total pension amount. Total liabilities remained consistent increasing only \$3,778 based on little change in accrued wages, compensated absences, family self-sufficiency payable, and net pension liability at fiscal year ends.

Capital assets had a decrease of \$473 which represents the current fiscal year’s depreciation. For more detail see “Capital Assets and Debt Administration” on page 10.

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

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

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

**CHANGE OF UNRESTRICTED NET POSITION**

Unrestricted Net Position September 30, 2015		\$ (744)
Results of Operations:	\$ 5,699	
Adjustments:		
Depreciation (1)	<u>473</u>	
Adjusted Results from Operations		<u>6,172</u>
Unrestricted Net Position September 30, 2016		<u>\$ 5,428</u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position.

**CHANGE OF RESTRICTED NET POSITION**

Restricted Net Position September 30, 2015		\$ 3,374
Results of Operations:		
HAP Reserves Surplus	\$ 5,098	
Other Revenues	<u>3,276</u>	
Adjusted Results from Operations		<u>8,374</u>
Restricted Net Position September 30, 2016		<u>\$ 11,748</u>

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

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

	<u>2016</u>	<u>2015</u>
Revenues		
Operating Grants	\$ 609,885	\$ 558,567
Interest	2	-
Other Revenues	<u>4,009</u>	<u>3,355</u>
Total Revenue	<u>613,896</u>	<u>561,922</u>
Expenses		
Administrative	96,780	99,348
General	3,524	2,350
Housing Assistance Payments	499,046	457,614
Depreciation	<u>473</u>	<u>1,348</u>
Total Expenses	<u>599,823</u>	<u>560,660</u>
Change in Net Position	14,073	1,262
Net Position at October 1	<u>3,686</u>	<u>2,424</u>
Net Position at September 30	<u>\$ 17,759</u>	<u>\$ 3,686</u>

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

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

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

Operating Grants increased by \$51,318 (or 9%) due to HUD funding changes and changes in grant programs awarded to the Authority through direct awards and through local sources during fiscal year 2016. In the same regard, Housing Assistance Payments increased \$41,432 (or 9%) during fiscal year 2016 which is expected based funding increases.

Administrative expenses include salaries and related benefits, along with other administrative expenses such as audit fees and office expenses. The decrease primarily relates to decreases in office expenses; salaries and benefits remained fairly consistent among fiscal years.

Most other expenses fluctuated moderately due to inflation and current fiscal year needs.

**CAPTIAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of September 30, 2016, the Authority had \$583 invested in Capital Assets as reflected in the following schedule, which represents a net decrease (additions less depreciation).

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

	<u>Business-type Activities</u>	
	<u>2016</u>	<u>2015</u>
Furniture, Fixtures, and Equipment	\$ 18,557	\$ 20,297
Accumulated Depreciation	<u>(17,974)</u>	<u>(19,241)</u>
Total	\$ <u>583</u>	\$ <u>1,056</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in Note 3 of the notes to the basic financial statements.

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

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

**CHANGE IN CAPITAL ASSETS**

	<u>Business-type Activities</u>
Beginning Balance	\$ 1,056
Depreciation	<u>(473)</u>
Ending Balance	\$ <u>583</u>

The Authority had no additions for fiscal year 2016. The Authority had \$1,740 in disposals of capital assets, which were fully depreciated, in fiscal year 2016.

**Debt Outstanding**

The Authority has no 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 amount of housing assistance.
- Inflationary pressure on utility rates, supplies and other costs.

**FINANCIAL CONTACT**

The individual to be contacted regarding this report is Jennifer Ebeling, Executive Director for the Morrow Metropolitan Housing Authority, at (419) 946-5789. Specific requests may be submitted to the Authority at 619 West Marion Road, Suite 107, Mount Gilead, Ohio 43338.

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**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

**STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016**

**Assets**

Current Assets:

Cash and Cash Equivalents	\$ <u>40,199</u>
Total Current Assets	<u>40,199</u>

Non-Current Assets:

Restricted Cash and Cash Equivalents	25,018
Capital Assets:	
Depreciable Capital Assets	18,557
Accumulated Depreciation	<u>(17,974)</u>
Total Capital Assets	<u>583</u>
Total Non-Current Assets	<u>25,601</u>

**Total Assets** 65,800

**Deferred Outflow of Resources** 17,430

**Liabilities**

Current Liabilities:

Accrued Wages and Payroll Taxes	1,207
Accrued Compensated Absences	<u>2,792</u>
Total Current Liabilities	<u>3,999</u>

Non-Current Liabilities:

Family Self-Sufficiency Deposits Payable	13,270
Net Pension Liability	<u>47,288</u>
Total Non-Current Liabilities	<u>60,558</u>

**Total Liabilities** 64,557

**Deferred Inflow of Resources** 914

**Net Position**

Investment in Capital Assets	583
Restricted	11,748
Unrestricted	<u>5,428</u>

**Total Net Position** \$ 17,759

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

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

<b>Operating Revenues</b>		
Operating Grants	\$	609,885
Fraud Recovery		1,437
Other Revenues		<u>2,572</u>
Total Operating Revenues		<u>613,894</u>
<b>Operating Expenses</b>		
Housing Assistance Payments	\$	499,046
Salaries		34,736
Employee Benefits		4,773
Other Administrative Expense		57,271
General		3,524
Depreciation		<u>473</u>
Total Operating Expenses		<u>599,823</u>
Operating Income		<u>14,071</u>
<b>Nonoperating Revenues</b>		
Interest Revenue		<u>2</u>
Total Nonoperating Revenues		<u>2</u>
Change in Net Position		14,073
Net Position at October 1, 2015		<u>3,686</u>
<b>Net Position at September 30, 2016</b>	<b>\$</b>	<b><u><u>17,759</u></u></b>

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

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**Cash flows from operating activities:**

Cash received from HUD and local grant sources	\$	612,775
Cash received from other sources		4,009
Cash payments to employees for services		(39,994)
Cash payments for good or services - HUD		(499,046)
Cash payments for goods or services		<u>(71,523)</u>

Net cash provided by operating activities		<u>6,221</u>
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**Cash flows from investing activities:**

Interest		<u>2</u>
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Net cash provided by investing activities		<u>2</u>
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Net change in cash and cash equivalents		6,223
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Cash and cash equivalents at October 1, 2015		<u>58,994</u>
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<b>Cash and cash equivalents at September 30, 2016</b>	<b>\$</b>	<b><u><u>65,217</u></u></b>
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**Reconciliation of operating income to net cash provided by operating activities:**

Operating income	\$	14,071
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		473
Changes in:		
Accounts receivable, net		1,113
Prepaid items		2,106
Family self-sufficiency liability		(11,049)
Net pension liability		13,878
Other liabilities		949
Deferred outflow of resources		(15,647)
Deferred inflow of resources		<u>327</u>

<b>Net cash provided by operating activities</b>	<b>\$</b>	<b><u><u>6,221</u></u></b>
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The notes to the basic financial statements are an integral part of this statement.

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Summary of Significant Accounting Policies

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

Reporting Entity

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate. The accompanying basic financial statements comply with the provisions of GASB Statement No. 39, *Determining Whether Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

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

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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

Fund Accounting

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

*Proprietary Fund Type:*

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

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

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

Accounting and Reporting for Nonexchange Transactions

The Authority accounts for nonexchange transactions in accordance with Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Nonexchange transactions occur when the Authority receives (or gives) value without directly giving (or receiving) equal value in return.

In conformity with the requirements of GASB Statement No. 33, the Authority has recognized grant funds expended for capitalizable capital assets acquired after June 30, 2000 as revenues and the related depreciation thereon, as expenses in the accompanying Statement of Revenue, Expenses and Changes in Net Position.

Estimates

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

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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

Cash and Cash Equivalents

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

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Authority had restricted assets for Family Self-Sufficiency Deposits of \$13,270 and Housing Assistance Payment equity balance of \$11,748. See Note 4 for additional information concerning Family Self-Sufficiency restricted assets.

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over the estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The capitalization threshold used by the Authority is \$500. The following are the useful lives used for depreciation purposes:

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

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as these benefits are earned and used within the fiscal year; unused balances are carried over however no benefits are paid out upon termination of employment. 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 and sick leave policies are established by the Board of Trustees based on local and state laws. Employees are entitled to 8 days of annual vacation leave after completing twelve months of consecutive employment, 12 days after six years of service, 16 days after 13 years of service, and 20 days after 23 years of service. Sick pay is accumulated at the rate of 4.5 hours for each completed 72 hours of pay to a maximum of 960 hours. Employees are allowed to accumulate a maximum of three weeks for vacation leave at the end of each calendar year. In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a current liability.

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**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 deferred outflow of resources, and liabilities and deferred inflow of resources. Investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount reported as restricted net position at fiscal year end represents the amounts restricted by HUD for future Housing Assistance Payments. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. The Authority did not have net position restricted by enabling legislature at September 30, 2016.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are for Housing and Urban Development Grants and other revenues. Operating expenses are necessary costs to provide goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenues.

**2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

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

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

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**2. CASH AND CASH EQUIVALENTS AND INVESTMENTS – CONTINUED**

Cash and cash equivalents included in the Authority's cash position at September 30, 2016 are as follows:

	<u>Checking</u>	<u>Savings</u>	<u>Total</u>
Demand Deposits:			
Bank balance	\$ 51,947	\$ 13,270	\$ 65,217
Items-in-transit	<u>-</u>	<u>-</u>	<u>-</u>
Carrying balance	<u>\$ 51,947</u>	<u>\$ 13,270</u>	<u>\$ 65,217</u>

Of the fiscal year-end bank balance, \$65,217 of deposits of the total checking and saving account balances were covered by federal deposit insurance.

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

**3. CAPITAL ASSETS**

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

	<u>Balance 9/30/2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 9/30/2016</u>
<b>Capital Assets Depreciated</b>				
Furniture and Equipment	\$ 20,297	\$ -	(\$ 1,740)	\$ 18,557
<b>Total Capital Assets Depreciated</b>	<u>20,297</u>	<u>-</u>	<u>(1,740)</u>	<u>18,557</u>
<b>Accumulated Depreciation</b>				
Furniture and Equipment	(19,241)	(473)	1,740	(17,974)
<b>Total Accumulated Depreciation</b>	<u>(19,241)</u>	<u>(473)</u>	<u>1,740</u>	<u>(17,974)</u>
<b>Total Capital Assets, Net</b>	<u>\$ 1,056</u>	<u>\$ (473)</u>	<u>\$ -</u>	<u>\$ 583</u>

**4. FSS ESCROW PAYABLE**

The Authority is involved in the Family Self-Sufficiency program through the Housing Choice Vouchers Program. Each month contributions are deposited into the Authority's savings account on behalf of the program participants. Participants are limited to a five year contract (with a two year extension option) at which time, they 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, the money earned is used by the Authority to reinvest into the Housing Choice Voucher Program.

**MORROW METROPOLITAN HOUSING AUTHORITY**  
**MORROW COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**5. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year 2016, the Authority purchased commercial insurance for public officials and employment practices liability for general insurance, property, crime, electronic equipment, and automobile insurance.

Public officials' liability and employment practices liability insurance each carries a \$2,500 deductible. Property and electronic equipment insurance each carries a \$500 deductible. Vehicle carries a \$250 deductible for comprehensive damages and \$500 deductible for collision.

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

**6. DEFINED BENEFIT PENSION PLANS**

*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.

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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

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 fiscal year is included in *accrued wages and payroll taxes* on the accrual basis of accounting.

**Plan Description** – Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Authority employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan with a few employees being members of the combined plan; therefore, the following disclosure focuses on the traditional and combined pension plans.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS’ CAFR referenced above for additional information):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
<b>2015 &amp; 2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2015 &amp; 2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
 Employee	 10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority’s contractually required contribution to OPERS was \$4,758 for fiscal year 2016. Of this amount \$0 is reported within accrued wages and payroll taxes.

The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority’s proportion of the net pension liability was based on the Authority’s share of the contributions to the pension plan relative to the contributions of all participating entities. The Authority’s pension expense for fiscal year 2016 was \$4,758. Following is information related to the proportionate share:

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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

	<u>OPERS Traditional Plan</u>
Proportionate Share of the Net Pension Liability	\$47,288
Proportion of the Net Pension Liability	0.0002730%

At September 30, 2016, 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	\$ 13,899
Authority contributions subsequent to the measurement date	<u>3,531</u>
Total Deferred Outflow of Resources	<u>\$ 17,430</u>
	<u>Total Deferred Inflows</u>
Difference between expected and actual experience	\$ 914

The \$3,531 reported as deferred outflow of resources resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or increase in net pension asset) in the fiscal year ending September 30, 2017. Under the Traditional Pension Plan, the 2015 amortization period for the difference between expected and actual experience is 3.1673 years, and 5 years for the net difference between projected and actual investment earning on pension plan investments. Other amounts reported as deferred outflows of resources and deferred inflows of resources related will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	
2017	\$ 2,491
2018	2,491
2019	2,491
2020	2,732
2021	<u>2,780</u>
Total	<u>\$12,985</u>

***Actuarial Assumptions***

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation 3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2015.

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

<u>Asset Class</u>	<u>Target Allocation for 2015</u>	<u>Weighted Average Long- Term Expected Real Rate of Return</u>
Fixed Income	23.00%	2.31%
Domestic Equities	20.70%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	18.30%	7.40%
Other Investments	18.00%	4.59%
<b>TOTAL</b>	<b>100.00%</b>	<b>5.27%</b>

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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

**Discount Rate** The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension 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** The following table presents the Authority’s proportionate share of the net pension liability calculated using the current period discount rate assumption 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 one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Authority’s proportionate share of the net pension liability			
Traditional Plan	\$75,340	\$47,288	\$23,625

**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.

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 2016. Effective January 1, 2017, the portion of employer contributions allocated to healthcare will decrease to 1% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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

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 \$700.

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.

**7. COMPENSATED ABSENCES**

Employees earn annual vacation leave per anniversary year, based on years of service. Employees are allowed to accumulate a maximum of three weeks for vacation leave at the end of each calendar year. Sick leave is accumulated each month at the rate of 4.5 hours for each completed 72 hours of pay to a maximum of 960 hours. As of September 30, 2016, the accrual for compensated absences totaled \$2,792 and has been included in the accompanying Statement of Net Position. The Authority considers the entire liability balance to be due in one year.

**8. LONG-TERM LIABILITIES**

The following is a summary of changes in long-term debt and compensated absence for the fiscal year ended September 30, 2016:

<u>Description</u>	<u>Balance</u> <u>09/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/16</u>	<u>Due Within</u> <u>One Year</u>
Net Pension Liability	\$33,410	\$ 13,878	\$ -	\$47,288	\$ -
Family Self-Sufficiency Payable	24,319	9,897	(20,946)	13,270	-
Compensated Absence Payable	1,838	1,940	(986)	2,792	2,792
<b>Total</b>	<b><u>\$59,567</u></b>	<b><u>\$ 25,715</u></b>	<b><u>\$(21,932)</u></b>	<b><u>\$63,350</u></b>	<b><u>\$ 2,792</u></b>

See Note 6 for information on the Authority's net pension liability and Note 4 for information on the Authority's family self-sufficiency payable.

**9. CONTINGENT LIABILITIES**

**A. Grants**

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any such disallowed claims could have a material adverse effect on the overall financial position of the Authority at September 30, 2016.

**B. Litigation**

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability – Traditional Plan	0.0002730%	0.0002770%	0.0002770%
Authority's Proportionate Share of the Net Pension Liability – Traditional Plan	\$ 47,288	\$ 33,410	\$ 32,655
Authority's Covered Employee Payroll	\$ 33,986	\$ 33,986	\$ 33,986
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	136.13%	98.31%	96.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability Traditional Plan	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available.

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required employer contribution	\$ 4,758	\$ 4,758	\$ 4,758	\$ 4,758	\$ 6,491	\$ 6,588	\$ 9,810	\$ 8,875	\$ 5,996	\$ 6,214
Contributions in Relation to the Contractually Required Contribution	<u>(4,758)</u>	<u>(4,758)</u>	<u>(4,758)</u>	<u>(4,758)</u>	<u>(6,491)</u>	<u>(6,588)</u>	<u>(9,810)</u>	<u>(8,875)</u>	<u>(5,996)</u>	<u>(6,214)</u>
Contribution Deficiency (Excess)	=====	=====	=====	=====	=====	=====	=====	=====	=====	=====
Authority Covered-Employee Payroll	\$33,986	\$33,986	\$33,986	\$33,986	\$46,364	\$47,057	\$70,071	\$63,393	\$43,075	\$44,641
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.92%	13.92%

(1) Total contributions reported include any amounts contributed to other post employment benefits in additional to the Traditional plan.

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

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

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

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

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

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

**ENTITY WIDE BALANCE SHEET SUMMARY  
FDS SCHEDULE SUBMITTED TO HUD  
SEPTEMBER 30, 2016**

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	Total
	Current Assets			
	Cash			
111	Cash - Unrestricted	\$ 40,199	\$ -	\$ 40,199
113	Cash - Other Restricted	11,748	13,270	25,018
100	Total Cash	<u>51,947</u>	<u>13,270</u>	<u>65,217</u>
	Accounts Receivable			
128	Fraud Recovery	2,493	-	2,493
128.1	Allowance for Doubtful Accounts	<u>(2,493)</u>	<u>-</u>	<u>(2,493)</u>
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>-</u>	<u>-</u>	<u>-</u>
150	Total Current Assets	<u>51,947</u>	<u>13,270</u>	<u>65,217</u>
	Noncurrent Assets			
	Capital Assets			
164	Furniture and Equipment - Administration	18,557	-	18,557
166	Accumulated Depreciation	<u>(17,974)</u>	<u>-</u>	<u>(17,974)</u>
160	Total Capital Assets net of accumulated depreciation	<u>583</u>	<u>-</u>	<u>583</u>
180	Total Noncurrent Assets	<u>583</u>	<u>-</u>	<u>583</u>
190	Total Assets	<u>52,530</u>	<u>13,270</u>	<u>65,800</u>
200	Deferred Outflow of Resources	<u>17,430</u>	<u>-</u>	<u>17,430</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 69,960</u>	<u>\$ 13,270</u>	<u>\$ 83,230</u>
	Current Liabilities			
321	Accrued Wages and Payroll Taxes	\$ 1,207	\$ -	\$ 1,207
322	Accrued Compensated Absences - Current	<u>2,792</u>	<u>-</u>	<u>2,792</u>
310	Total Current Liabilities	<u>3,999</u>	<u>-</u>	<u>3,999</u>
	Non-Current Liabilities			
353	Non-Current Liabilities - Other	-	13,270	13,270
357	Accrued Pension and OPEB Liabilities	<u>47,288</u>	<u>-</u>	<u>47,288</u>
350	Total Non-Current Liabilities	<u>47,288</u>	<u>13,270</u>	<u>60,558</u>
300	Total Liabilities	<u>51,287</u>	<u>13,270</u>	<u>64,557</u>
400	Deferred Inflow of Resources	<u>914</u>	<u>-</u>	<u>914</u>
	Net Position			
508.1	Net Investment in Capital Assets	583	-	583
511.1	Restricted Net Position	11,748	-	11,748
512.1	Unrestricted Net Position	<u>5,428</u>	<u>-</u>	<u>5,428</u>
	Total Net Position	<u>17,759</u>	<u>-</u>	<u>17,759</u>
600	Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 69,960</u>	<u>\$ 13,270</u>	<u>\$ 83,230</u>

NOTE FOR REAC REPORTING: The accompanying schedules have been prepared in accordance with the format as required for HUD's electronic filing REAC system. The format and classifications of various line items may differ from those used in the preparation of the financial statements presented in accordance with accounting principles generally accepted in the United States of America.

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

**ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
FDS SCHEDULE SUBMITTED TO HUD  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.239 HOME Investment Partnerships Program	Total
	Revenue				
70600	HUD PHA Operating Grants	\$ 516,816	\$ 37,510	\$ 55,559	\$ 609,885
71100	Investment Income - Unrestricted	2	-	-	2
71400	Fraud Recovery	1,437	-	-	1,437
71500	Other Revenue	2,572	-	-	2,572
70000	Total Revenue	<u>520,827</u>	<u>37,510</u>	<u>55,559</u>	<u>613,896</u>
	Expenses				
91100	Administrative Salaries	-	34,736	-	34,736
91200	Auditing Fees	4,317	-	-	4,317
91300	Management Fee	35,400	-	4,293	39,693
91500	Employee Benefit Contribution - Administrative	1,046	2,774	-	3,820
91600	Office Expenses	12,503	-	758	13,261
91000	Total Operating - Administrative	<u>53,266</u>	<u>37,510</u>	<u>5,051</u>	<u>95,827</u>
96120	Liability Insurance	3,399	-	-	3,399
96130	Workmen's Compensation	125	-	-	125
96100	Total Insurance Premiums	<u>3,524</u>	<u>-</u>	<u>-</u>	<u>3,524</u>
96210	Compensated Absences	953	-	-	953
96000	Total Other General Expenses	<u>953</u>	<u>-</u>	<u>-</u>	<u>953</u>
96900	Total Operating Expenses	<u>57,743</u>	<u>37,510</u>	<u>5,051</u>	<u>100,304</u>
97000	Excess Operating Revenue Over Operating Expenses	<u>463,084</u>	<u>-</u>	<u>50,508</u>	<u>513,592</u>
	Other Expenses				
97300	Housing Assistance Payments	448,538	-	50,508	499,046
97400	Depreciation Expense	473	-	-	473
	Total Other Expenses	<u>449,011</u>	<u>-</u>	<u>50,508</u>	<u>499,519</u>
90000	Total Expenses	<u>506,754</u>	<u>37,510</u>	<u>55,559</u>	<u>599,823</u>
10000	Excess of Revenues under Expenses	14,073	-	-	14,073
11030	Beginning Net Position	<u>3,686</u>	<u>-</u>	<u>-</u>	<u>3,686</u>
11170	Administrative Fee Equity	6,011	-	-	6,011
11180	Housing Assistance Payment Equity	11,748	-	-	11,748
	Total Ending Net Position	<u>\$ 17,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,759</u>

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

**STATEMENT OF CHANGES IN EQUITY BALANCES  
FDS SCHEDULE SUBMITTED TO HUD  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

<b>FDS Line Item No.</b>	<b>Account Description</b>	<b>14.871 Housing Choice Vouchers</b>	
11170-001	Administrative Fee Equity - Beginning Balance		\$ 312
11170-010	Administrative Fee Revenue	\$ 63,180	
11170-045	Fraud Recovery Revenue	719	
11170-050	Other Revenue	<u>16</u>	
11170-051	Comment for Other Revenue - Adjustment to correct balance.		
11170-060	Total Administrative Fee Revenues		63,915
11170-080	Total Operating Expenses	57,743	
11170-090	Depreciation	<u>473</u>	
11170-110	Total Expenses		<u>58,216</u>
11170-002	Net Administrative Fee		<u>5,699</u>
11170-003	Administrative Fee Equity - Ending Balance		<u>6,011</u>
11170	Administrative Fee Equity		<u><u>\$ 6,011</u></u>
11180-001	Housing Assistance Payments Equity - Beginning Balance		\$ 3,374
11180-010	Housing Assistance Payment Revenues	453,636	
11180-015	Fraud Recovery Revenue	720	
11180-025	Investment Income	2	
11180-020	Other Revenue	<u>2,554</u>	
11180-021	Comment for Other Revenue - FSS forfeitures offset by adjustment to correct balance.		
11180-030	Total Housing Assistance Payments Revenues		456,912
11180-080	Housing Assistance Payments	<u>448,538</u>	
11180-100	Total Housing Assistance Payments Expenses		<u>448,538</u>
11180-002	Net Housing Assistance Payments		<u>8,374</u>
11180-003	Housing Assistance Payments Equity - Ending Balance		<u>11,748</u>
11180	Housing Assistance Payments Equity		<u><u>\$ 11,748</u></u>



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

Morrow Metropolitan Housing Authority  
Morrow County  
619 West Marion Road, Suite 107  
Mount Gilead, Ohio 43338

To the Board of Trustees:

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 Morrow Metropolitan Housing Authority, Morrow County, (the Authority) as of and for the fiscal year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 28, 2017.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

*Wilson, Shannon & Snow, Inc.*

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

***Purpose of this Report***

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

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
February 28, 2017



# Dave Yost • Auditor of State

**MORROW METROPOLITAN HOUSING AUTHORITY**

**MORROW 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  
MAY 23, 2017**