Perry & Associates
Certified Public Accountants, A.C.

HOCKING METROPOLITAN HOUSING AUTHORITY
HOCKING COUNTY
Single Audit
For the Year Ended December 31, 2018

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

www.perrycpas.com

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Board of Directors
Hocking Metropolitan Housing Authority
33601 Pine Ridge Drive
Logan, OH 43138

We have reviewed the *Independent Auditor's Report* of the Hocking Metropolitan Housing Authority, Hocking County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2018 through December 31, 2018. 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 Hocking Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

November 1, 2019

This page intentionally left blank.

HOCKING METROPOLITAN HOUSING AUTHORITY

TABLE OF CONTENTS

This page intentionally left blank.

Perry & Associates
Certified Public Accountants, A.C.

313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

INDEPENDENT AUDITOR'S REPORT

September 10, 2019

Hocking Metropolitan Housing Authority
Hocking County
33601 Pine Ridge Drive
Logan, Ohio 43138

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Hocking Metropolitan Housing Authority**, Hocking County, Ohio (the Authority), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hocking Metropolitan Housing Authority, Hocking County as of December 31, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2018, the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension and other postemployment benefits liabilities and pension and other postemployment benefits 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 supplemental financial data schedule presented on pages 52 through 55 is presented for additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements.

The Schedule of Federal Awards Expenditures presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedules are management's responsibility and derived 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 dated September 10, 2019, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

It is a privilege to present for you the financial picture of Hocking Metropolitan Housing Authority. The Hocking 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 challenges), and (d) identify individual fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

- Net position was $4,335,665 and $3,643,950 (as restated) for 2018 and 2017, respectively. The Authority-wide statements reflect an increase in total net position of $691,715 (or 19.0%), during 2018. This increase is reflective of the year's activities.

- The revenues increased by $1,156,973 (or 33.1%) during 2018, and were $4,657,201 and $3,500,228 for 2018 and 2017, respectively.

- The total expenses of all Authority programs increased by $326,496 (or 9.0%) during 2018. Total expenses were $3,965,486 and $3,638,990 (as restated) for 2018 and 2017, respectively.

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 Change in Net Position ~** **~ Statement of Cash Flows ~** **~ Notes to the Financial Statements ~**

Authority-Wide Financial Statements

The Authority-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.

Authority-Wide Financial Statements - continued

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 of the Authority. The statement is presented in the format where assets, minus liabilities, equals 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 ("Unrestricted") 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):

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

Restricted: 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 does not meet the definition of "Net 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 Change in Net Position (similar to an Income Statement). This statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Change 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, investing activities, and from capital and related financing activities.

Fund Financial Statements

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

The Department of Housing and Urban Development requires the programs be maintained by the Authority.

The Authority's Programs

Conventional Public Housing (PH) – 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 to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income.

The Authority's Programs - continued

The Authority is a partner in a mixed income public housing project. 15 units of the 72 unit apartment project are subject to the public housing program rules. Project receives no operating subsidy, but does receive maintenance and operating funding through the Capital Grant Program.

The Authority entered into and financed a $1.4 million dollar Energy Performance Contract. The project will provide energy retrofits to all of the public housing units. The financing closed in October of 2013, and substantial completion was obtained in 2014. The resulting savings in energy costs are being used to pay the financing costs.

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on size and age of your units.

The Authority has an approved CFFP program which provided Capital Grant funding to the mixed finance Public Housing Project. CFFP will provide payment of debt service for a maximum period of 20 years.

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 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.

Shelter Plus Care Program and Continuum of Care Program – Hocking Metropolitan Housing Authority was awarded a Shelter Plus Care Grant in June of 2006. The Shelter Plus Care Program provides rental assistance to disabled individuals that have been identified as homeless. HMHA provides housing services in cooperation with other community service agencies that provide case management services. HUD changed the format of this program to a one-year annual contract.

In December of 2015, HMHA was given preliminary authority and in December 2016, final authority to expand the program to serve an 8 county area including Pike, Perry, Athens, Hocking, Vinton, Gallia, Meigs, and Jackson counties. The first expanded rental assistance was issued in Pike County for a homeless former service member in January, 2016.

Other Business (HMHA Rentals) – Hocking Metropolitan Housing Authority operates several other business activities not related to the major federal housing programs. At present the Authority owns 27 open market apartments. Five of these units have preferences for individuals with mental health issues. These units were purchased and rehabilitated with matching funds from ODMA and a tax-exempt mortgage. Some of the units are rented to voucher holders. The Authority also provides lead inspection and clearance services to other PHA's and non-profit organizations. The Authority also performs property management and maintenance services to other community agencies servicing special needs populations. Properties developed under this program are developed to be available to low and moderate-income families. The rent does not exceed 30% of income for families at 50% of median income for Hocking County.

The Authority's Programs - continued

Other Business (HMHA Rentals) - continued

On December 29, 2016, HMHA Rentals closed on a $400,000 refinancing through a debt consolidation loan through a tax-free mortgage which refinanced all of the nonpublic housing debt at a 3.375% rate which has projected savings of $11,000 annually in debt service payments and provided $50,000 in additional capital for property improvements in the HMHA Rentals portfolio.

In September 2016, the Housing Authority began the process of managing a number of other rental properties located in Middleport, McArthur, and Logan, Ohio on behalf of those properties present owners. The management of these properties resulted in net revenues of $135,674 and $175,062 for the years ended December 31, 2018 and 2017, respectively.

In October 2018, HMHA Rentals completed construction of and opened an new Homeless Shelter located in Logan, Ohio, at total cost of $697,482. During 2018, HMHA Rentals received a grand total of $611,054 in grants from various governmental agencies related to the construction and operation of the Shelter, which is currently being rented to the Hocking Hills Inspire Shelter for a monthly rental of $575 per month.

Hocking County Development Disabilities Board - The Authority entered into contract to serve as the Hocking County Disability Housing Provider. This project included the maintenance and property management of the six homes in Hocking County that serve as housing for Developmentally Disabled Adults. The project includes all aspects of housing management and maintenance. It is funded from rent collection and subsidy received from the Hocking Development Disabilities Board. HMHA first entered into a maintenance services contract starting in January of 2013, and this was converted to a full property management contract in July 2013. The six properties in the project are owned by Vinton Count Metropolitan Housing Authority.

This contract expired at the end of 2018, and was not renewed by the Hocking County Development Disabilities Board. A total of $10,675 has been set aside at December 31, 2018 as payment due to the Hocking County Development Disabilities Board to settle up between the Authority program and the Board, and this amount was paid in July 2019 by the Authority Program.

Fairfield County Development Disability Board – The Authority entered into a contract to serve as the Fairfield County Development Disability Board's housing provider in April of 2013 and completed the transfer of responsibilities in November of 2013. As part of this transition, the Authority purchased 10 homes from Fairfield Affordable housing as part of a 17 property acquisition for $738,000. The Authority began billing and receiving payments under this contract in December of 2013. The annual revenue for this contract is estimated at $130,000 per year.

In August 2018, the Board purchased an additional rental property using state capital funds for the $130,000 purchase ($131,505 after closing costs), located at 1892 Frank Drive in Lancaster.

In March 2017, the Board purchased an additional rental property using state capital funds for the $143,640 purchase ($153,709 after closing costs), located at 1651 Quail Meadow Drive in Lancaster.

In September 2016, the Board purchased an additional rental property using state capital funds for the $159,480 purchase ($161,292 after closing costs), located at 2550 Lancaster-Thornville Road in Lancaster.

The Authority's Programs - continued

Our House – Recovery House – Hocking MHA, in partnership with Hopewell Behavioral Health Services, and the Athens, Hocking, Perry 317 Board, was awarded $262,000 from the Ohio Department Mental Health and Addiction Services and the 317 Board to purchase and rehabilitate a home to create a men's recovery house in Logan, Ohio. HMHA purchased 155 Market Street in April of 2015, rehab work was completed and Our House opened June 1, 2015 with its resident manager in place. Hocking MHA owns the building and is responsible for leasing and property management while Hopewell Behavioral Health is responsible for the day-to-day program operations and oversight.

During 2018, Hocking MHA received the final payment of $130,300 in grants from the Ohio Department of Mental Health and Addiction Services related to the operation of Our House.

GASB Pronouncements

GASB 68

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

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.

GASB Pronouncements – continued

GASB 68 - continued
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.

GASB 75
In 2018, the Authority adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

This Statement was issued in June 2015 and became effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and reporting for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefit (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers and Agent Multiple-Employer Plans,* for OPEB.

(Intentionally left blank)

AUTHORITY-WIDE STATEMENT

Statement of Net Position

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

STATEMENTS OF NET POSITION

	2018	RESTATED 2017
Current Assets and Other	$ 772,705	$ 557,685
Capital Assets, Net	6,244,009	5,866,773
Other Noncurrent Assets	2,047,912	1,984,146
Deferred Outflow of Resources	252,356	336,305
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	9,316,982	8,744,909
Current Liabilities	630,475	733,529
Non-Current Liabilities	4,180,642	4,362,960
Deferred Inflow of Resources	170,200	4,470
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	4,981,317	5,100,959
Net Position:		
Net Investment in Capital Assets	3,541,209	3,241,425
Restricted	127,158	105,694
Unrestricted	667,298	296,831
TOTAL NET POSITION	$4,335,665	$3,643,950

Major Factors Affecting the Statement of Net Position

The change in the Capital Assets, Net is detailed later in the MD&A discussion and the additions and depreciation expense are the factors that represent the change during the fiscal year.

Significant events that affected the net position included the expenses associated with the purchase of a rental property at 1892 Frank Dr., Lancaster, and the newly opened Homeless Shelter owned by HMHA Rentals.

CHANGES IN NET POSITION

Table 2 presents details on the change in Net Position:

	RESTATED Unrestricted	RESTATED Restricted	RESTATED Net Investment in Capital Assets
Beginning Balance - January 1, 2018	$ 296,831	$ 105,694	$ 3,241,425
Results of Operations	740,927	22,632	(71,844)
Adjustments:			
Current year depreciation expense	325,164	-	(325,164)
Capital expenditures and CIP	(701,766)	-	701,766
Change in loan activity	(84,134)	-	84,134
Change in restricted HAP	1,168	(1,168)	-
Ending Balance - December 31, 2018	$ 578,190	$ 127,158	$ 3,630,317

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

(Intentionally left blank)

STATEMENTS OF REVENUES, EXPENSES AND CHANGE 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.

	2018	RESTATED 2017
Revenues		
Tenant revenue - rents and other	$ 801,112	$ 765,609
Operating subsidies and grants	3,312,717	2,280,857
Capital grants	288,338	196,674
Investment income/other revenues	255,034	257,088
TOTAL REVENUE	4,657,201	3,500,228
Expenses		
Administration	801,394	696,273
Tenant services	550	550
Utilities	215,760	187,647
Maintenance	659,659	632,150
General/PILOT/Insurance	185,360	143,463
Housing assistance payments	1,657,195	1,520,273
Depreciation and amortization	325,164	344,465
Interest expense	120,404	114,169
TOTAL EXPENSES	3,965,486	3,638,990
EXCESS OF TOTAL REVENUE OVER TOTAL EXPENSES (TOTAL EXPENSES OVER TOTAL REVENUE)	691,715	(138,762)
NET POSITION - BEGINNING OF YEAR	3,643,950	N/A
NET POSITION - END OF YEAR	$ 4,335,665	$ 3,643,950

Major Factors Affecting the Statement of Revenues, Expenses and Change in Net Position

During 2017, the Housing Authority continued to manage properties located in Hocking, Meigs, and McArthur Counties for which substantial funds are received from the owners of these properties for property management fees and repairs and maintenance of those properties.

In 2017, the Housing Authority began construction of a new Homeless Shelter in Logan, Ohio called the Hocking Hills Inspire Shelter. The Shelter opened in October 2018 and a total of $611,054 in grant money has been received from various governmental agencies related to the construction and operations of the facility.

Major Factors Affecting the Statement of Revenues, Expenses and Change in Net Position - continued

On December 29, 2016, HMHA Rentals closed on a $400,000 refinancing utilizing a debt consolidation loan through a tax-free mortgage which refinanced all of the nonpublic housing debt at a 3.375% rate which has projected savings of $11,000 annually in debt service payments and provided $50,000 in additional capital for property improvements in the HMHA Rentals portfolio.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had $6,244,009 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation) of $377,236, from the end of last year.

CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	2018	RESTATED 2017
Land and land rights	$ 1,339,569	$ 1,281,705
Buildings	12,556,785	11,836,956
Equipment	211,432	226,590
Leasehold improvments	1,508,216	1,469,351
Construction in progress	177,845	310,333
Accumulated depreciation	(9,549,838)	(9,258,162)
TOTAL	$ 6,244,009	$ 5,866,773

CHANGES IN CAPITAL ASSETS

The following reconciliation summarizes the change in capital assets:

Beginning balance - January 1, 2018	$ 5,866,773
Capital asset additions	701,766
Depreciation	(324,530)
Ending balance - December 31, 2018	$ 6,244,009

CAPITAL ASSETS AND DEBT ADMINISTRATION - CONTINUED

Debt Administration

The following is the debt activity during 2018:

Beginning balance - January 1, 2018	$	3,413,508
Current year loan additions		247,283
Current year loan retirements		(163,150)
Ending balance - December 31, 2018	$	3,497,641

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, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

IN CONCLUSION

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

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Nathan Blatchley, Executive Director of the Hocking Metropolitan Housing Authority at (740) 385-3883.

HOCKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
December 31, 2018

ASSETS		
Current assets		
Cash and cash equivalents	$	421,507
Cash and cash equivalents - restricted		127,158
Investments		27,937
Receivables, net		131,265
Inventories, net		17,712
Prepaid expenses and other assets		47,126
TOTAL CURRENT ASSETS		772,705
Noncurrent assets		
Capital assets:		
Land and construction in progress		1,517,414
Building and equipment - net of accumulated depreciation		4,726,595
Other noncurrent assets		2,047,912
TOTAL NONCURRENT ASSETS		8,291,921
Deferred outflow of resources - Pension		223,747
Deferred outflow of resources - OPEB		28,609
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$	9,316,982

The accompanying notes are an integral part of this financial statement

HOCKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION - CONTINUED
December 31, 2018

LIABILITIES		
Current liabilities		
Accounts payable	$	60,649
Accrued liabilities		57,649
Accrued compensated absences		28,087
Intergovernmental payables		30,726
Tenant security deposits		60,917
Unearned revenue		80,203
Bonds, notes, and loans payable		312,244
TOTAL CURRENT LIABILITIES		630,475
Noncurrent liabilities		
Bonds, notes and loans payable		3,185,397
Accrued compensated absences non-current		3,905
Net pension liability		602,578
Net OPEB liability		388,762
TOTAL NONCURRENT LIABILITIES		4,180,642
Deferred inflow of resources - Pension		141,240
Deferred inflow of resources - OPEB		28,960
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES		4,981,317
NET POSITION		
Net Investment in capital assets		3,541,209
Restricted net position		127,158
Unrestricted net position		667,298
TOTAL NET POSITION	$	4,335,665

The accompanying notes are an integral part of this financial statement

HOCKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
Year Ended December 31, 2018

OPERATING REVENUES		
Tenant revenue	$	801,112
Government operating grants		3,312,717
Other revenue		189,972
TOTAL OPERATING REVENUES		4,303,801
OPERATING EXPENSES		
Administrative		801,394
Tenant services		550
Utilities		215,760
Maintenance		659,659
Insurance		49,755
General		135,605
Housing assistance payments		1,657,195
Depreciation and amortization		325,164
TOTAL OPERATING EXPENSES		3,845,082
OPERATING INCOME		458,719
NON-OPERATING REVENUES (EXPENSES)		
Capital grants		288,338
Interest and investment revenue		65,062
Interest expense		(120,404)
TOTAL NON-OPERATING REVENUE (EXPENSE)		232,996
EXCESS OF TOTAL REVENUE OVER TOTAL EXPENSES		691,715
NET POSITION - BEGINNING OF YEAR - RESTATED		3,643,950
NET POSITION - END OF YEAR	$	4,335,665

The accompanying notes are an integral part of this financial statement

HOCKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES		
Operating grants received	$	3,336,863
Tenant revenue received		784,186
Other revenue received		124,970
General and administrative expenses paid		(1,871,572)
Housing assistance payments		(1,657,195)
NET CASH PROVIDED BY OPERATING ACTIVITIES		717,252
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned and received		572
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES		
Capital grants received		267,804
Property and equipment purchased		(701,766)
Proceeds from issuance of debt		247,283
Principal payments on debt		(163,149)
Interest payments		(120,404)
NET CASH (USED) BY CAPITAL AND RELATED ACTIVITIES		(470,232)
CHANGE IN CASH AND CASH EQUIVALENTS		247,592
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		301,073
CASH AND CASH EQUIVALENTS - END OF YEAR	$	548,665

The accompanying notes are an integral part of this financial statement

HOCKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2018

RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	$	458,719
Adjustment to reconcile operating loss to net cash used by operating activities		
- Depreciation and amortization		325,164
(Increases) decreases in:		
- Accounts receivables, net		14,399
- Inventory, net		14,325
- Prepaid assets		3,938
- Deferred outflow of resources		83,949
Increases (decreases) in:		
- Accounts payable		(155,715)
- Accrued liabilities		2,684
- Accrued compensated absence payable		(4,936)
- Intergovernmental payables		1,231
- Tenant security deposits		5,852
- Unearned revenue		(76,649)
- Accrued pension and OPEB liabilities		(121,437)
- Deferred inflow of resources		165,728
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	717,252

The accompanying notes are an integral part of this financial statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies
The financial statements of the Hocking 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 governmental 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 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 for the Authority over which the Authority is financially accountable.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Fund Accounting
The Authority uses the enterprise fund to report on its financial position and results of its operations for the HUD programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The enterprise fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

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

Projects (PH & CF) – 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 to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for the Authority's physical and management improvement. Funds are allocated by a formula allocation and based on size and age of the Authority's units.

Housing Choice Vouchers – 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Business Activities (OBA) – Hocking Metropolitan Housing Authority operates several other business activities not related to the major federal housing programs. At present the Authority owns 15 open market apartments. Some of the units are rented to voucher holders. The Authority also provides lead inspection and clearance services to other PHA's and non-profit organizations. The Authority also performs property management services to other community agencies servicing special needs populations. Properties developed under this program are developed to be available to low and moderate-income families. The rent does not exceed 30% of income for families at 50% of median income for Hocking County. The Authority homeownership and home development for sale is also included in this activity.

Shelter Plus Care Program and Continuum of Care Program
Hocking Metropolitan Housing Authority was awarded a Shelter Plus Care Grant in June of 2006. The Shelter Plus Care Program provides rental assistance to disabled individuals that have been identified as homeless. The Authority provides housing services in cooperation with other community service agencies that provide case management services.

Accounting and Reporting for Non-exchange Transactions
Non-exchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of non-exchange transactions as follows:

- Derived tax revenues: result from assessments imposed on exchange transactions (i.e., income taxes, sales taxes and other assessments on earnings or consumption).

- Imposed non-exchange revenues: result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (i.e. property taxes and fines).

- Government-mandated non-exchange transactions: occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (i.e., federal programs that state or local governments are mandated to perform).

- Voluntary non-exchange transactions: result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).

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

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

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

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

Use of Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Receivables – net of allowance
Total receivables at December 31, 2018 are $131,265. This amount is net of the allowance for doubtful accounts of $28,561. Bad debts are provided on the allowance method based on management's evaluation of the probability of collecting the outstanding tenant receivable balances at the end of the year.

Prepaid Expenses
Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

Property and Equipment
Property and equipment is recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. The capitalization policy amount is $5,000.

Useful Lives:	Buildings	27.5 – 40 years
	Buildings and Leasehold Improvements	15
	Furniture and Equipment	7
	Autos	5

Depreciation is recorded on the straight-line method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments
The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ended December 31, 2018 totaled $65,062.

Net Position
Net position represents the difference between assets and liabilities. Net investments in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net position is recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

Operating Revenues and Expenses
Operating revenues and expenses are those revenues that are generated directly from the primary activities of the proprietary fund and expenses incurred for the day to day operation. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue. Operating expenses are those expenses that are generated from the primary activity of the proprietary fund.

Capital Contributions
This represents contributions made available by HUD with respect to all federally aided projects under an annual contribution contract.

Budgetary Accounting
The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its Enterprise Funds receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end. The Board of Commissioners adopts the budget through passage of a budget resolution.

Inventories
The Authority's inventory is comprised of maintenance materials and supplies. Inventories are stated at cost. The consumption method is used to record inventory. Under this method, the acquisition of materials and supplies is recorded initially in inventory accounts and charged as expense when used. The allowance for obsolete inventory was $1,790 at December 31, 2018.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

The following is a summary of changes in the compensated absence liability:

	Balance 12/31/17	Earned	Used	Balance 12/31/18	Due in One Year
Compensated absences payable	$ 36,928	$ 21,740	$ (26,676)	$ 31,992	$ 28,087

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

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the government-wide statement of net position for pension and other post-employment benefits. The deferred outflows of resources related to pension and other post-employment benefits are explained in Notes 8 and 9.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that apples to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources are reported on the statement of net position for pension and other post-employment benefits. Deferred inflows of resources related to pension and other post-employment benefits are reported in Notes 8 and 9.

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

2. IMPLEMENTATION OF GASB PRONOUNCEMENTS

Newly adopted statements issued by GASB

The Governmental Accounting Standards Board has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The adoption of GASB Statement No. 75 has required a restatement of beginning net position for its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 85, *Omnibus 2017*, effective for fiscal years beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The adoption of GASB Statement No. 85 had no impact on the December 31, 2018 financial statements.

3. DEPOSITS AND INVESTMENTS

Deposits

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

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

B. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to passbook accounts.

3. DEPOSITS AND INVESTMENTS – CONTINUED

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

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

The carrying amount of the Authority's deposits was $548,665 including $100 petty cash, at December 31, 2018. The corresponding bank balances were $623,667. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure," as of December 31, 2018, $623,667 was covered by federal depository insurance, while $-0- was exposed to custodial risk.

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

<u>Investments</u>
In accordance with the Ohio Revised Code and HUD regulations, the Authority is permitted to invest in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, obligations of certain political subdivisions of Ohio and the United States government and its agencies, and repurchase agreements with any eligible depository or any eligible dealers. Public depositories must give security for all public funds on deposit. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based.

The Authority is prohibited from investing in any financial instruments, contracts, or obligations whose value or return is based or linked to another asset or index, or both, separate from the financial instrument, contract or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse purchase agreements.

Interest Rate Risk – The Authority does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. The Authority's depository agreement and investment policy specifically requires compliance with HUD requirements.

Concentration of Credit Risk – The Authority places no limit on the amount that may be invested with any one issuer. However, it is the Authority's practice to do business with more than one depository.

3. DEPOSITS AND INVESTMENTS – CONTINUED

The Authority's non-negotiable certificates of deposit are classified as investments on the balance sheet but are considered as deposits for GASB Statement No. 3 purposes. Therefore, the categories described above do not apply.

4. RESTRICTED CASH

Restricted cash balances as of December 31, 2018 of $110,947 are made up of the following:

Restricted cash and cash equivalents:		
Tenant security deposits - Public Housing	$	45,728
Tenant security deposits - Other Business Activities		15,189
Modernization and Development - Other Business Activities		16,211
Modernization and Development - Public Housing		50,030
TOTAL RESTRICTED CASH AND CASH EQUIVALENTS	$	127,158

5. CAPITAL ASSETS

A summary of capital assets at December 31, 2018, is as follows:

	RESTATED Balance 12/31/17	Additions	Disposals/ Reclasses	Balance 12/31/18
CAPITAL ASSETS, NOT BEING DEPRECIATED				
Land	$ 1,281,705	$ 57,864	$ -	$1,339,569
Construction in progress	310,333	564,994	(697,482)	177,845
Total	1,592,038	622,858	(697,482)	1,517,414
CAPITAL ASSETS, BEING DEPRECIATED				
Buildings and improvements	11,836,956	719,829	-	12,556,785
Furniture and equipment	226,590	17,696	(32,854)	211,432
Leasehold improvements	1,469,351	38,865	-	1,508,216
Total	13,532,897	776,390	(32,854)	14,276,433
ACCUMULATED DEPRECIATION				
Buildings and improvements	(7,619,848)	(305,720)	-	(7,925,568)
Furniture and equipment	(181,761)	(15,719)	32,854	(164,626)
Leasehold improvements	(1,456,553)	(3,091)	-	(1,459,644)
Total	(9,258,162)	(324,530)	32,854	(9,549,838)
TOTAL CAPITAL ASSETS, NET	$ 5,866,773	$1,074,718	$ (697,482)	$6,244,009

6. OTHER NON-CURRENT ASSETS

These assets consist of the following:

Description	Balance 12/31/17	Additions	Decrease	Balance 12/31/18
Note Receivable - Pine Ridge Apts	$1,288,000	$ -	$ -	$ 1,288,000
Accrued interest receivable - Note receivable - Pine Ridge Apts	684,113	64,400	-	748,513
Loan costs	12,033	-	634	11,399
Totals	$1,984,146	$ 64,400	$ 634	$ 2,047,912

The loan costs were incurred in connection with a major refinancing of debt that occurred on December 29, 2016 and will be amortized over the twenty-year life of the new loan.

(Intentionally left blank)

7. LONG-TERM DEBT

Hocking Metropolitan Housing Authority has several outstanding mortgages as of December 31, 2017. These loans were obtained to purchase property with the Board Funds and also to obtain an interest in the Pine Ridge Development to lease some of the units to public housing tenants.

	Original Balance	Interest Rate	Maturity Date	12/31/2018 Balance
Chase:				
Pine Ridge Loan	$ 900,000	6.86%	March 2027	$ 506,842
Mental Health Property	100,000	0.00%	2047	100,000
The Citizens Bank:				
1892 Frank Drive	130,000	5.42%	February 2019	130,000
FCN:				
Energy Performance	1,416,383	4.69%	May 2028	1,115,068
Vinton County Bank:				
Youthbuild, HMHA Rentals	728,000	2.75%	March 2033	551,265
Century National Bank:				
Refinancing of old debt	400,000	3.375%	December 2026	372,280
1651 Quail Meadow Drive	15,000	4.00%	May 2024	11,971
Fairfield Board of Development Disabillities:				
2550 Lancaster-Thornville Rd.	161,292	0.00%	September 2031	161,292
1651 Quail Meadow Drive	143,640	0.00%	March 2032	143,640
1892 Frank Drive	117,283	0.00%	November 2033	117,283
Other:				
Pine Ridge	288,000	0.00%	2026	288,000
Total Outstanding Mortgages:				3,497,641
Less: Current Portion				312,244
Total Non-Current Mortgages Payable				$ 3,185,397

7. LONG-TERM DEBT - CONTINUED

The following is a summary of changes in long-term debt for the year ended December 31, 2018:

Description	Balance 12/31/17	Additions	Retired	Balance 12/31/18	Due Within One Year
Loans payable	$3,413,508	$247,283	$ 163,150	$ 3,497,641	$ 312,244

Maturities of the debt are as follows:

Years	Principal	Interest	Totals
2019	$ 312,244	$ 105,831	$ 418,075
2020	194,549	97,312	291,861
2021	207,593	88,170	295,763
2022	221,365	78,414	299,779
2023	235,924	67,991	303,915
2024-2028	1,418,990	169,895	1,588,885
2029-2033	729,704	197,356	927,060
2034-2038	77,272	3,974	81,246
2039-2043	-	-	-
2044-2048	-	-	-
2049 and thereafter	100,000	-	100,000
Totals	$ 3,497,641	$ 808,943	$ 4,306,584

8. 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.

8. DEFINED BENEFIT PENSION PLAN - CONTINUED

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 Statement No. 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 both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – The Authority's employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administer 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; therefore, the following disclosure focuses on the traditional pension plan.

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):

8. DEFINED BENEFIT PENSION PLAN – CONTINUED

Plan Description – Ohio Public Employees Retirement System (OPERS) - continued

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

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.

8. DEFINED BENEFIT PENSION PLAN – CONTINUED

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

	Ending 12/31/2017 State and Local	Beginning 1/1/2018 State and Local
2018 Statutory Maximum Contribution Rates		
Employer	14.0%	14.0%
Employee	10.0%	10.0%
2018 Actual Contribution Rates		
Employer:		
Pension	13.0%	14.0%
Post-employment Health Care Benefits	1.0%	0.0%
Total Employer	14.0%	14.0%
Employee	10.0%	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The District's contractually required contribution for the periods ended December 31, 2018, 2017, and 2016 were $78,069, $66,069 and $51,595. 100% has been contributed for 2018, 2017, and 2016.

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

The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District 's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

8. DEFINED BENEFIT PENSION PLAN – CONTINUED

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

Net Pension Liability	Traditional
Proportionate Share of the Net Pension Liability/Asset Prior Measurement Date	$ 751,187
Proportionate Share of the Net Pension Liability/Asset Current Measurement Date	602,578
Change in Proportionate Share	$ (148,609)
Proportion of the Net Pension Liability/Asset	0.003841%
Pension Expense	$ 178,706

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	
Changes in proportion and differences between contributions and proportionate share of contributions	$ 73,052
Difference between expected and actual experience	615
Changes in assumptions	72,011
Authority contributions subsequent to the measurement date	78,069
Total Deferred Outflows of Resources	$ 223,747
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 129,365
Difference between expected and actual experience	11,875
Total Deferred Inflows of Resources	$ 141,240

8. DEFINED BENEFIT PENSION PLAN – CONTINUED

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

$78,069 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending December 31:	OPERS
2019	$ 98,409
2020	16,153
2021	(56,964)
2022	(53,160)
Thereafter	-
Total	$ 4,438

Actuarial Assumptions - OPERS

OPERS' total pension asset and liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

8. DEFINED BENEFIT PENSION PLAN – CONTINUED

Actuarial Assumptions – OPERS - continued

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2017, are presented below:

Key Methods and Assumptions Used in Valuation of Total	
Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2017
Experience Study	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Wage Inflation	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

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.

8. DEFINED BENEFIT PENSION PLAN – CONTINUED

Actuarial Assumptions – OPERS - continued

During 2017 OPERS manage investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan. Within the defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first on the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.92% for 2017.

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 2017 and the long-term expected real rates of return:

Key Methods and Assumptions Used in Valuation of Total Pension Liability		
Actuarial Information	Traditional Pension Plan	Combined Pension Plan
Valuation Date	December 31, 2017	December 31, 2017
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Indiviual entry age	Indiviual entry age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)	3.25% to 10.75% (Includes wage inflation of 3.25%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple

Discount Rate The discount rate used to measure the total pension liability was 7.5%, post experience study results, for the Traditional Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

8. DEFINED BENEFIT PENSION PLAN – CONTINUED

Actuarial Assumptions – OPERS - continued

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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability	$ 1,070,026	$ 602,578	$ 212,868

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

At December 31, 2018, the Authority reported a liability of $602,743 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation for December 31, 2017.

The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities.

9. OTHER POST EMPLOYMENT BENEFIT PLAN

Plan Description

Authority employees participate in the Ohio Public Employees Retirement System of Ohio (OPERS), which is a cost-sharing, multiple-employer retirement plan. OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to initially provide a funding mechanism for a health reimbursement arrangement (HRA), as the prior trust structure could not support the HRA.

9. OTHER POST EMPLOYMENT BENEFIT PLAN - CONTINUED

Plan description - continued

Funding Policy – Ohio Revised Code Chapter 145 authorizes OPERS to offer the Plan and gives the OPERS Board of Trustees discretionary authority over how much, if any, of the health care costs will be absorbed by OPERS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the year ended December 31, 2017. OPERS allocated 1.0% of employer contributions to post-employment health care.

Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” was effective.

OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net OPEB liability represents The Authority’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB 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 these estimates annually.

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

9. OTHER POST EMPLOYMENT BENEFIT PLAN - CONTINUED

Net OPEB Liability - continued

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate health care assets into the 115 Trust. The 401(h) Health Care Trust (401(h) Trust) was a pre-funded trust that provided health care funding for eligible members of the Traditional Pension Plan and the Combined Plan through December 31, 2015, when plans funded through the 401(h) Trust were terminated. The Voluntary Employees' Beneficiary Association Trust (VEBA Trust) accumulated funding for retiree medical accounts for participants in the Member- Directed Plan through June 30, 2016. The 401(h) Trust and the VEBA Trust were closed as of June 30, 2016 and the net positions transferred to the 115Ttrust on July 1, 2016. Beginning in 2016, the 115 Trust, established under Internal Revenue Code (IRC) Section 115, is the funding vehicle for all health care plans. The Plan is included in the report of OPERS which can be obtained by visiting www.opers.org or by calling (800) 222-7377.

The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liability was based on The Authority's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPEB
Deferred Outflows of Resources	
Changes in assumptions	$ 28,306
Differences between expected and actual experience	303
Total Deferred Outflows of Resources	$ 28,609
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 28,960
Total Deferred Inflows of Resources	$ 28,960

9. OTHER POST EMPLOYMENT BENEFIT PLAN – CONTINUED

Net OPEB Liability - continued

Fiscal Year Ending December 31	OPEB
2019	$ 6,438
2020	6,438
2021	(5,987)
2022	(7,240)
Total	$ (351)

Actuarial Assumptions – OPEB

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Key Methods and Assumptions Used in Valuation of Total OPEB	
Actuarial Information	OPEB
Valuation Date	December 31, 2016
Rolled-forward measurment date	December 31, 2017
Experience Study	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Single Discount Rate	3.85%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Wage Inflation	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)
Health Care Cost Trend Rate	7.5% initial, 3.25% ultimate in 2028

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

9. OTHER POST EMPLOYMENT BENEFIT PLAN – CONTINUED

Actuarial Assumptions – OPEB - continued

Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006.

The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

A single discount rate of 3.85% as used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

The following table presents the OPEB liability calculated using the single discount rate of 3.85%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	1% Decrease 2.85%	Current Discount Rate 3.85%	1% Increase 4.85%
Authority's proportionate share of the net OPEB liability	$ 516,487	$ 388,752	$ 285,433

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate. Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation.

9. OTHER POST EMPLOYMENT BENEFIT PLAN – CONTINUED

Actuarial Assumptions – OPEB - continued

On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	$ 371,962	$ 388,752	$ 406,115

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return.

Asset Class	Target Allocation for 2017	Weighted Average Rate of Return (Arithmetic)
Domestic Equities	21.00%	6.37%
International Equities	22.00%	0.00%
Fixed Income	34.00%	1.88%
REITs	6.00%	5.91%
Other Investments	17.00%	974300.00%
Total	100.00%	4.98%

The long-term expected rate of return on health care 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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members.

9. OTHER POST EMPLOYMENT BENEFIT PLAN – CONTINUED

Actuarial Assumptions – OPEB - continued

Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio.

The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2% for 2017.

10. NET PENSION AND OPEB LIABILITIES AT DECEMBER 31, 2018

The following is a summary of changes in the net pension and OPEB liabilities during 2018:

	Beginning Balance 12/31/2017	Additions	Reductions	Ending Balance 12/31/2018	Amounts Due in One Year
Net OPEB Liability	$ 361,589	$ 27,173	$ -	$ 388,762	$ -
Net Pension Liability	751,187	-	(148,609)	602,578	-
Total Long-Term Obligations	$ 1,112,776	$ 27,173	$ (148,609)	$ 991,340	$ -

11. PRIOR PERIOD ADJUSTMENTS

During the preparation of the current year's financial statements, it was discovered that depreciation expense and accumulated depreciation of fixed assets at December 31, 2017 were inadvertently overstated by $49,897 from what had previously been reported.

The correction of the error results in a decrease of $49,897 in accumulated depreciation and an increase in ending Net Position of $49,897 at the end of 2017 from what had previously been reported.

During the preparation of the current year's financial statements, it was discovered that pension expense was inadvertently overstated by $38,479, deferred outflows of resources were understated by $38,787, deferred inflows of resources were understated by $309, and accrued pension payable was overstated by $1 at December 31, 2017 from what was previously reported.

The correction of the errors results in a net increase of $38,479 in ending Net Position of at the end of 2017 from what had previously been reported.

11. PRIOR PERIOD ADJUSTMENTS - CONTINUED

During the preparation of the current year's financial statements, it was discovered that the restricted net position as previously report at December 31, 2017 was understated by $104,526. The correction of the error did not change the net excess of revenues over expenses nor overall net position from what had previously been reported for 2017.

12. RESTATEMENT FOR CHANGES IN ACCOUNTING PRINCIPLES

Effective July 1, 2017, the Corporation adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The Statement addresses accounting and financial reporting for other post-employment benefits (OPEB) provided to employees who participate in the State OPEB plan. The Statement also requires various note disclosures and required supplementary information. As a result, beginning net position has been restated as follows:

Net position as previously reported at December 31, 2017 before prior period adjustments	$ 3,912,084
Prior period adjustments:	
Correction of 2017 depreciation expense	49,897
Correction of 2017 pension expense	38,479
	88,376
Subtotal	4,000,460
Cumulative effects of change in accounting principles	
Beginning new net OPEB liability	(361,592)
Deferred outflows of resources - 2017 OPEB contributions	5,082
	(356,510)
Net position as restated, December 31, 2017	$ 3,643,950

13. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended December 31, 2018, the Authority electronically submitted an unaudited balance sheet summary, revenue and expense summary, and other data to HUD as required on the GAAP basis.

14. ECONOMIC DEPENDENCY

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

15. INSURANCE AND 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 fiscal year ending December 31, 2018 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. Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

16. CONTINGENCIES

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 cost or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recapture amounts would not have a material adverse effect on the overall financial position at December 31, 2018.

HOCKING METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND NET OPEB LIABILITY
Year Ended December 31, 2018

Traditional Pension Plan

	2017	2016	2015
Authority's Proportion of the Net Pension Liability	0.003841%	0.003308%	0.002918%
Authority's Proportionate Share of the Net Pension Liability	$602,578	$781,187	$505,434
Authority's Covered Payroll	$508,225	$429,962	$360,824
Authority's Proportionate Share of the Net Pension Liability As a Percentage of its Covered Employee Payroll	118.57%	181.69%	140.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%

OPEB Plan

	2017	2016
Authority's Proportion of the Net OPEB Liability	0.003580%	0.003580%
Authority's Proportionate Share of the Net OPEB Liability	$388,762	$361,592
Authority's Covered Payroll	$508,225	$429,962
Authority's Proportionate Share of the Net OPEB Liability As a Percentage of its Covered Employee Payroll	76.49%	84.10%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	98.37%	N/A

See the accompanying notes to the Required Supplementary Information

HOCKING METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S OHIO PUBLIC
EMPLOYEES RETIREMENT SYSTEM CONTRIBUTIONS
LAST TEN FISCAL YEARS

Traditional Plan	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required employer contribution	$78,069	$66,069	$51,595	$43,299	$43,434	$41,820	$39,164	$43,920	$46,965	$55,227
Contributions in Relation to the Contractually Required Contribution	(78,069)	(66,069)	(51,595)	(43,299)	(43,434)	(41,820)	(39,164)	(43,920)	(46,965)	(55,227)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
Authority Covered Payroll	$558,282	$508,225	$429,962	$360,824	$361,951	$348,500	$326,370	$366,000	$391,375	$460,221
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%

OPEB Plan	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required employer contribution	$ -	$5,082	$8,599	$7,216	$7,239	$6,970	$6,527	$7,320	$7,828	$9,204
Contributions in Relation to the Contractually Required Contribution	-	(5,082)	(8,599)	(7,216)	(7,239)	(6,970)	(6,527)	(7,320)	(7,828)	(9,204)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
Authority Covered Payroll	$558,282	$508,225	$429,962	$360,824	$361,951	$348,500	$326,370	$366,000	$391,375	$460,221
Contributions as a Percentage of Covered Payroll	0.00%	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

See the accompanying notes to the Required Supplementary Information

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 2018 and 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018 and 2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

HOCKING METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2018

Federal Grantor / Pass Through Grantor Program Title	Pass-Through Number	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development Direct Funding			
Shelter Plus Care	N/A	14.238	$ 327,294
Continuum of Care	N/A	14.267	301,099
Public and Indian Housing - Low Rent Public Housing	N/A	14.850	521,125
Section 8 Housing Choice Vouchers	N/A	14.871	1,276,598
Public Housing Capital Fund	N/A	14.872	288,338
Total Expenditures of Federal Awards			$ 2,714,454

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Hocking Metropolitan Housing Authority (the Authority) under programs of the federal government for the year ended December 31, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Authority has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Hocking Metropolitan Housing Authority
Financial Data Schedule
For the Year Ended December 31, 2018

	Project Total	14.267 Continuum of Care Program	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	$179,347	$6,381	$56,762			$147,484	$36,146	$426,120	-$4,613	$421,507
112 Cash - Restricted - Modernization and Development										
113 Cash - Other Restricted	$50,030					$31,400		$81,430		$81,430
114 Cash - Tenant Security Deposits	$45,728							$45,728		$45,728
115 Cash - Restricted for Payment of Current Liabilities										
100 Total Cash	$275,105	$6,381	$56,762	$0	$0	$178,884	$36,146	$553,278	-$4,613	$548,665
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects			$5,997	$3,622				$9,619		$9,619
124 Accounts Receivable - Other Government			$187		$1,865	$535		$2,587		$2,587
125 Accounts Receivable - Miscellaneous	$53					$36,815	$56,185	$93,053		$93,053
126 Accounts Receivable - Tenants	$21,165					$5,341		$26,506		$26,506
126.1 Allowance for Doubtful Accounts -Tenants	-$500					$0		-$500		-$500
126.2 Allowance for Doubtful Accounts - Other	$0		$0	$0	$0	$0	$0	$0		$0
127 Notes, Loans, & Mortgages Receivable - Current										
128 Fraud Recovery	$2,639		$23,340	$1,030	$1,052			$28,061		$28,061
128.1 Allowance for Doubtful Accounts - Fraud	-$2,639		-$23,340	-$1,030	-$1,052			-$28,061		-$28,061
129 Accrued Interest Receivable										
120 Total Receivables, Net of Allowances for Doubtful Accounts	$20,718	$0	$6,184	$3,622	$1,865	$42,691	$56,185	$131,265	$0	$131,265
131 Investments - Unrestricted	$10,000						$17,937	$27,937		$27,937
132 Investments - Restricted										
135 Investments - Restricted for Payment of Current Liability										
142 Prepaid Expenses and Other Assets	$27,748					$12,703	$6,675	$47,126		$47,126
143 Inventories	$17,653					$1,349		$19,002		$19,002
143.1 Allowance for Obsolete Inventories	-$1,150					-$140		-$1,290		-$1,290
144 Inter Program Due From	$41,023					$0	$69,775	$110,798	-$110,798	$0
145 Assets Held for Sale										
150 Total Current Assets	$391,097	$6,381	$62,946	$3,622	$1,865	$235,487	$186,718	$888,116	-$115,411	$772,705
161 Land	$973,519					$366,050	$0	$1,339,569		$1,339,569
162 Buildings	$10,320,077					$2,260,022	$19,674	$12,599,773		$12,599,773
163 Furniture, Equipment & Machinery - Dwellings	$21,867					$55,139	$13,715	$90,721		$90,721
164 Furniture, Equipment & Machinery - Administration	$27,792		$22,796				$66,000	$116,588		$116,588
165 Leasehold Improvements	$1,459,634					$9,717		$1,469,351		$1,469,351
166 Accumulated Depreciation	-$8,915,396		-$21,718			-$525,071	-$87,655	-$9,549,840		-$9,549,840
167 Construction in Progress						$80,064	$97,783	$177,847		$177,847
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	$3,887,493	$0	$1,078	$0	$0	$2,245,921	$109,517	$6,244,009	$0	$6,244,009
171 Notes, Loans and Mortgages Receivable - Non-Current	$2,036,512							$2,036,512		$2,036,512
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due										
173 Grants Receivable - Non Current										
174 Other Assets						$11,400		$11,400		$11,400
176 Investments in Joint Ventures										

180 Total Non-Current Assets	$5,924,005	$0	$1,078	$0	$0	$2,257,321	$109,517	$8,291,921	$0	$8,291,921
200 Deferred Outflow of Resources	$88,898		$32,769			$30,547	$100,142	$252,356		$252,356
290 Total Assets and Deferred Outflow of Resources	$6,404,000	$6,381	$96,793	$3,622	$1,865	$2,523,355	$396,377	$9,432,393	-$115,411	$9,316,982
311 Bank Overdraft				$2,752	$1,861			$4,613	-$4,613	$0
312 Accounts Payable <= 90 Days	$17,882	$402	$2,746	$190		$10,152	$18,599	$49,971		$49,971
313 Accounts Payable >90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable	$7,687		$1,609			$1,751	$13,181	$24,228		$24,228
322 Accrued Compensated Absences - Current Portion	$5,045	$686	$1,664	$680	$4	$4,509	$15,499	$28,087		$28,087
324 Accrued Contingency Liability										
325 Accrued Interest Payable										
331 Accounts Payable - HUD PHA Programs										
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government	$30,726					$10,678		$41,404		$41,404
341 Tenant Security Deposits	$45,728					$15,189		$60,917		$60,917
342 Unearned Revenue	$31,912	$5,293				$42,998		$80,203		$80,203
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	$83,115					$178,672		$261,787		$261,787
344 Current Portion of Long-term Debt - Operating Borrowings	$50,457							$50,457		$50,457
345 Other Current Liabilities	$1,415					$3,052	$743	$5,210		$5,210
346 Accrued Liabilities - Other	$21,331					$6,500	$380	$28,211		$28,211
347 Inter Program - Due To	$14,319		$27,366			$39,651	$29,462	$110,798	-$110,798	$0
348 Loan Liability - Current										
310 Total Current Liabilities	$309,617	$6,381	$33,385	$3,622	$1,865	$313,152	$77,864	$745,886	-$115,411	$630,475
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	$1,031,954					$1,409,059		$2,441,013		$2,441,013
352 Long-term Debt, Net of Current - Operating Borrowings	$744,384							$744,384		$744,384
353 Non-current Liabilities - Other										
354 Accrued Compensated Absences - Non Current	$3,905							$3,905		$3,905
355 Loan Liability - Non Current										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities	$339,158		$133,882			$138,263	$380,037	$991,340		$991,340
350 Total Non-Current Liabilities	$2,119,401	$0	$133,882	$0	$0	$1,547,322	$380,037	$4,180,642	$0	$4,180,642
300 Total Liabilities	$2,429,018	$6,381	$167,267	$3,622	$1,865	$1,860,474	$457,901	$4,926,528	-$115,411	$4,811,117
400 Deferred Inflow of Resources	$61,199		$21,464			$15,558	$71,979	$170,200		$170,200
508.4 Net Investment in Capital Assets	$2,683,316		$1,078			$747,298	$109,517	$3,541,209		$3,541,209
511.4 Restricted Net Position	$95,758		$0	$0	$0	$31,400		$127,158		$127,158
512.4 Unrestricted Net Position	$1,134,709	$0	-$93,016	$0	$0	-$131,375	-$243,020	$667,298		$667,298
513 Total Equity - Net Assets / Position	$3,913,783	$0	-$91,938	$0	$0	$647,323	-$133,503	$4,335,665	$0	$4,335,665
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$6,404,000	$6,381	$96,793	$3,622	$1,865	$2,523,355	$396,377	$9,432,393	-$115,411	$9,316,982

Hocking Metropolitan Housing Authority
Financial Data Schedule
For the Year Ended December 31, 2018

	Project Total	14.267 Continuum of Care Program	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	2 State/Local	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$436,021					$333,001		$769,022		$769,022
70400 Tenant Revenue - Other	$29,023					$3,067		$32,090		$32,090
70500 Total Tenant Revenue	$465,044	$0	$0	$0	$0	$336,068	$0	$801,112	$0	$801,112
70600 HUD PHA Operating Grants	$521,125	$301,099	$1,276,598	$327,294				$2,426,116		$2,426,116
70610 Capital Grants	$288,338							$288,338		$288,338
70710 Management Fee							$163,485	$163,485	-$163,485	$0
70720 Asset Management Fee							$0	$0		$0
70730 Book Keeping Fee							$41,625	$41,625	-$41,625	$0
70740 Front Line Service Fee										
70750 Other Fees							$99,370	$99,370	-$56,910	$42,460
70700 Total Fee Revenue							$304,480	$304,480	-$262,020	$42,460
70800 Other Government Grants		$2,500			$8,211	$875,890		$886,601		$886,601
71100 Investment Income - Unrestricted	$64,732		$40			$91	$199	$65,062		$65,062
71200 Mortgage Interest Income										
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery	$269		$682	$652				$1,603		$1,603
71500 Other Revenue	$20,912		$13,550			$1,855	$152,212	$188,529	-$42,618	$145,911
71600 Gain or Loss on Sale of Capital Assets										
72000 Investment Income - Restricted										
70000 Total Revenue	$1,360,420	$303,599	$1,290,870	$327,946	$8,211	$1,213,904	$456,891	$4,961,841	-$304,638	$4,657,203
91100 Administrative Salaries	$61,055	$15,196	$37,293	$14,346	$728	$46,754	$191,661	$367,033	-$13,550	$353,483
91200 Auditing Fees	$3,509	$1,331	$3,993	$363		$1,452	$1,624	$12,272		$12,272
91300 Management Fee	$99,506		$24,330			$39,649		$163,485	-$163,485	$0
91310 Book-keeping Fee	$14,587	$2,290	$16,220	$2,620	$95	$5,813		$41,625	-$41,625	$0
91400 Advertising and Marketing	$120					$415	$914	$1,449		$1,449
91500 Employee Benefit contributions - Administrative	$43,492	$4,480	$22,730	$4,464	$239	$23,386	$95,269	$194,060		$194,060
91600 Office Expenses	$25,110	$1,170	$4,850	$529		$10,321	$21,542	$63,522		$63,522
91700 Legal Expense	$5,042	$100	$2,462			$1,073	$982	$9,659		$9,659
91800 Travel	$3,186	$99	$238	$252		$400	$10,151	$14,326		$14,326
91810 Allocated Overhead										
91900 Other	$70,010	$5,195	$22,243	$2,156		$12,532	$40,488	$152,624		$152,624
91000 Total Operating - Administrative	$325,617	$29,861	$134,359	$24,730	$1,062	$141,795	$362,631	$1,020,055	-$218,660	$801,395
92000 Asset Management Fee										
92100 Tenant Services - Salaries										
92200 Relocation Costs										
92300 Employee Benefit Contributions - Tenant Services										
92400 Tenant Services - Other	$550							$550		$550
92500 Total Tenant Services	$550	$0	$0	$0	$0	$0	$0	$550	$0	$550
93100 Water	$24,631					$16,061	$602	$41,294		$41,294
93200 Electricity	$96,213					$49,223	$4,758	$150,194		$150,194
93300 Gas	$4,627					$16,262		$20,889		$20,889
93400 Fuel										
93500 Labor										
93600 Sewer	$3,158							$3,158		$3,158
93700 Employee Benefit Contributions - Utilities										
93800 Other Utilities Expense	$121					$104		$225		$225
93000 Total Utilities	$128,750	$0	$0	$0	$0	$81,650	$5,360	$215,760	$0	$215,760
94100 Ordinary Maintenance and Operations - Labor	$127,780					$33,468	$7,956	$169,204		$169,204
94200 Ordinary Maintenance and Operations - Materials and Other	$87,650			$664		$37,889	$884	$127,087		$127,087
94300 Ordinary Maintenance and Operations Contracts	$130,244	$15,181	$9,749	$38,016		$78,113	$60,300	$331,603	-$75,978	$255,625
94500 Employee Benefit Contributions - Ordinary Maintenance	$91,216					$12,574	$3,955	$107,745		$107,745
94000 Total Maintenance	$436,890	$15,181	$9,749	$38,680	$0	$162,044	$73,095	$735,639	-$75,978	$659,661
95100 Protective Services - Labor										
95200 Protective Services - Other Contract Costs										
95300 Protective Services - Other										
95500 Employee Benefit Contributions - Protective Services										
95000 Total Protective Services	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
96110 Property Insurance	$29,175					$11,962	$3,493	$44,630		$44,630
96120 Liability Insurance										
96130 Workmen's Compensation	$1,732	$101	$514	$100	$10	$931	$1,737	$5,125		$5,125
96140 All Other Insurance										
96100 Total insurance Premiums	$30,907	$101	$514	$100	$10	$12,893	$5,230	$49,755	$0	$49,755
96200 Other General Expenses			$0			$79,805		$79,805	-$10,000	$69,805
96210 Compensated Absences	$15,520	$170	$2,595	$658	-$59	$8,166	$1,336	$28,386		$28,386
96300 Payments in Lieu of Taxes	$30,726							$30,726		$30,726
96400 Bad debt - Tenant Rents	$6,477					$211		$6,688		$6,688
96500 Bad debt - Mortgages										
96600 Bad debt - Other										
96800 Severance Expense										
96000 Total Other General Expenses	$52,723	$170	$2,595	$658	-$59	$88,182	$1,336	$145,605	-$10,000	$135,605
96710 Interest of Mortgage (or Bonds) Payable	$86,859					$33,545		$120,404		$120,404
96720 Interest on Notes Payable (Short and Long Term)										
96730 Amortization of Bond Issue Costs										
96700 Total Interest Expense and Amortization Cost	$86,859	$0	$0	$0	$0	$33,545	$0	$120,404	$0	$120,404

96900 Total Operating Expenses	$1,062,296	$45,313	$147,217	$64,168	$1,013	$520,109	$447,652	$2,287,768	-$304,638	$1,983,130
97000 Excess of Operating Revenue over Operating Expenses	$298,124	$258,286	$1,143,653	$263,778	$7,198	$693,795	$9,239	$2,674,073	$0	$2,674,073
97100 Extraordinary Maintenance										
97200 Casualty Losses - Non-capitalized										
97300 Housing Assistance Payments		$258,286	$1,127,933	$263,778	$7,198			$1,657,195		$1,657,195
97350 HAP Portability-In										
97400 Depreciation Expense	$245,440		$1,576			$74,672	$3,476	$325,164		$325,164
97500 Fraud Losses										
97600 Capital Outlays - Governmental Funds										
97700 Debt Principal Payment - Governmental Funds										
97800 Dwelling Units Rent Expense										
90000 Total Expenses	$1,307,736	$303,599	$1,276,726	$327,946	$8,211	$594,781	$451,128	$4,270,127	-$304,638	$3,965,489
10010 Operating Transfer In							$39,963	$39,963	-$39,963	$0
10020 Operating transfer Out	-$39,963							-$39,963	$39,963	$0
10030 Operating Transfers from/to Primary Government										
10040 Operating Transfers from/to Component Unit										
10050 Proceeds from Notes, Loans and Bonds										
10060 Proceeds from Property Sales										
10070 Extraordinary Items, Net Gain/Loss										
10080 Special Items (Net Gain/Loss)										
10091 Inter Project Excess Cash Transfer In										
10092 Inter Project Excess Cash Transfer Out										
10093 Transfers between Program and Project - In	$285,481					$178,920		$464,401	-$464,401	$0
10094 Transfers between Project and Program - Out	-$248,376					-$178,920	-$37,105	-$464,401	$464,401	$0
10100 Total Other financing Sources (Uses)	-$2,858	$0	$0	$0	$0	$0	$2,858	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	$49,826	$0	$14,144	$0	$0	$619,123	$8,621	$691,714	$0	$691,714
11020 Required Annual Debt Principal Payments	$133,572	$0	$0	$0	$0	$178,672	$0	$312,244		$312,244
11030 Beginning Equity	$3,913,146	$0	-$58,154	$0	$0	$83,765	-$26,673	$3,912,084		$3,912,084
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-$49,189		-$47,928			-$55,565	-$115,451	-$268,133		-$268,133
11050 Changes in Compensated Absence Balance										
11060 Changes in Contingent Liability Balance										
11070 Changes in Unrecognized Pension Transition Liability										
11080 Changes in Special Term/Severance Benefits Liability										
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents										
11100 Changes in Allowance for Doubtful Accounts - Other										
11170 Administrative Fee Equity			-$91,938					-$91,938		-$91,938
11180 Housing Assistance Payments Equity			$0					$0		$0
11190 Unit Months Available	1968	480	3672	360			0	6480		6480
11210 Number of Unit Months Leased	1945	458	3240	360			0	6003		6003
11270 Excess Cash	-$96,207							-$96,207		-$96,207
11610 Land Purchases	$0						$0	$0		$0
11620 Building Purchases	$0						$0	$0		$0
11630 Furniture & Equipment - Dwelling Purchases	$5,265						$0	$5,265		$5,265
11640 Furniture & Equipment - Administrative Purchases	$0						$0	$0		$0
11650 Leasehold Improvements Purchases	$0						$0	$0		$0
11660 Infrastructure Purchases	$0						$0	$0		$0
13510 CFFP Debt Service Payments	$0						$0	$0		$0
13901 Replacement Housing Factor Funds	$0						$0	$0		$0

This page intentionally left blank.

Perry & Associates
Certified Public Accountants, A.C.

313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

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

September 10, 2019

Hocking Metropolitan Housing Authority
33601 Pine Ridge Drive
Logan, Ohio 43138

To the Board of Commissioners:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Hocking Metropolitan Housing Authority,** Hocking County, (the Authority) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 10, 2019, wherein we noted the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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 Standard*s.

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.

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

Perry & Associates
Certified Public Accountants, A.C.

313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

September 10, 2019

Hocking Metropolitan Housing Authority
3526 Lake Avenue
Hocking, Ohio 44004

To the Board of Commissioners:

Report on Compliance for the Major Federal Program

We have audited **Hocking Metropolitan Housing Authority's**, (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Authority's major federal program for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Authority's major federal program.

Management's Responsibility

The Authority's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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.

Opinion on the Major Federal Program

In our opinion, the 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 year ended December 31, 2018.

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 the Uniform Guidance, 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	CFDA # 14.871 Housing Choice Vouchers
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	Yes

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

FINDING 2018-001

Material Weakness

Financial Reporting

When designing the Authority's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The following conditions existed in the Authority's financial reporting:

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING 2018-001 (Continued)

Financial Reporting (Continued)

- Net Investment in Capital Assets was miscalculated, causing Net Investment in Capital Assets to be understated and Unrestricted Net Position to be overstated on the Required Supplemental Information;
- The Authority failed to implement GASB 75 in its original filing. The Authority contracted with an accountant to complete its GASB 75 calculation and refiled its financial report with this information;
- The Authority did not properly calculate GASB 68 deferred balances in its original filing. The Authority contracted with an accountant to correct its GASB 68 calculation and refiled its financial report with this information;
- The Authority's footnotes required adjustments to agree to the Authority's financial statements.

The Authority made all of the adjustments noted above to its financial statements, required supplemental information and footnotes. There were additional errors noted that were not corrected on the financial statements as the amounts were immaterial in nature.

Failure to complete accurate financial reporting could result in inaccurate information being used in decision-making by the Board, management or outside parties.

We recommend due care be exercised when posting entries to the financial records and financial statement and note preparation to prevent errors and assist in properly reflecting the Authority's financial activity in the underlying accounting records to assist in properly presenting all activities in the financial statements and notes.

Management's Response: See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS

None

HMHA

Hocking Metropolitan Housing Authority

33601 Pine Ridge Drive
Logan, Ohio 43138

Phone: 740-385-3883
Fax: 740-385-0230
TDD: 800-750-0750

office@hockingmha.org

Please find the below correction plan to address the material weakness identified in the 2018 Financial Audit.

The fee accountant and staff of the Housing Authority are taking proactive steps to ensure that the calculations, adjusting entries and balances related to the GASB's 68 and 75 are completed properly prior to the submission of the Hinkle financial statements in May 2020.

This includes obtaining copies of the drafts of the Collective OPERS and OPEB reports from the Auditor of State's office for 2018 now, which has already been done.

In addition, we will be more proactive in monitoring and implementing any new pronouncements that may affect financial reporting in the future.

If you have any questions about this plan, its adoption by HMHA, or to suggest any additional items., please contact me via email at nathan@hockingmha.org.

Sincerely,

T. Nathan Blatchley

Executive Director

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

HOCKING METROPOLITAN HOUSING AUTHORITY

HOCKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 19, 2019