

HURON METROPOLITAN HOUSING AUTHORITY

HURON COUNTY

SINGLE AUDIT

JULY 1, 2015 – JUNE 30, 2016





Dave Yost • Auditor of State

Board of Directors
Huron Metropolitan Housing Authority
88 W. Third Street
PO Box 1029
Mansfield, OH 44901

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

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

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

Dave Yost
Auditor of State

December 21, 2016

This page intentionally left blank.

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY**

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	11
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	12
STATEMENT OF CASH FLOWS	13
NOTES TO THE BASIC FINANCIAL STATEMENTS	14
REQUIRED SUPPLEMENTARY INFORMATION:	
SCHEDULE OF THE AUTHORITY’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	24
SCHEDULE OF THE AUTHORITY’S CONTRIBUTIONS	25
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	26
SUPPLEMENTARY INFORMATION:	
ENTITY WIDE BALANCE SHEET SUMMARY – FDS SCHEDULE SUBMITTED TO HUD	27
ENTITY WIDE REVENUE AND EXPENSE SUMMARY – FDS SCHEDULE SUBMITTED TO HUD	28
STATEMENT OF CHANGES IN EQUITY BALANCES – FDS SCHEDULE SUBMITTED TO HUD	29
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	30
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i>	31
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	33
SCHEDULE OF FINDINGS – 2 CFR § 200.515	35

This page intentionally left blank.



INDEPENDENT AUDITOR'S REPORT

Huron Metropolitan Housing Authority
Huron County
645 West Harding Way
Norwalk, Ohio 44857

To the Board of Directors:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Ten West Locust Street

Newark, Ohio 43055

(740) 345-6611

1-800-523-6611

FAX (740) 345-5635

Huron Metropolitan Housing Authority
Huron County
Independent Auditor's Report

Opinion

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

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

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

Huron Metropolitan Housing Authority
Huron County
Independent Auditor's Report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report October 10, 2016, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Wilson, Sherman & Snow, Inc.

Newark, Ohio
October 10, 2016

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Huron 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 11)

FINANCIAL HIGHLIGHTS

- During fiscal year 2016, the Authority’s net position decreased by \$55,540 (or 79.21%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net positions were \$70,117 and \$14,577 for fiscal year 2015 and fiscal year 2016 respectively.
- The revenue decreased by \$32,622 (or 1.22%) during fiscal year 2016, and was \$2,678,553 and \$2,645,931 for fiscal year 2015 and fiscal year 2016 respectively.
- Total expenses increased by \$53,813 (or 2.03%) during fiscal year 2016 and were \$2,647,658 and \$2,701,471 for fiscal year 2015 and fiscal year 2016 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 Information ~ Financial Data Schedules ~ ~ Schedule of Expenditures of Federal Awards ~</p>

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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).

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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 Programs – In addition to the major program above, the Authority also maintains other activities which are listed below.

Business Activities – represents resources developed from services provided to other metropolitan housing authorities.

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

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

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

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

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

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

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

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

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

Statement of Net Position

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

STATEMENT OF NET POSITION

	<u>2016</u>	<u>2015</u>
Current and Other Non-Current Assets	\$215,832	\$239,782
Capital Assets	<u>48,119</u>	<u>58,599</u>
Total Assets	<u>263,951</u>	<u>298,381</u>
Deferred Outflow of Resources	<u>95,150</u>	<u>23,750</u>
Current Liabilities	10,084	13,024
Non-Current Liabilities	<u>329,139</u>	<u>235,697</u>
Total Liabilities	<u>339,223</u>	<u>248,721</u>
Deferred Inflow of Resources	<u>5,301</u>	<u>3,293</u>
Net Position:		
Investment in Capital Assets	48,119	58,599
Restricted	2,747	39,195
Unrestricted	<u>(36,289)</u>	<u>(27,677)</u>
Total Net Position	<u>\$ 14,577</u>	<u>\$ 70,117</u>

For more detailed information see page 11 for the Statement of Net Position.

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Major Factors Affecting the Statement of Net Position

Current and other non-current assets decreased by \$23,950 (or 9.99%) in fiscal year 2016. This difference mostly represents the excess cash returned to HUD under the Housing Choice Voucher Program; this is also represented in the decrease of current fiscal year HAP reserve. Liabilities increased by \$90,502 mostly due to the changes in net pension liability caused by GASB 68. For fiscal year 2015, the Authority reported accounts receivable of \$4,925 related to administrative fees earned and owed from HUD whereas for fiscal year 2016, \$1,698 was reported for unearned revenue (related to administrative fees).

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.

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net position June 30, 2015	\$ (27,677)
Results of Operations	\$(19,092)
Adjustments:	
Depreciation (1)	<u>10,480</u>
Adjusted Results from Operations	<u>(8,612)</u>
Unrestricted Net position June 30, 2016	<u><u>\$(36,289)</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 June 30, 2015	\$ 39,195
Results of Operations	
HAP reserves spent	\$(37,551)
Fraud Recovery Payments	<u>1,103</u>
Adjusted Results from Operations	<u>(36,448)</u>
Restricted Net position June 30, 2016	<u><u>\$ 2,747</u></u>

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(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.

	<u>2016</u>	<u>2015</u>
Revenues		
HUD PHA Operating Grants	\$2,569,166	\$2,602,626
Investment Income	231	225
Other Revenues	74,328	74,277
Fraud Recovery	2,206	925
Gain on Sale of Asset	-	500
Total Revenue	<u>2,645,931</u>	<u>2,678,553</u>
Expenses		
Administrative	381,800	346,320
Maintenance & operations	6,012	6,007
General	8,950	12,826
Housing Assistance Payments	2,294,229	2,272,059
Depreciation	<u>10,480</u>	<u>10,446</u>
Total Expenses	<u>2,701,471</u>	<u>2,647,658</u>
Change in Net Position	(55,540)	30,895
Net Position at July 1	<u>70,117</u>	<u>39,222</u>
Net Position at June 30	<u>\$14,577</u>	<u>\$70,117</u>

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

HUD PHA Operating Grants decreased by \$33,460 or 1.29% in fiscal year 2016 due funding decreases for the housing choice voucher program and decreases in home program funding.

Leasing increased 1.95% in fiscal year 2016, total unit months leased were 6,757 compared to 6,628 unit months leased in fiscal year 2015.

Housing Assistance Payments remained fairly consistent, increasing by \$22,170 in fiscal year 2016 (represents a less than 1% increase from fiscal year 2015). Administrative expenses also increased in fiscal year 2016 by \$35,480 or 10.24%

The \$55,540 decrease in net position is the result of a \$36,448 decrease to restricted housing assistance payment equity and a \$19,092 decrease to administrative operations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016, the Authority had \$48,119 invested in capital assets as reflected in the following schedule, which represents a decrease of \$10,480 from fiscal year 2015 (related to depreciation).

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

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

	<u>Business-Type Activities</u>	
	<u>2016</u>	<u>2015</u>
Capital Assets, Cost	\$243,979	\$243,979
Accumulated Depreciation	(195,860)	(185,380)
Total	<u>\$ 48,119</u>	<u>\$ 58,599</u>

Capital Assets are present in detail on page 18 of the notes.

CHANGE IN CAPITAL ASSETS

	<u>Business Type Activities</u>
Beginning Balance	\$ 58,599
Depreciation	(10,480)
Ending Balance	<u>\$ 48,119</u>

There were no additions or disposals of assets during fiscal year 2016.

Debt Outstanding

As of June 30, 2016, the Authority has no outstanding debt.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

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

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY**

**STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016**

Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 199,807
Intergovernmental Receivable	10,948
Prepaid Items	<u>2,330</u>
Total Current Assets	<u>213,085</u>
Non-Current Assets:	
Restricted Cash	2,747
Capital Assets:	
Nondepreciable Capital Assets	10,000
Depreciable Capital Assets	233,979
Accumulated Depreciation	<u>(195,860)</u>
Total Capital Assets	<u>48,119</u>
Total Non-Current Assets	<u>50,866</u>
Total Assets	<u>263,951</u>
Deferred Outflow of Resources	<u>95,150</u>
Liabilities	
Current Liabilities:	
Accounts Payable	4,039
Accrued Wages and Payroll Taxes	3,679
Unearned Revenue	1,698
Accrued Compensated Absences	<u>668</u>
Total Current Liabilities	<u>10,084</u>
Non-Current Liabilities:	
Accrued Compensated Absences	54,770
Net Pension Liability	<u>274,369</u>
Total Non-Current Liabilities	<u>329,139</u>
Total Liabilities	<u>339,223</u>
Deferred Inflow of Resources	<u>5,301</u>
Net Position	
Investment in Capital Assets	48,119
Restricted	2,747
Unrestricted	<u>(36,289)</u>
Total Net Position	<u>\$ 14,577</u>

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

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY**

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

Operating Revenues		
HUD PHA Operating Grants	\$	2,569,166
Fraud Recovery		2,206
Other Revenues		<u>74,328</u>
Total Operating Revenues		<u>2,645,700</u>
Operating Expenses		
Housing Assistance Payments	2,294,229	
Administrative	381,800	
Ordinary Maintenance & Operations	6,012	
General	8,950	
Depreciation	<u>10,480</u>	
Total Operating Expenses		<u>2,701,471</u>
Operating Loss		<u>(55,771)</u>
Nonoperating Revenues		
Interest		<u>231</u>
Total Nonoperating Revenues		<u>231</u>
Change in Net Position		(55,540)
Net Position at July 1, 2015		<u>70,117</u>
Net Position at June 30, 2016	\$	<u><u>14,577</u></u>

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

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Cash flows from operating activities:

Cash received from HUD/grant agencies	\$ 2,575,789
Cash received from other sources	76,534
Cash payments to employees for services	(309,133)
Cash payments for good or services - HUD	(2,294,229)
Cash payments for goods or services	<u>(77,002)</u>

Net cash used in operating activities	<u>(28,041)</u>
---------------------------------------	-----------------

Cash flows from investing activities:

Interest	<u>231</u>
----------	------------

Net cash provided by investing activities	<u>231</u>
---	------------

Net change in cash and cash equivalents	(27,810)
---	----------

Cash and cash equivalents at July 1, 2015	<u>230,364</u>
---	----------------

Cash and cash equivalents at June 30, 2016	<u><u>\$ 202,554</u></u>
---	---------------------------------

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$ (55,771)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	10,480
Changes in assets and liabilities:	
Intergovernmental receivable	(3,844)
Prepaid items	(16)
Accounts payable	1,144
Accrued wages and payroll taxes	53
Net pension liability	86,939
Other liabilities	2,366
Change in deferred outflow of resources	(71,400)
Change in deferred inflow of resources	<u>2,008</u>

Net cash used in operating activities	<u><u>\$ (28,041)</u></u>
--	----------------------------------

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The basic financial statements of the Huron 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 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 GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

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

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

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 program. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary Fund Types:

Proprietary funds are used to account for the Authority's ongoing activities which are similar to 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

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

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

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.

Accounts Receivable

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

Prepaid Items

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

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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:

<u>Description</u>	<u>Estimated Useful Life – Years</u>
Building	40
Building Improvements	5-15
Vehicles	5
Equipment	3-7

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*. 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.

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.

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 \$2,747.

Pensions – Deferred Inflow/Outflow of Resources

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

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position

Net position represents the difference between assets and liabilities. The investment in capital assets consists of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. The Authority did report restricted net position for HAP reserves of \$2,747 at June 30, 2016.

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 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 non-operating revenues.

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.

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

Demand deposits:	Checking	Savings
Bank balance	\$ 36,743	\$ 172,287
Items-in-transit	(6,476)	-
Carrying balance	\$ 30,267	\$ 172,287

The fiscal year-end bank balance of \$209,030 was covered by federal deposit insurance.

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

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

3. RISK MANAGEMENT

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

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limits</u>
General Liability	\$5,000	\$2,000,000 (per occurrence)
Transportation	\$2,000	\$ 500,000
Employee Dishonesty		\$ 25,000

4. CAPITAL ASSETS

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

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2016</u>
Capital Assets Not Depreciated				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Total Capital Assets Not Depreciated	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Capital Assets Depreciated				
Building and Improvements	195,928	-	-	195,928
Vehicles	13,260	-	-	13,260
Equipment	<u>24,791</u>	<u>-</u>	<u>-</u>	<u>24,791</u>
Total Capital Assets Depreciated	<u>233,979</u>	<u>-</u>	<u>-</u>	<u>233,979</u>
Accumulated Depreciation				
Building and Improvements	(168,434)	(5,382)	-	(173,816)
Vehicles	(2,652)	(2,652)	-	(5,304)
Equipment	<u>(14,294)</u>	<u>(2,446)</u>	<u>-</u>	<u>(16,740)</u>
Total Accumulated Depreciation	<u>(185,380)</u>	<u>(10,480)</u>	<u>-</u>	<u>(195,860)</u>
Total Capital Assets Depreciated, Net	<u>48,599</u>	<u>(10,480)</u>	<u>-</u>	<u>38,119</u>
Total Capital Assets, Net	<u>\$ 58,599</u>	<u>\$ (10,480)</u>	<u>\$ -</u>	<u>\$ 48,119</u>

5. 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

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

5. DEFINED BENEFIT PENSION PLAN – CONTINUED

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

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

5. DEFINED BENEFIT PENSION PLAN – CONTINUED

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

The Authority’s contractually required contribution to OPERS was \$26,095 for fiscal year 2016. Of this amount \$1,997 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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority’s proportion of the net pension liability was based on the Authority’s share of the contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS Traditional Plan</u>
Proportionate Share of the Net Pension Liability	\$274,369
Proportion of the Net Pension Liability	0.001584%
Pension Expense	\$38,551

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

At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total Deferred Outflows
Net difference between projected and actual investment earnings on pension plan investments	\$ 80,647
Authority contributions subsequent to the measurement date	14,503
Total Deferred Outflows of Resources	\$ 95,150

	Total Deferred Inflows
Difference between expected and actual experience	\$5,301

The \$14,503 reported as deferred outflows of resources resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Under the Traditional Pension Plan, the 2015 amortization period for the difference between expected and actual experience is 3.1673 years, and 5 years for the net difference between projected and actual investment earning

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

5. DEFINED BENEFIT PENSION PLAN – CONTINUED

on pension plan investments. Other amounts reported as deferred outflows of resources and deferred inflows of resources related will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	
2016	\$ (14,456)
2017	(14,456)
2018	(14,456)
2019	(15,849)
2020	(16,129)
Total	<u>\$ (75,346)</u>

Actuarial Assumptions

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

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

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

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

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

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

5. DEFINED BENEFIT PENSION PLAN – CONTINUED

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

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Authority's proportionate share of the net pension liability	\$ 437,136	\$ 274,369	\$ 137,079

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

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

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

OPERS’ Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members of the Traditional Plan and Combined Plan was 2% during calendar year 2014 (latest information available). Effective January 1, 2016, the portion of employer contributions allocated to healthcare remains at 2% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. Employer contributions made to fund post-employment benefits were approximately \$3,726

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(CONTINUED)**

5. DEFINED BENEFIT PENSION PLAN – CONTINUED

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

6. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities at June 30, 2016:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2016</u>	<u>Due in One Year</u>
Compensated Absences	\$ 54,770	\$ 7,171	\$ (6,503)	\$ 55,438	\$ 668
Net Pension Liability	<u>187,430</u>	<u>86,939</u>	<u>-</u>	<u>274,369</u>	<u>-</u>
Total	<u>\$ 242,200</u>	<u>\$ 94,110</u>	<u>\$ (6,503)</u>	<u>\$ 329,807</u>	<u>\$ 668</u>

See Note 5 for information on the Authority’s net pension liability.

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 June 30, 2016.

B. Litigation

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability	0.001584%	0.001554%	0.001554%
Authority's Proportionate Share of the Net Pension Liability	\$274,369	\$187,430	\$183,196
Authority's Covered Employee Payroll	\$186,388	\$194,204	\$174,497
Authority's Proportionate Share of the Net Pension Liability As a Percentage of its Covered Employee Payroll	147.20%	96.51%	104.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	89.19%

(1) Information prior to 2014 is not available

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

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required employer contribution	\$ 26,095	\$ 27,188	\$ 24,415	\$ 25,572	\$ 25,903	\$31,321	\$ 28,288	\$ 27,325	\$ 26,897	\$ 23,525
Contributions in Relation to the Contractually Required Contribution	(26,095)	(27,188)	(24,415)	(25,572)	(25,903)	(31,321)	(28,288)	(27,325)	(26,897)	(23,525)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
Authority Covered-Employee Payroll	\$186,388	\$194,204	\$174,497	\$182,657	\$185,021	\$223,721	\$202,057	\$195,179	\$193,226	\$169,856
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.92%	13.85%

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

Ohio Public Employees' Retirement System

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

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

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

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY**

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

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers	Business Activities	Total
	Current Assets			
	Cash			
111	Cash - Unrestricted	\$ 61,554	\$ 138,253	\$ 199,807
113	Cash - Other Restricted	2,747	-	2,747
100	Total Cash	<u>64,301</u>	<u>138,253</u>	<u>202,554</u>
	Accounts Receivable			
124	Accounts Receivable - Other Government	10,948	-	10,948
128	Fraud Recovery	40,535	-	40,535
128.1	Allowance for Doubtful Accounts	<u>(40,535)</u>	<u>-</u>	<u>(40,535)</u>
120	Total Receivables, Net of Allowance for Doubtful Accounts	<u>10,948</u>	<u>-</u>	<u>10,948</u>
	Other Assets			
142	Prepaid Expenses and Other Assets	<u>2,330</u>	<u>-</u>	<u>2,330</u>
150	Total Current Assets	<u>77,579</u>	<u>138,253</u>	<u>215,832</u>
	Noncurrent Assets			
	Capital Assets			
161	Land	-	10,000	10,000
162	Buildings	-	109,000	109,000
164	Furniture and Equipment - Administration	38,051	-	38,051
165	Leasehold Improvements	86,928	-	86,928
166	Accumulated Depreciation	<u>(86,860)</u>	<u>(109,000)</u>	<u>(195,860)</u>
160	Total Capital Assets net of accumulated depreciation	<u>38,119</u>	<u>10,000</u>	<u>48,119</u>
180	Total Noncurrent Assets	<u>38,119</u>	<u>10,000</u>	<u>48,119</u>
200	Deferred Outflow of Resources	<u>95,150</u>	<u>-</u>	<u>95,150</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 210,848</u>	<u>\$ 148,253</u>	<u>\$ 359,101</u>
	Current Liabilities			
312	Accounts Payable	\$ 4,039	\$ -	\$ 4,039
321	Accrued Wages and Payroll Taxes	3,679	-	3,679
322	Accrued Compensated Absences - Current	668	-	668
342	Unearned Revenue	<u>1,698</u>	<u>-</u>	<u>1,698</u>
310	Total Current Liabilities	<u>10,084</u>	<u>-</u>	<u>10,084</u>
	Non-Current Liabilities			
354	Accrued Compensation Absences-Non-Current	54,770	-	54,770
357	Accrued Pension and OPEB Liabilities	<u>172,311</u>	<u>102,058</u>	<u>274,369</u>
350	Total Non-Current Liabilities	<u>227,081</u>	<u>102,058</u>	<u>329,139</u>
300	Total Liabilities	<u>237,165</u>	<u>102,058</u>	<u>339,223</u>
400	Deferred Inflow of Resources	<u>5,301</u>	<u>-</u>	<u>5,301</u>
	Net Position			
508.1	Investment in Capital Assets	38,119	10,000	48,119
511.1	Restricted	2,747	-	2,747
512.1	Unrestricted	<u>(72,484)</u>	<u>36,195</u>	<u>(36,289)</u>
	Total Net Position	<u>(31,618)</u>	<u>46,195</u>	<u>14,577</u>
600	Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 210,848</u>	<u>\$ 148,253</u>	<u>\$ 359,101</u>

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

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY**

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

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers	14.239 HOME Investment Partnership Program	Business Activities	Total
Revenue					
70600-010	Housing Assistance Payment Revenues	\$ 2,247,029			\$ 2,247,029
70600-020	Administrative Fees Revenues	311,520			311,520
70600	HUD PHA Operating Grants	2,558,549	\$ 10,617		2,569,166
71100	Investment Income - Unrestricted	93	-	\$ 138	231
71400-010	Housing Assistance Payments	1,103	-	-	1,103
71400-020	Administrative Fees	1,103	-	-	1,103
71400	Fraud Recovery	2,206	-	-	2,206
71500	Other Revenue	-	-	74,328	74,328
70000	Total Revenue	2,560,848	10,617	74,466	2,645,931
Expenses					
91100	Administrative Salaries	131,429	700	54,259	186,388
91200	Auditing Fees	5,123	-	-	5,123
91400	Advertising and Marketing	67	-	-	67
91500	Employee Benefit Contribution - Administrative	59,013	183	45,281	104,477
91600	Office Expenses	43,580	85	-	43,665
91700	Legal Expense	769	-	-	769
91800	Travel	5,787	-	-	5,787
91900	Other	35,524	-	-	35,524
91000	Total Operating - Administrative	281,292	968	99,540	381,800
94200	Ordinary Maintenance and Operations - Materials and Other	6,012	-	-	6,012
94000	Total Maintenance and Operations	6,012	-	-	6,012
96120	Liability Insurance	6,778	-	-	6,778
96130	Workmen's Compensation	1,504	-	-	1,504
96100	Total Insurance Premiums	8,282	-	-	8,282
96210	Compensated Absences	668	-	-	668
96100	Total Other General Expenses	668	-	-	668
96900	Total Operating Expenses	296,254	968	99,540	396,762
97000	Excess Operating Revenue Over Operating Expenses	2,264,594	9,649	(25,074)	2,249,169
Other Expenses					
97300	Housing Assistance Payments	2,284,580	9,649	-	2,294,229
97400	Depreciation Expense	10,480	-	-	10,480
	Total Other Expenses	2,295,060	9,649	-	2,304,709
90000	Total Expenses	2,591,314	10,617	99,540	2,701,471
10000	Excess of Revenues under Expenses	(30,466)	-	(25,074)	(55,540)
11030	Beginning Equity	(1,152)	-	71,269	70,117
11170	Administrative Fee Equity	(34,365)	-	-	(34,365)
11180	Housing Assistance Payment Equity	2,747	-	-	2,747
	Total Ending Net Position	\$ (31,618)	\$ -	\$ 46,195	\$ 14,577

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY**

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

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers	
11170-001	Administrative Fee Equity - Beginning Balance		\$ (40,347)
11170-010	Administrative Fee Revenue	311,520	
11170-040	Investment Income	93	
11170-045	Fraud Recovery Revenue	1,103	
11170-060	Total Admin Fee Revenues		312,716
11170-080	Total Operating Expenses	296,254	
11170-090	Depreciation	10,480	
11170-110	Total Expenses		306,734
11170-002	Net Administrative Fee		5,982
11170-003	Administrative Fee Equity - Ending Balance		(34,365)
11170	Administrative Fee Equity		<u>\$ (34,365)</u>
11180-001	Housing Assistance Payments Equity - Beginning Balance		\$ 39,195
11180-010	Housing Assistance Payment Revenues	2,247,029	
11180-015	Fraud Recovery Revenue	1,103	
11180-030	Total Housing Assistance Payments Revenues		2,248,132
11180-080	Housing Assistance Payments	2,284,580	
11180-100	Total Housing Assistance Payments Expenses		2,284,580
11180-002	Net Housing Assistance Payments		(36,448)
11180-003	Housing Assistance Payments Equity - Ending Balance		2,747
11180	Housing Assistance Payments Equity		<u>\$ 2,747</u>

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/Pass Through Grantor Program/Cluster Title</u>	<u>Pass-Through Number</u>	<u>Federal CFDA Number</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Section 8 Housing Choice Vouchers	N/A	14.871	\$ 2,558,549
Passed through City of Norwalk:			
Home Investment Partnerships Program	A-C-11-2CZ-2	14.239	<u>10,617</u>
Total Expenditures of Federal Awards			<u>\$ 2,569,166</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Huron Metropolitan Housing Authority (the Authority) under programs of the federal government for the fiscal year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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



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

Huron Metropolitan Housing Authority
Huron County
645 West Harding Way
Norwalk, Ohio 44857

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States’ *Government Auditing Standards*, the financial statements of the Huron Metropolitan Housing Authority, Huron County, (the Authority) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Entity’s basic financial statements and have issued our report thereon dated October 10, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Wilson, Shannon & Snow, Inc.

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

Purpose of this Report

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
October 10, 2016



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

Huron Metropolitan Housing Authority
Huron County
645 West Harding Way
Norwalk, Ohio 44857

To the Board of Directors:

Report on Compliance for the Major Federal Program

We have audited the Huron Metropolitan Housing Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Huron Metropolitan Housing Authority's major federal program for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal program.

Management's Responsibility

The Authority's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for the Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Wilson, Shannon & Snow, Inc.

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

Opinion on the Major Federal Program

In our opinion, the Huron Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2016.

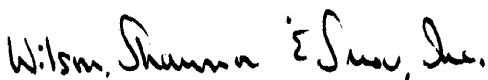
Report on Internal Control Over Compliance

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

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

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

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



Newark, Ohio
October 10, 2016

**HURON METROPOLITAN HOUSING AUTHORITY
HURON COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

This page intentionally left blank.



Dave Yost • Auditor of State

HURON COUNTY METROPOLITAN HOUSING AUTHORITY

HURON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 29, 2016