



OHIO AUDITOR OF STATE
KEITH FABER



**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
DECEMBER 31, 2021**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Statement of Net Position	13
Statement of Revenues, Expenses and Changes in Net Position	14
Statement of Cash Flows	15
Notes to the Financial Statements	17
Supplemental Information:	
Financial Data Schedule	23
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	27

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



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

INDEPENDENT AUDITOR'S REPORT

Highland Metropolitan Housing Authority
Highland County
121 East East Street
Washington Court House, Ohio 43160

To the Board Members:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Highland Metropolitan Housing Authority, Highland County, Ohio (Authority), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Highland Metropolitan Housing Authority, Highland County, Ohio as of December 31, 2021, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Financial Data Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such 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 our opinion, the financial data schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2022, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
August 22, 2022

This page intentionally left blank.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(UNAUDITED)**

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Highland Metropolitan Housing Authority’s (the Authority) management’s discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority’s financial activity, (c) identify changes in the Authority’s financial position (its ability to address the next and subsequent fiscal year challenges), and (d) identify individual fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

- During FY 2021, the Authority’s Net Position decreased by \$1,625 or 1.84%. Since the Authority engages only in business-type activities, the increase is all in the category of business-type Net Position. Net Position was \$88,139 and \$86,514 for FY 2020 and FY 2021, respectively.
- The revenue increased by \$58,422 (or 10.18%) during FY 2021 and was \$573,639 and \$632,061 for FY 2020 and FY 2021, respectively.
- The total expenses of the Authority increased by \$72,664 (or 12.95%). Total expenses were \$561,022 and \$633,686 for FY 2020 and FY 2021, 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>Supplementary and Other Information ~ Financial Data Schedules ~</p>

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(UNAUDITED)**

The primary focus of the Authority’s financial statement is on the Authority as a whole (Authority-wide). The Authority operates as a single enterprise fund and this presentation allows the user to address relevant questions, broaden a basis for comparison (year to 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 like a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal “Net Position”. Assets and liabilities are presented in order of liquidity and are classified as “Current” (convertible into cash within one year), and “Non-current”.

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

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

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

Unrestricted Net Position: Consists of Net Position that do not meet the definition of “Net Position Invested in Capital Assets, Net of Related Debt”, or “Restricted Net Position”.

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

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Position is the “Change in Net Position”, which is like 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, and from capital and related financing activities.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(UNAUDITED)**

Fund Financial Statements

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

Business-Type Activities:

The Authority administers several programs that are consolidated into a single proprietary type-enterprise fund. The enterprise fund consists of the following programs.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under 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.

Mainstream Vouchers – This Program is exactly like the HCV except it only subsidizes households where one or more family members have a disability.

Emergency Housing Vouchers – This Program is to assist individuals and families who are experiencing homelessness; at risk of experiencing homelessness; fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking; or were recently homeless and for whom providing rental assistance will prevent the family's homelessness or having high risk of housing instability.

*****This space has intentionally been left blank*****

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(UNAUDITED)**

Statement of Net Position

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

Table 1 - Condensed Statement of Net Position Compared to Prior Year

	<u>2021</u>	<u>2020</u>
Current and Other Assets	\$ 119,784	\$ 98,738
Capital Assets	<u>2,100</u>	<u>2,700</u>
 Total Assets	 <u>121,884</u>	 <u>101,438</u>
 Total Liabilities	 \$ 35,370	 \$ 13,299
 Net Position:		
Investment in Capital Assets	2,100	2,700
Restricted Net Position	25,790	13,119
Unrestricted Net Position	<u>58,624</u>	<u>72,320</u>
 Total Net Position	 <u>86,514</u>	 <u>88,139</u>
 Total Liabilities, Deferred Inflows and Net Position	 <u>\$ 121,884</u>	 <u>\$ 101,438</u>

Major Factors Affecting the Statement of Net Position

Current assets increased by \$21,046 or 21.31% and current liabilities increased \$22,071 due to additional funding received in advance from HUD for the implementation and administration of the Emergency Housing Voucher Program.

Capital assets decreased by \$600. The change in capital assets is due to current year depreciation expense. 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.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(UNAUDITED)**

Table 2 - Change of Net Position

	Investment in		
	Unrestricted	Capital Assets	Restricted
Beginning Balance	\$ 72,320	\$2,700	\$ 13,119
Results of Operation	(14,296)	0	12,671
Adjustments:			
Current Year Depreciation Expense	600	(600)	
Ending Balance	<u>\$ 58,624</u>	<u>\$2,100</u>	<u>\$ 25,790</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

Table 3 - Statement of Revenue, Expenses & Changes in Net Position

	<u>2021</u>	<u>2020</u>
<u>Revenues</u>		
HUD Operating Grants	\$ 590,810	\$ 537,364
Investment Income	230	234
Other Revenues	41,021	36,041
Total Revenues	<u>632,061</u>	<u>573,639</u>
<u>Expenses</u>		
Administrative	99,030	85,671
Housing Assistance Payments	534,056	475,051
Depreciation	600	300
Total Expenses	<u>633,686</u>	<u>561,022</u>
Changes in Net Position	(1,625)	12,617
Net Position - Beginning	88,139	75,522
Net Position - Ending	<u>\$ 86,514</u>	<u>\$ 88,139</u>

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(UNAUDITED)**

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

Total amount of HUD PHA Grants for FY 2021 increased by \$53,446 or 9.95% this includes both Administrative Fees and Housing Assistance Payments. The increase is partially because of the funding received for the Emergency Housing Vouchers.

Leasing rate for 2021 increased to 1,461-unit months leased out of 1,710 available or 85.44%. Compared to 2020 1,461-unit months leased out of 1,605 or 79.19%.

Total expenses for 2021 reflect an increase of \$72,664. The main cause for the increase is additional housing assistance payments made during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2021, the Authority had \$2,100 invested in capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions, and depreciation) decrease of \$600 due to current year depreciation expense.

Table 4 - Capital Assets at Year End

	<u>2021</u>	<u>2020</u>
Equipment	\$ 15,278	\$ 15,278
Accumulated Depreciation	<u>(13,178)</u>	<u>(12,578)</u>
 Total	 <u>\$ 2,100</u>	 <u>\$ 2,700</u>

Table 5 - Changes in Capital Assets

Beginning Balance	\$	2,700
Current year Depreciation Expense		<u>(600)</u>
 Ending Balance	 \$	 <u>2,100</u>

Debt Outstanding

As of December 31, 2021, the Authority has no outstanding debt.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(UNAUDITED)**

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recession and employment trends, which can affect resident incomes and therefore the amount of housing assistance
- Inflationary pressure on utility rates, supplies and other costs
- Unknown financial and operational impacts as well as impacts to federal programs because of the COVID-19 pandemic

FINANCIAL CONTACT

The individual to be contacted regarding this report is Larry Gray, Executive Director for the Highland Metropolitan Housing Authority, at (740) 335-7525. Specific requests may be submitted to the Authority at 121 E. East Street, Washington Court House, OH 43160.

This page intentionally left blank.

HIGHLAND METROPOLITAN HOUSING AUTHORITY
Statement of Net Position
December 31, 2021

ASSETS

Current assets

Cash and cash equivalents	\$	29,613
Restricted cash and cash equivalents		57,547
Receivables, net		32,624
Total current assets		<u>119,784</u>

Depreciable capital assets, net		2,100
---------------------------------	--	-------

Total noncurrent assets		<u>2,100</u>
--------------------------------	--	---------------------

<i>Total assets</i>	\$	<u><u>121,884</u></u>
----------------------------	-----------	------------------------------

LIABILITIES

Current liabilities

Accounts payable	\$	3,613
Unearned revenue		31,757
Total current liabilities		<u>35,370</u>

<i>Total liabilities</i>	\$	<u><u>35,370</u></u>
---------------------------------	-----------	-----------------------------

NET POSITION

Net Invested in capital assets	\$	2,100
Restricted net position		25,790
Unrestricted net position		58,624
<i>Total net position</i>	\$	<u><u>86,514</u></u>

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

HIGHLAND METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2021

<i>OPERATING REVENUES</i>	
HUD operating grants	\$ 590,810
Other operating revenue	41,021
Total operating revenues	<u>631,831</u>
 <i>OPERATING EXPENSES</i>	
Administrative	99,030
Housing assistance payment	534,056
Depreciation	600
Total operating expenses	<u>633,686</u>
Operating income (loss)	<u>(1,855)</u>
 <i>NONOPERATING REVENUES (EXPENSES)</i>	
Interest income	230
Total nonoperating revenues (expenses)	<u>230</u>
Change in net position	(1,625)
Beginning net position	88,139
Total net position - ending	<u>\$ 86,514</u>

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

HIGHLAND METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows
For the Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating grants received	\$ 558,451
Other revenue received	41,643
Cash payments for administrative	(76,959)
Cash payments for HAP	<u>(534,056)</u>
Net cash provided (used) by operating activities	<u>(10,921)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>230</u>
Net cash provided (used) by investing activities	<u>230</u>
Net increase (decrease) in cash	(10,691)
Cash and cash equivalents - Beginning of year	<u>97,851</u>
Cash and cash equivalents - End of year	<u>\$ 87,160</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	\$ (1,855)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	600
- (Increase) Decrease in Accounts Receivable	(31,737)
- Increase (Decrease) in Accounts Payable	3,349
- Increases (Decreases) in Unearned Revenue	31,757
- Increases (Decreases) in Other Current Liabilities	<u>(13,035)</u>
Net cash provided (used) by operating activities	<u>\$ (10,921)</u>

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

This page intentionally left blank.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The basic financial statements of the Highland Metropolitan Housing Authority (the Authority or PHA) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the generally 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 Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity (as amended by GASB Statement No. 61), 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 can impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation

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

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and 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 net total position. The Statement of Cash Flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Fund Accounting

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

Funds are classified into three categories: governmental, proprietary, and fiduciary. The Authority uses the proprietary category for its programs.

Proprietary Fund Types

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

Accounting and Reporting for Nonexchange Transactions

Non-exchange transactions occur when the Authority receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of non-exchange transactions as follows:

- Derived tax revenues: result from assessments imposed on exchange transactions (i.e., income taxes, sales taxes and other assessments on earnings or consumption).
- Imposed non-exchange revenues: result from assessments imposed on non-governmental entities, including individuals, other than assessments on exchange transactions (i.e., property taxes and fines).

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

The Authority 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.

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.

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

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

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.

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:

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Tenant/Fraud Receivables-net of allowance

Bad debts are provided on the allowance method based on management’s evaluation of the collectability of outstanding tenant/fraud receivable balances at the end of the year. The allowance for doubtful accounts was \$4,411 on December 31, 2021.

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Authority had restricted assets for Housing Assistance Payment equity balances of \$31,757.

Net Position

Net position represents the difference between assets and liabilities. The investment in capital assets consists of capital assets net of accumulated depreciation. As of December 31, 2021, the Authority had \$2,100 investment in capital assets.

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. The Authority had \$0 reported in restricted net position for HAP reserves at December 31, 2021.

Estimates

The preparation of the basic 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, deferred outflow of resources, liabilities, and deferred inflow of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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 those expenses that are expended directly for the primary activity of the proprietary fund. For the Authority, these expenses are administrative, housing assistance payments and depreciation.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

2. CASH AND CASH EQUIVALENTS

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 a non-interest-bearing checking account. Security shall be furnished for all accounts in the Authority's name.

At fiscal year-end December 31, 2021, the carrying amount of the Authority's deposits totaled \$87,160 and its bank balance was \$87,160. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2021, no amount was exposed to custodial risk as discussed below and the full balance was covered by the Federal Depository Insurance Corporation.

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

3. RESTRICTED CASH AND NET POSITION

Restricted cash balance of \$57,547 represents advanced from HUD to be used Emergency Housing Vouchers.

4. RISK MANAGEMENT

The Authority utilizes private insurance carriers for comprehensive coverage of real property, vehicles and furnishings & equipment and health. Individual policies allow for coverage for bodily injury and property damage liabilities. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three fiscal years.

5. CAPITAL ASSETS

The following is a summary of capital assets on December 31, 2021:

	Balance at <u>1/01/21</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>12/31/21</u>
Furniture & equipment	\$15,278	\$ 0	\$ 0	\$15,278
Accumulated depreciation	<u>(12,578)</u>	<u>(600)</u>	<u>0</u>	<u>(13,178)</u>
TOTAL Capital assets, net	<u>\$ 2,700</u>	<u>(\$ 600)</u>	<u>\$ 0</u>	<u>\$ 2,100</u>

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

6. ECONOMIC DEPENDENCY

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

7. CONTINGENT LIABILITIES

A. Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at December 31, 2021.

B. Litigation

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

8. MANAGEMENT SERVICES CONTRACT

The Authority has contracted with Fayette Metropolitan Housing Authority for management services including management and operations of all HUD programs. Fayette Metropolitan Housing Authority has contracted with Fayette County Commissioners for management services. Highland Metropolitan Housing Authority does not have any employees and is staffed by personnel subcontracted from the Fayette County Commissioners.

9. ADMINISTRATIVE FEE

The Authority receives an 'Administrative fee' as part of the annual contributions from HUD to cover the costs (including overhead) of administering the Housing Choice Voucher Program. The fee is earned as a percentage of a HUD-determined base rate for each unit leased at the first of each month under HAP contracts.

10. SUBSEQUENT EVENTS

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 Authority. The investments of the pension and other employee benefit plan in which the 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 Authority's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Highland Metropolitan Housing Authority
Financial Data Schedule
For the Year Ended December 31, 2021

	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	14.EHV Emergency Housing Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$0	\$25,848	\$3,765	\$29,613	\$0	\$29,613
113 Cash - Other Restricted	\$0	\$0	\$57,547	\$57,547	\$0	\$57,547
100 Total Cash	\$0	\$25,848	\$61,312	\$87,160	\$0	\$87,160
122 Accounts Receivable - HUD Other Projects	\$22,718	\$9,641	\$0	\$32,359	\$0	\$32,359
125 Accounts Receivable - Miscellaneous	\$0	\$265	\$0	\$265	\$0	\$265
128 Fraud Recovery	\$0	\$4,411	\$0	\$4,411	\$0	\$4,411
128.1 Allowance for Doubtful Accounts - Fraud	\$0	-\$4,411	\$0	-\$4,411	\$0	-\$4,411
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$22,718	\$9,906	\$0	\$32,624	\$0	\$32,624
144 Inter Program Due From	\$0	\$17,744	\$0	\$17,744	-\$17,744	\$0
145 Assets Held for Sale	\$0	\$0	\$0	\$0	\$0	\$0
150 Total Current Assets	\$22,718	\$53,498	\$61,312	\$137,528	-\$17,744	\$119,784
164 Furniture, Equipment & Machinery - Administration	\$0	\$15,278	\$0	\$15,278	\$0	\$15,278
166 Accumulated Depreciation	\$0	-\$13,178	\$0	-\$13,178	\$0	-\$13,178
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$2,100	\$0	\$2,100	\$0	\$2,100

Highland Metropolitan Housing Authority
 Financial Data Schedule
 For the Year Ended December 31, 2021

	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	14.EHV Emergency Housing Vouchers	Subtotal	ELIM	Total
180 Total Non-Current Assets	\$0	\$2,100	\$0	\$2,100	\$0	\$2,100
200 Deferred Outflow of Resources	\$0	\$0	\$0	\$0	\$0	\$0
290 Total Assets and Deferred Outflow of Resources	\$22,718	\$55,598	\$61,312	\$139,628	-\$17,744	\$121,884
312 Accounts Payable <= 90 Days	\$0	\$3,613	\$0	\$3,613	\$0	\$3,613
342 Unearned Revenue	\$0	\$0	\$31,757	\$31,757	\$0	\$31,757
347 Inter Program - Due To	\$17,744	\$0	\$0	\$17,744	-\$17,744	\$0
310 Total Current Liabilities	\$17,744	\$3,613	\$31,757	\$53,114	-\$17,744	\$35,370
300 Total Liabilities	\$17,744	\$3,613	\$31,757	\$53,114	-\$17,744	\$35,370
508.4 Net Investment in Capital Assets	\$0	\$2,100	\$0	\$2,100	\$0	\$2,100
511.4 Restricted Net Position	\$0	\$0	\$25,790	\$25,790	\$0	\$25,790
512.4 Unrestricted Net Position	\$4,974	\$49,885	\$3,765	\$58,624	\$0	\$58,624
513 Total Equity - Net Assets / Position	\$4,974	\$51,985	\$29,555	\$86,514	\$0	\$86,514

Highland Metropolitan Housing Authority
Financial Data Schedule
For the Year Ended December 31, 2021

	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	14.EHV Emergency Housing Vouchers	Subtotal	ELIM	Total
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$22,718	\$55,598	\$61,312	\$139,628	-\$17,744	\$121,884
70600 HUD PHA Operating Grants	\$120,761	\$440,002	\$30,047	\$590,810	\$0	\$590,810
71100 Investment Income - Unrestricted	\$0	\$229	\$1	\$230	\$0	\$230
71400 Fraud Recovery	\$0	\$4,494	\$0	\$4,494	\$0	\$4,494
71500 Other Revenue	\$0	\$36,527	\$0	\$36,527	\$0	\$36,527
70000 Total Revenue	\$120,761	\$481,252	\$30,048	\$632,061	\$0	\$632,061
91200 Auditing Fees	\$0	\$4,026	\$0	\$4,026	\$0	\$4,026
91600 Office Expenses	\$0	\$748	\$0	\$748	\$0	\$748
91900 Other	\$10,532	\$83,231	\$493	\$94,256	\$0	\$94,256
91000 Total Operating - Administrative	\$10,532	\$88,005	\$493	\$99,030	\$0	\$99,030
96900 Total Operating Expenses	\$10,532	\$88,005	\$493	\$99,030	\$0	\$99,030
97000 Excess of Operating Revenue over Operating Expenses	\$110,229	\$393,247	\$29,555	\$533,031	\$0	\$533,031
97300 Housing Assistance Payments	\$110,252	\$390,832	\$0	\$501,084	\$0	\$501,084
97350 HAP Portability-In	\$0	\$32,972	\$0	\$32,972	\$0	\$32,972
97400 Depreciation Expense	\$0	\$600	\$0	\$600	\$0	\$600
90000 Total Expenses	\$120,784	\$512,409	\$493	\$633,686	\$0	\$633,686

Highland Metropolitan Housing Authority
 Financial Data Schedule
 For the Year Ended December 31, 2021

	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	14.EHV Emergency Housing Vouchers	Subtotal	ELIM	Total
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$23	-\$31,157	\$29,555	-\$1,625	\$0	-\$1,625
11030 Beginning Equity	\$4,997	\$83,142	\$0	\$88,139	\$0	\$88,139
11170 Administrative Fee Equity	\$0	\$51,985	\$0	\$51,985	\$0	\$51,985
11190 Unit Months Available	405	1,200	105	1,710	0	1,710
11210 Unit Months Leased	307	1,154	0	1,461	0	1,461



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

Highland Metropolitan Housing Authority
Highland County
121 East East Street
Washington Court House, Ohio 43160

To the Board Members:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Highland Metropolitan Housing Authority, Highland County, (the Authority) as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated August 22, 2022. We noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
August 22, 2022

OHIO AUDITOR OF STATE KEITH FABER



HIGHLAND METROPOLITAN HOUSING AUTHORITY

HIGHLAND 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 9/6/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov