

MARION METROPOLITAN HOUSING AUTHORITY

Marion County

Single Audit

For the Fiscal Year Ended June 30, 2020

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Marion Metropolitan Housing Authority
117 North Greenwood Street
Marion, Ohio 43802

We have reviewed the *Independent Auditor's Report* of the Marion Metropolitan Housing Authority, Marion County, prepared by Kevin L. Penn, Inc., for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Marion Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

January 5, 2021

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**MARION METROPOLITAN HOUSING AUTHORITY
MARION, OHIO**

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Independent Auditor's Report

Board of Trustees
Marion Metropolitan Housing Authority
Marion, Ohio

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Marion Metropolitan Housing Authority, Marion County, Ohio (the Authority), as of and for the year ended June 30, 2020, 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

My responsibility is to opine on these financial statements based on my audit. I audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require 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 my judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, I consider internal control relevant to the 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, I 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 my evaluation of the overall financial statement presentation.

I believe the audit evidence I obtained is sufficient and appropriate to support my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of Marion Metropolitan Housing Authority, Marion County, Ohio, as of June 30, 2020, and the respective changes in financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Marion Metropolitan Housing Authority. I 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*, on pages 4 through 12 and Schedules of the Authority's Proportionate Share of the Net Pension and Other Post-Employment Benefit Liabilities and the Authority's Pension and Other Post-Employment Benefit Contributions to the Ohio Public Employees Retirement System on pages 39, 40 and 41, be presented to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. I applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, to the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not opine or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to opine or provide any other assurance.

Supplementary

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

The Schedule of Expenditures of Federal Awards 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 Supplemental Financial Data Schedules and Schedule of Federal Award Expenditures is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. I subjected these schedules to the auditing procedures I applied to the basic financial statements. I also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 19, 2020 on my consideration of the Marion Metropolitan Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Marion Metropolitan Housing Authority's internal control over financial reporting and compliance.

Kevin L. Penn, Inc.
Cleveland, Ohio

November 19, 2020

MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Marion 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, and (d) identify individual fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

- During FY 2020, the Authority’s net position increased by \$54,946 (or 50.23%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net positions were \$164,338 and \$109,392 for FY 2019 and FY 2020, respectively.
- The revenue increased by \$335,174 (or 10.41%) during FY 2020 and was \$3,219,113 and \$3,554,287 for FY 2019 and FY 2020, respectively.
- Total expenses increased by \$219,680 (or .60%) during FY 2020 and were \$3,279,661 and \$3,499,341 for FY 2019 and FY 2020, respectively.

USING THIS ANNUAL REPORT

The Report includes the following sections:

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

MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

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

Government-Wide Financial Statements

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

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

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

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

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

Unrestricted: Consists of Net Position that do not meet the definition of "Investment in Capital Assets", or "Restricted".

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

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

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

The Authority's Fund

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

MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
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FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Business-Type Activities:

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

Other Non-major Funds– In addition to the major program above, the Authority also maintains the following non-major funds. Non-major funds are defined as funds that have assets, liabilities, revenues, or expenses of at least 5% or more of the Authority's total assets, liabilities, revenues, or expenses.

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

Community Development Block Grants-grant monies are received from local sources to administer this program in a manner similar to the Housing Choice Voucher Program.

The net pension liability (NPL) is the largest single liability reported by the Authority at June 30, 2020 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2020, the Authority adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Authority's proportionate share of each plan's collective:

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

MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
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GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Authority’s statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan’s *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Statement of Net Position

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

	2020	2019
Current and Other Assets	\$ 680,744	\$ 334,989
Capital Assets	29,365	15,357
Total Assets	710,109	350,346
Deferred Outflows of Resources	30,296	58,332
Current Liabilities	330,683	24,728
Non-Current Liabilities	209,162	271,963
Total Liabilities	539,845	296,691
Deferred Inflows of Resources	36,222	2,595
Net position:		
Net Investment in Capital Assets	29,365	15,357
Restricted – HAP	75,005	60,481
Unrestricted	59,968	33,554
Total Net Position	\$ 164,338	\$ 109,392

Major Factors Affecting the Statement of Net Position

Current assets (primarily cash and investments) were increased by \$345,755 or 103%. Total liabilities were increased by \$243,154 or 81.96%. Cares Act Admin Funding and HUD Prepaid July Advance were the major reasons for the increases. GASB 68 & 75 adversely affect the liabilities and the Net position of the authority

The Capital Assets had a net increase of \$14,008 the net from additions or purchases and current year's depreciation. For more detail see "Capital Assets and Debt Administration" below.

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

MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net position July 1, 2019		\$ 33,554
Results of Operations	40,422	
Adjustments:		
Depreciation (1)	<u>8,915</u>	
Adjusted Results from Operations		49,337
Capital Expenditures		(23,923)
Retirement of Debt		<u>(0)</u>
Unrestricted Net position as of June 30, 2020		<u><u>\$ 59,968</u></u>

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

CHANGE OF RESTRICTED NET POSITION

Restricted Net position July 1, 2019		\$ 60,481
Results of Operations		
HAP spent from reserves	10,836	
Recovery Payments	<u>3,688</u>	
Adjusted Results from Operations		<u>14,524</u>
Restricted Net position as of June 30, 2020		<u><u>\$ 75,005</u></u>

MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

	FY 2020	FY 2019
Revenues		
HUD PHA Operating Grants	3,527,878	3,185,120
Investment Income	527	660
Other Revenues –Port In-Admin& HAP	7,821	11,206
Other Revenues- Service Income	7,475	14,200
Other Revenues – Fraud Recovery	7,376	7,927
Gain on Sale of Auto	3,210	0
Total Revenue	3,554,287	3,219,113
Expenses		
Administrative (comp abs)	355,290	396,334
Maintenance	4,206	4,758
Protective Services	1,513	1,487
General(insurance/other)	7,867	8,950
Housing Assistance Payments	3,121,550	2,861,705
Depreciation	8,915	6,427
Total Expenses	3,499,341	3,279,661
Net Increase/(Decrease)	\$ 54,946	\$ (60,548)

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

HUD PHA Operating Grants increased by \$342,758 or 10.76%. The increases in funding and the Cares Act Admin funding were the major reasons for the increase. There was also increases in leasing. FY20 had 7,672-unit months leased compared to 7,173 in FY19. (6.96% increase) This also had the affect of increases in Housing Assistance Payments by \$259,845 or 9.08% from FY19.

The net decrease for 2020 should be broken into HAP funds & PHA funds as follows: \$14,524 increase to the Restricted HAP (NRP) and \$40,422 increase to the Authority's funds (UNP).

Other revenues represent income from providing services to other housing authorities, revenues from tenant fraud recovery, and service fees from other housing authorities. These revenues tend to fluctuate slightly between fiscal years.

Administrative expenses include salaries and related benefits, along with other administrative expense such as audit fees and office expenses. The Authority attempts to control these expenses to reduce spending as much as possible; these expenses fluctuate slightly between fiscal years.

MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2020, the Authority had \$29,365 invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions, and depreciation).

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

	Business-type Activities	
	FY 2020	FY 2019
Furniture & Equipment	27,969	27,308
Vehicles	23,994	15,981
Accumulated Depreciation	(22,598)	(27,874)
Total	<u>\$ 29,365</u>	<u>\$ 15,357</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 22 of the notes.

CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance, July 1, 2019	\$15,357
Additions	24,713
Gain /(Loss) from Disposition	(1,790)
Depreciation	<u>(8,915)</u>
Ending Balance, June 30, 2020	<u>\$29,365</u>

This year's additions: \$719-Notebook Computer and \$23,994 - 2020 Chev Equinox Both purchased with Cares Act Admin funding.

MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Debt Outstanding

As of year-end, the Authority has no outstanding debt (bonds, notes, etc.)

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

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

MARION METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted (Note 2)	\$ 539,229
Restricted Cash (Note 1)	117,188
Accounts Receivable - Fraud Recovery	22,970
Allowance for Doubtful Accounts	(22,970)
Accounts Receivable – HUD	16,341
Accounts Receivable - Other	1,860
Prepaid Expenses	6,126
Total Current Assets	<u>680,744</u>

Non-Current Assets

Depreciable Capital Assets - (Note 5)	<u>29,365</u>
Total Non-Current Assets	29,365

Deferred Outflow of Resources	<u>30,296</u>
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TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u><u>\$ 740,405</u></u>
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LIABILITIES DEFERRED INFLOW OF RESOURCES AND NET POSITION

Current Liabilities

Accounts Payable	\$ 16,145
Unearned Revenue	312,700
Accrued Compensated Absences	1,838
Total Current Liabilities	<u>330,683</u>

Non-Current Liabilities

Accrued Compensated Absences	13,019
Accrued Pension (Note 8)	196,143
Total Non-Current Liabilities	<u>209,162</u>
Total Liabilities	<u><u>\$ 539,845</u></u>

Deferred Inflow of Resources	<u><u>\$ 36,222</u></u>
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Net Position

Net Investment in Capital Assets	\$ 29,365
Restricted	75,005
Unrestricted	59,968
Total Net Position	<u><u>\$ 164,338</u></u>

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

MARION METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

Operating Revenue:

HUD Operating Subsidies and Grants	\$ 3,527,878
Fraud Recovery	7,376
Other Revenue	15,296
Total Operating Revenue	<u>3,550,550</u>

Operating Expenses:

Housing Assistance Payments	3,121,550
Salaries	86,979
Employee Benefits	60,581
Other Administrative Expense	207,730
Material and Labor - Maintenance	4,206
Depreciation Expense	8,915
General Expenses	9,380
Total Operating Expenses	<u>3,499,341</u>

Operating Income (Loss)	51,209
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Non-Operating Revenues (Expenses)

Gain on the Sale of Fixed Assets	3,210
Investment Income - Unrestricted	527
Total Non-Operating Revenues (Expenses)	<u>3,737</u>

Change in Net Position	54,946
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Net Position - Beginning of Year	<u>109,392</u>
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Net Position - End of Year	<u><u>\$ 164,338</u></u>
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The accompanying notes are an integral part of the financial statements.

MARION METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash Flows From Operating Activities:

Cash Received from HUD	\$ 3,619,318
Cash Received from Other Revenue - Cares Act Funds	29,237
Cash Received from Other Income	22,672
Cash Payments for Housing assistance payments	(3,121,550)
Cash Payments for Administrative	(191,585)
Cash Payments for Other Operating Expenses	(9,380)
Net Cash Provided (Used) by Operating Activities	<u>348,712</u>

Cash Flows From Capital and Related Financing Activities:

	<u>0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	0

Cash Flows From Investing Activities:

Furniture and Equipment Purchase	(22,923)
Proceeds from Sale of Fixed Assets	3,210
Investment Income	527
Net Cash Provided (Used) by Investing Activities	<u>(19,186)</u>

Increase (Decrease) in Cash and Cash Equivalents	329,526
Cash and Cash Equivalents - Beginning of Year	<u>326,891</u>
Cash and Cash Equivalents - End of Year	<u>\$ 656,417</u>

Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:

Operating Income (Loss)	\$ 51,209
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:	
Depreciation	8,915
(Increase) decrease in:	
Accounts Receivable	(16,292)
Prepaid Expenses	63
Deferred Outflow of Resources	28,036
Increase (decrease) in:	
Accounts Payable	5,901
Compensated Absences	1,838
Unearned Revenue	302,171
Accrued Pension	(65,072)
Deferred Inflow of Resources	33,627
Accrued Expenses	(1,684)
Net cash used in operating activities	<u>\$ 348,712</u>

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

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

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

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

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

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

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

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MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Fund Accounting

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

Proprietary Fund Type:

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

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

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

Measurement Focus/Basis of Accounting

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

Basic Financial Statements:

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

**MARION METROPOLITAN HOUSING AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounting and Reporting for Nonexchange Transactions

Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of nonexchange transactions as follows:

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

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

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

PHA grants and subsidies will be defined as government-mandated or voluntary nonexchange transactions.

GASB 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

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

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

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounting and Reporting for Nonexchange Transactions (continued)

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

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

Capital Assets

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

Estimated Useful Description Lives - Years

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

Total depreciation expense for the 2020 fiscal year was \$8,915.

Cash and Cash Equivalents

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

Compensated Absences

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

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(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated Absences (continued)

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

Net Position

Net Position represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount reported as restricted Net Position at fiscal year end represents the amounts restricted by HUD for future Housing Assistance Payments. When an expense is incurred for purposes which both restricted and unrestricted Net Position are available, the Authority first applies restricted Net Position. Net Position restricted by HUD was \$75,005.

Estimates

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

Prepaid Items

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

Operating Revenues and Expenses

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

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(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Unearned Revenues

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

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

Accounts Receivable

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

Pensions

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

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

All monies are deposited into banks as determined by the Authority. Funds are deposited in interest bearing accounts. Security shall be furnished for all accounts in the Authority's name. Cash and cash equivalents included in the Authority's cash position at June 30, 2020 are as follows:

Demand Deposits:	Checking	Savings	Total
Bank Balance	\$ 449,604	\$209,046	\$ 658,650
Reconciling Items	<u>(2,233)</u>	<u>0</u>	<u>(2,233)</u>
Carrying Balance	<u>\$ 447,371</u>	<u>\$209,046</u>	<u>\$ 656,417</u>

Of the fiscal year-end cash balance, \$250,000 was covered by federal deposit insurance, and \$408,650 was secured by pledges securities held by a third party trustee.

Based on the Authority having only demand deposits at June 30, 2020, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

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(CONTINUED)**

3. RESTRICTED CASH

Restricted cash balance as of June 30, 2020 of \$117,188 represents unspent HAP funding provided for the Housing Choice Voucher program.

4. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year 2020, the Authority purchased commercial insurance for vehicle, health, generally liability, building contents, and real property insurance.

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

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

5. CAPITAL ASSETS

The following is a summary of capital assets at June 30, 2020:

	<u>Balance at July 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2020</u>
Capital Assets Depreciated				
Vehicles	15,981	23,994	(15,981)	23,994
Furniture, Equipment, and Machinery	<u>27,250</u>	<u>719</u>	<u>0</u>	<u>27,969</u>
Total Capital Assets Depreciated	43,231	24,713	(15,981)	51,963
Accumulated Depreciation				
Vehicles	(11,611)	(4,980)	14,191	(2,400)
Furniture, Equipment and Machinery	<u>(16,263)</u>	<u>(3,935)</u>	<u>0</u>	<u>(20,198)</u>
Total Accumulated Depreciation	<u>(27,874)</u>	<u>(8,915)</u>	<u>14,191</u>	<u>(22,598)</u>
Total Capital Assets Depreciated, Net	<u>15,357</u>	<u>15,798</u>	<u>(1,790)</u>	<u>29,365</u>
Total Capital Assets, Net	<u>\$ 15,357</u>	<u>15,798</u>	<u>\$ (1,790)</u>	<u>\$ 29,365</u>

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6. DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable. The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the fiscal year is included in accounts payable on the accrual basis of accounting.

Plan Description – All employees of the Authority are eligible to participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

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

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6. DEFINED BENEFIT PENSION PLAN – CONTINUED

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

OPERS provides retirement, disability, survivor and death benefits, and annual costs-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 OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222-7377.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Authority is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the PERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The 14% employer contribution rate consisted of 13% allocated to pension and 1% allocated to post-employment health care benefits; starting January 1, 2020, the percentages were 14% to pension and 0% to post-employment health care benefits. The Retirement Board, acting with the advice of the actuary, allocates the contribution rate consistent across all three plans. The Authority’s contractually required contribution to OPERS was \$11,846 for fiscal year 2020. Of this amount \$1,060 is reported within accounts payable.

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

The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority’s proportion of the net pension liability was based on the Authority’s share of the contributions to the pension plan relative to the contributions of all participating entities. The Authority’s employees have only participated in the Traditional Plan. Following is information related to the proportionate share and pension expense:

	<u>OPERS Traditional Plan</u>
Proportionate Share of the Net Pension Liability	\$118,792
Proportion of the Net Pension Liability	0.0006010%
Change in Proportion from Prior Measurement Date	0.0000600%
Pension Expense	\$ 11,846

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(CONTINUED)**

6. DEFINED BENEFIT PENSION PLAN – CONTINUED

At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Inflows of Resources

Net difference between projected and actual earnings on pension plan investments	\$ 23,696
Differences between expected and actual experience	<u>1,502</u>
Total Deferred Outflows of Resources	<u>\$ 25,198</u>

Deferred Outflows of Resources

Changes in assumptions	<u>\$ 18,050</u>
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The amounts 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 fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Calendar Year Ending December 31	Traditional Pension Plan Net Deferred Inflows/(Outflows) of Resources
2020	\$ 27,727
2021	7,653
2022	(981)
2023	9,409
Thereafter	<u>-</u>
Total	<u>\$ 43,807</u>

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(CONTINUED)**

6. DEFINED BENEFIT PENSION PLAN – CONTINUED

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Individual entry age
Investment Rate of Return	7.20%
Wage Inflation	3.25%
Projected Salary Increases	3.25-10.75% (includes wage inflation at 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
Price Inflation	3%

Special tables are used for the period after disability retirement and post-retirement mortality. The most recent experience study was completed December 31, 2015. The long-term return expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Allocation	Real Rate of Return
Fixed Income	25.00%	1.83%
Domestic Equities	19.00%	5.75%
Real Estate	10.00%	5.20%
Private Equity	12.00%	10.70%
International Equities	21.00%	7.66%
Other Investments	<u>13.00%</u>	4.98%
Total	<u>100.00%</u>	5.61%

Discount Rate The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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6. DEFINED BENEFIT PENSION PLAN – CONTINUED

Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.2 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
Authority's proportionate share of the net pension liability	\$ 195,926	\$ 118,792	\$ 49,450

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

7. OTHER POST EMPLOYEMENT BENEFITS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. 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 obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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 cannot control benefit terms or the manner in which OPEB are financed; however, the

Authority does receive the benefit of employees’ services in exchange for compensation including OPEB.

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7. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

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.

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

Plan Description – OPERS

Health Care Plan Description - The Ohio Public Employees Retirement System (OPERS. OPERS administers three separate plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit plan. The member directed plan is a defined contribution plan and the combined plan is a cost sharing, multiple-employer defined benefit plan with defined contribution features. As of December 2016, 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. 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 115 Trust 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 OPERS health care plans are reported as other post-employment benefit plans (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care program design to improve the ongoing solvency of the plans. Eligibility requirements for access to the OPERS health care options have changed over the history of the program for Traditional Pension Plan and Combined Plan members. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage.

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7. OTHER POST EMPLOYEMENT BENEFITS – CONTINUED

Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Beginning 2016, Traditional Pension Plan and Combined Plan retirees enrolled in Medicare A and B were eligible to participate in the OPERS Medicare Connector (Connector). The Connector, a vendor selected by OPERS, assists eligible retirees in the selection and purchase of Medicare supplemental coverage through the Medicare market. Retirees that purchase supplemental coverage through the Connector may receive a monthly allowance in their HRA that can be used to reimburse eligible health care expenses.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Employer contribution rates are expressed as a percentage of the earnable salary of active members. In fiscal year 2020, Authority contributed at a rate of 14 percent of earnable salary. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14 percent of covered payroll. Active member contributions do not fund health care. With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage.

The portion of employer contributions allocated to healthcare was 1.0% for calendar year 2019. As recommended by OPERS's actuary, the portion of employer contributions allocated to healthcare beginning January 1, 2020 decrease to 0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

Authority's contractually required contribution was \$11,846 for the fiscal year 2020. Of this amount, \$2,018 was used to fund health care.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(CONTINUED)**

7. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

The net OPEB liability for OPERS was measured as of December 31, 2019, 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 retirement system relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

Proportionate Share of the Net OPEB Liability	\$ 77,351
Proportion of the Net OPEB Liability	0.0005600%
Change in Proportion from Prior Measurement Date	0.0000055%
OPEB Expense	\$ 8,771

At June 30, 2020, The Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Inflows of Resources

Net difference between projected and actual earnings on pension plan investments	\$ 3,939
Differences between expected and actual experience	<u>7,085</u>
Total Deferred Intflows of Resources	<u>\$ 11,024</u>

Deferred Outflows of Resources

Changes in assumptions	\$ 12,244
Differences between expected and actual experience	<u>2</u>
Total Deferred Outflows of Resources	<u>\$ 12,246</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Calendar Year Ending December 31:	Traditional Pension Plan Net Deferred Inflows/(Outflows) of Resources
2020	\$ (1,984)
2021	(929)
2022	(3)
2023	1,683
Thereafter	<u>0</u>
Total	<u>\$ (1,233)</u>

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(CONTINUED)**

7. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all periods included in the measurement:

Wage Inflation	3.25%
Future Salary Increases, including inflation	3.25% 3.25 - 10.75%
Single Discount Rate	3.85%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Health Care Cost Trend Rate	7.5% initial, 3.25% ultimate in 2028
Actuarial Cost Method	Individual entry age

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 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.

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(CONTINUED)**

7. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	36.00%	1.53%
Domestic Equities	21.00%	5.75%
REITs	6.00%	5.69%
International Equities	23.00%	7.66%
Other Investments	<u>14.00%</u>	4.90%
TOTAL	<u>100.00%</u>	4.55%

Discount Rate: The single discount rate used to measure the OPEB liability was 3.85 percent. 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 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 the 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.

Sensitivity of Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate:

The following table presents the Authority's proportionate share of the net OPEB liability calculated using the current period discount rate assumption of 3.16 percent, as well as what The Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one percentage-point higher (4.16 percent) than the current rate:

	1% Decrease <u>(2.16%)</u>	Single Discount Rate <u>(3.16%)</u>	1% Increase <u>(4.16%)</u>
Authority's proportionate share of the net OPEB liability	\$ 101,226	\$ 77,351	\$ 58,234

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(CONTINUED)**

7. OTHER POST EMPLOYMENT BENEFITS – CONTINUED

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 2020 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. 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.

	<u>1% Decrease (6.50%)</u>	<u>Current Cost Trend Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Consortium's proportionate share of the net OPEB liability	\$ 75,068	\$ 77,351	\$ 79,064

8. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities at June 30, 2020:

	<u>Restated Balance at July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2020</u>	<u>Due in One Year</u>
Compensated Absences	\$ 13,019	\$ 11,286	\$(9,448)	\$ 14,857	\$ 1,838
Net OPEB Liability	80,181	0	(2,830)	77,351	0
Net Pension Liability	<u>181,034</u>	<u>0</u>	<u>(62,242)</u>	<u>118,792</u>	<u>0</u>
Total	<u>\$274,234</u>	<u>\$ 11,286</u>	<u>\$(74,520)</u>	<u>\$211,000</u>	<u>\$ 1,838</u>

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

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(CONTINUED)**

9. CONTINGENT LIABILITIES

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts could have a material adverse effect on the overall financial position of the Authority at June 30, 2020.

Litigation

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

10. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal financial assistance programs of the Marion Metropolitan Housing Authority (the Authority) for the year ended June 30, 2020. The Authority's reporting entity is defined in Note 1 to the Authority's financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 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 position, or cash flows of the Authority.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Authority has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(CONTINUED)

11. SUBSEQUENT EVENTS

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through November 19, 2020, the date on which the financial statements were available to be issued.

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

Marion Metropolitan Housing Authority
Balance Sheet
June 30, 2020

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

Line item	Account Description	Housing Choice Vouchers	Housing Choice Vouchers CARES Act Funding	Mainstream Vouchers	Mainstream Vouchers CARES Act Funding	TOTALS
111	Cash - Unrestricted	\$ 524,448	\$ -	\$ 14,781	\$ -	\$ 539,229
113	Cash - Restricted	28,800	32,083	46,205	10,100	117,188
100	Total Cash	553,248	32,083	60,986	10,100	656,417
122	Acct Rec - HUD Other Projects	16,341				16,341
124	Acct Rec-Other Government	1,860				1,860
128	Fraud Recovery	22,970				22,970
128.1	Allow Doubtful Accounts	(22,970)				(22,970)
120	Net Total Receivables	18,201	-	-	-	18,201
142	Prepaid Expenses	6,126				6,126
150	Total Current Assets	577,575	32,083	60,986	10,100	680,744
164	F/E/M Admin.	51,963				51,963
166	Accum Depreciation	(22,598)				(22,598)
160	Net Fixed Assets	29,365	-	-	-	29,365
200	Deferred Outflow of Resources	30,296				30,296
290	Total Assets and Deferred Outflow of Resources	637,236	32,083	60,986	10,100	740,405
312	A/P <= 90 days	16,145				16,145
322	Accrued Comp Abs - current	1,838				1,838
342	Unearned Revenue	262,634	32,083	7,883	10,100	312,700
310	Total Current Liabilities	280,617	32,083	7,883	10,100	330,683
354	Accrued Comp Abs. - Noncurrent	13,019				13,019
357	Accrued Pension and OpEB Liabilities	196,143				196,143
	Total Liabilities	489,779	32,083	7,883	10,100	539,845
400	Deferred Inflow of Resources	36,222	-	-	-	36,222
508.1	Invested in Capital Assets Net	29,365	-	-	-	29,365
511.1	Restricted Net Position	28,800	-	46,205	-	75,005
512.1	Unrestricted Net Position	53,070	-	6,898	-	59,968
513	Total Equity/Net Position	111,235	-	53,103	-	164,338
600	Total Liab., Deferred Inflows of Resources and Equity	\$ 637,236	\$ 32,083	\$ 60,986	\$ 10,100	\$ 740,405

Marion Metropolitan Housing Authority
Statement of Revenue and Expenses
June 30, 2020

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

Line item	Account Description	Housing Choice Voucher	Housing Choice Vouchers CARES Act Funding	Mainstream Vouchers	Business Activities	TOTALS
706-01	Housing Assistance Payment Revenue	\$ 3,062,619	\$ 29,237	\$ 436,022	\$ -	\$3,527,878
711	Investment Income - PHA	459		68		527
714	Fraud Recovery - PHA	7,376				7,376
715	Other Revenue	7,821			7,475	15,296
716	Gain or Loss on Sale of Capital Assets	3,210				3,210
700	TOTAL REVENUE	3,081,485	29,237	436,090	7,475	3,554,287
911	Admin. Salaries	65,581	3,213	12,803	5,382	86,979
912	Audit	3,510		606		4,116
914	Advertisement & Marketing	126		22		148
915	Employee Benefits	49,443		9,419	1,719	60,581
916	Office Expenses	76,924	1,310	13,278		91,512
918	Travel	911		222	374	1,507
919	Other	94,189		16,258		110,447
	Total Operating - Admin.	290,684	4,523	52,608	7,475	355,290
942	Ordinary Maint.	3,587		619		4,206
	Total Maint.	3,587	-	619	-	4,206
952	Protective Services - Other Contract Costs	1,290	-	223		1,513
961.2	Insurance - Liab Insurance	5,142		887		6,029
	Total Insurance	5,142	-	887	-	6,029
962.1	Comp Abs	1,838				1,838
	TOTAL OPERATING EXPENSES	302,541	4,523	54,337	7,475	368,876
970	Excess Oper. Rev. over Exp.	2,778,944	24,714	381,753	-	3,185,411
973	HAP	2,746,842		367,849		3,114,691
973.5	HAP Portability-In	6,859				6,859
974	Depreciation Exp	8,915				8,915
900	TOTAL EXPENSES	3,065,157	4,523	422,186	7,475	3,499,341
10010	Operating Transfer In	24,714				24,714
10020	Operating Transfer Out		(24,714)			(24,714)
1000	NET INCOME (LOSS)	\$ 41,042	\$ -	\$ 13,904	\$ -	\$ 54,946

Marion Metropolitan Housing Authority
 Additional Information Required by HUD
 June 30, 2020

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

Line item	Account Description	Housing Choice Voucher	Mainstream Voucher
11030	Beginning Equity	\$ 70,193	\$ 39,199
11170	Administrative Fee Equity	\$ 82,435	\$ -
11180	Housing Assistance Payment Equity	\$ 28,800	\$ -
11190	Unit Months Available	6588	1146
11210	Number of Unit Months Leased	6528	1144

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY
LAST SEVEN FISCAL YEARS
(UNAUDITED)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability	0.0006010%	0.0006610%	0.0006520%	0.0005850%	0.0006130%	0.0006690%	0.0006690%
Authority's Proportionate Share of the Net Pension Liability	\$ 118,792	\$ 181,034	\$ 102,286	\$ 132,844	\$ 106,179	\$ 80,688	\$ 78,866
Authority's Covered Employee Payroll	\$ 84,613	\$ 90,899	\$ 86,880	\$ 85,767	\$ 70,413	\$ 73,065	\$ 96,236
Authority's Proportionate Share of the Net Pension Liability as a percentage of its covered employee payroll	140.39%	199.16%	117.73%	154.89%	150.79%	110.43%	81.95%
Plan Fiduciary Net Position as a percentage of the total Pension Liability	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	89.19%

- 1) The amounts presented for each fiscal year were determined as of the calendar year-end occurring within the fiscal year.
- 2) Information prior to 2014 is not available.

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB
LIABILITY
LAST FOUR FISCAL YEARS
(UNAUDITED)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's Proportion of the Net OPEB Liability	0.0005600%	0.0006150%	0.0006100%	0.0006100%
Authority's Proportionate Share of the Net OPEB Liability	\$ 77,351	\$ 80,181	\$ 66,242	\$ 61,612
Authority's Covered Employee Payroll	\$ 84,613	\$ 90,899	\$ 86,880	\$ 85,767
Authority's Proportionate Share of the Net OPEB Liability as a percentage of its covered employee payroll	91.42%	88.21%	76.25%	71.84%
Plan Fiduciary Net Position as a percentage of the total Pension Liability	47.80%	43.33%	54.14%	68.52%

1) The amounts presented for each fiscal year were determined as of the calendar year-end occurring within the fiscal year.

2) Information prior to 2017 is not available.

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required employer contribution										
Pension	\$11,406	\$12,253	\$11,711	\$ 10,738	\$ 8,450	\$ 8,768	\$12,511	\$ 9,298	\$ 11,089	\$12,130
OPEB	\$ 440	\$ 473	\$ 452	\$ 1,269	\$ 1,408	\$ 1,461	\$ 962	\$ 3,719	\$ 1,848	\$ 687
Contributions in relation to the										
contractually required contribution	\$(11,846)	\$(12,726)	\$(12,163)	\$(12,007)	\$(9,858)	\$(10,229)	\$(13,473)	\$(13,017)	\$(12,937)	\$(12,817)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority covered-employee payroll	\$ 84,613	\$ 90,899	\$ 86,880	\$ 85,767	\$ 70,413	\$ 73,065	\$ 96,236	\$ 92,979	\$ 92,407	\$ 91,550
Contribution as a percentage of										
covered-employee payroll										
Pension	13.48%	13.48%	13.48%	12.52%	12.00%	12.00%	13.00%	10.00%	12.00%	13.25%
OPEB	0.52%	0.52%	0.52%	1.48%	2.00%	2.00%	1.00%	4.00%	2.00%	0.75%

**MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

NOTE 1 - PENSION OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2019. Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019 the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.

NOTE 2- OTHER POSTEMPLOYMENT BENEFITS (OPEB) OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2017-2019. Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25%, ultimate in 2029.

MARION METROPOLITAN HOUSING AUTHORITY
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2020

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development			
Direct Program:			
<u>Housing Voucher Cluster:</u>			
Section 8 Housing Choice Voucher	14.871	N/A	\$3,062,619
Section 8 Housing Choice Voucher - CARES	14.871	N/A	29,237
Mainstream Vouchers	14.879	N/A	<u>436,022</u>
Total Expenditures of Federal Awards			<u><u>\$3,527,878</u></u>

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



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

Board of Trustees
Marion Metropolitan Housing Authority
Marion, Ohio

I have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Marion Metropolitan Housing Authority, Marion County, Ohio as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued my report thereon dated November 19, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

I noted certain matters that I reported to management of the Marion Metropolitan Housing Authority's in a separate letter dated November 19, 2020.

Purpose of this Report

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

Kevin L. Penn, Inc.
Cleveland, Ohio

November 19, 2020



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Marion Metropolitan Housing Authority
Marion, Ohio

Report on Compliance for each Major Federal Program

I have audited Marion 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 each of Marion Metropolitan Housing Authority's major federal programs for the year ended June 30, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal programs.

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 programs.

Auditor's Responsibility

My responsibility is to opine on the Authority's compliance for each of the Authority's major federal programs based on my audit of the applicable compliance requirements referred to above. My compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and 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 me to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my compliance opinion on each of the Authority's major programs. However, my audit does not provide a legal determination of the Authority's compliance.

Opinion on each Major Federal Program

In our opinion, Marion Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2020.

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 my compliance audit, I considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine my auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, I have not opined on the effectiveness of the Authority's internal control over compliance.

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

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

This report only describes the scope of my internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Kevin L. Penn, Inc.
Cleveland, Ohio

November 19, 2020

Marion Metropolitan Housing Authority
 Schedule of Findings
 June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant Deficiency(ies) identified
 not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over compliance:

Material weakness(es) identified? No

Significant Deficiency(ies) identified
 not considered to be material weaknesses? None Reported

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

Are there any reportable findings under 2 CFR Section 200.516(a)? No

Identification of major programs:

14.871 Housing Choice Vouchers

Dollar threshold used to distinguish
 between Type A and Type B programs: Type A: > \$750,000
 Type B: all others

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings

No matters were reported.

Marion Metropolitan Housing Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020

There were no audit findings, during the 2019 fiscal year.

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OHIO AUDITOR OF STATE KEITH FABER



MARION METROPOLITAN HOUSING AUTHORITY

MARION COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/19/2021

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This report is a matter of public record and is available online at
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