

**LICKING METROPOLITAN
HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

**FOR THE YEAR ENDED
DECEMBER 31, 2015**

James G. Zupka, CPA, Inc.
Certified Public Accountants



Dave Yost • Auditor of State

Board of Directors
Licking County Metropolitan Housing Authority
144 West Main Street
Newark, Ohio 43055

We have reviewed the *Independent Auditor's Report* of the Licking County Metropolitan Housing Authority, Licking County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2015 through December 31, 2015. 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 Licking County 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

July 12, 2016

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**LICKING METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2015**

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INDEPENDENT AUDITOR’S REPORT

Board of Directors
Licking Metropolitan Housing Authority
Newark, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on the Financial Statements

We have audited the accompanying financial statements of the Licking Metropolitan Housing Authority, Ohio as of and for the year ended December 31, 2015, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Licking Metropolitan Housing Authority, Ohio, as of December 31, 2015, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2015, the Authority adopted Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, and restated its net position at December 31, 2014. Our opinion is not modified with respect to this matter. matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 14 and schedules of net pension liabilities and pension contributions on pages 37 through 38 be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Licking Metropolitan Housing Authority, Ohio's basic financial statements. The Financial Data Schedules are presented for purposes of additional analysis and are not part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2, *U.S. Code Federal Regulations (CFR), Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Financial Data Schedules and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, and the Schedule of Expenditures of Federal Awards 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 date April 14, 2016, on our consideration of the Licking Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Licking Metropolitan Housing Authority, Ohio's internal control over financial reporting and compliance.

James G. Zupka,
CPA, President

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2016.05.20 14:39:24 -04'00'

James G. Zupka, CPA, Inc.
Certified Public Accountants

April 14, 2016

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

Licking Metropolitan Housing Authority’s (LMHA) *Management Discussion and Analysis* is designed to:

- a) Assist the reader in focusing on significant financial issues.
- b) Provide an overview of the Authority’s financial activity.
- c) Identify changes in the Authority’s financial position (its ability to address the next and subsequent year challenges).
- d) Identify the single enterprise fund issues or concerns.

LMHA follows the guidelines of GASB No. 34. Since the MD&A is designed to focus on the current year’s activities, resulting changes and currently known facts, please read it conjunction with the Authority’s financial statements which follow.

Financial Highlights

- Total Revenue: FYE12/31/15: \$6,676,763 **increase** of \$56,254 in 2015
- Total Expenses: FYE12/31/15: \$6,737,380 **increase** of \$33,948 in 2015

USING THIS ANNUAL REPORT

<p>MD&A ~ Management Discussion and Analysis ~</p> <p>BASIC FINANCIAL STATEMENTS ~ Statement of Net Position ~ Statement of Revenues, Expenses and Changes in Net Position ~ Cash Flows ~ Capital Assets at Year End ~ Change in Capital Assets ~ Notes to Financial Statements</p>
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This report focuses on LMHA as a single-enterprise fund. This format allows the user to address relevant questions, broaden a basis for comparison (year-to-year) and enhances LMHA’s accountability.

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to be corporate-like in that all business type programs are consolidated into one single-enterprise fund for LMHA.

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 LMHA. The statement is presented in the format where assets, minus liabilities, equals “Net Position”, formerly known as equity. 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 Statements of Net Position (**the “Unrestricted Net Position”**) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire LMHA. Net Position (formerly equity) are reported in three broad categories (as applicable).

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of these 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 does not meet the definition of “Net Investment in Capital Assets”, or “Restricted Net Position”. This account resembles the old operating reserves account.

The basic 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 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.

At 2015 year end, the Authority implemented a new accounting standard called GASB 68, resulting in a prior-period adjustment of \$418,776 and a Net Position Liability of \$483,893. After adjusting Net Position at YE 2014 for the prior-period adjustment, Net Position decreased by \$60,617 (3.4 percent) during 2015. Since the Authority engages only in business-type activities, the decrease is in the category of business-type position. Net Position was \$1,707,266 at FY 2015, and Net Position at FY 2014, adjusted by the prior period adjustment, was \$1,767,883.

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.

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

Licking Metropolitan Housing Authority programs that are consolidated into a single-enterprise fund are as follows:

Conventional Public Housing (PH) - Under the Conventional Public Housing Program, LMHA rents up to 99 units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides an Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30 percent of adjusted gross household income.

Capital Fund Program (CFP) - This is the current primary funding source for LMHA's physical and management improvements for PH. Funds are allocated by a formula based on size and age of the authority's units.

Housing Choice Voucher Program (HCVP) - Under the Housing Choice Voucher Program, LMHA subsidizes rents to independent landlords who own the properties. LMHA subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable LMHA to subsidize a portion of a tenant's rent. The tenant typically pays 30 percent of their adjusted gross income toward their rent.

Other Business Activity - LMHA owns an office building/land which it purchased in 2005 for Section 8 and administrative staff. A lease agreement with the local health clinic for the rental of a portion of the administrative building continued through 2015. This agreement allows the local health clinic to provide a centralized location for their facility and provided LMHA Business Activities with \$7,200 in annual rental income.

Shelter Plus Care - The Shelter Plus Care Programs, funded by the McKinney-Vinto Homeless Assistance Act, provide rental assistance, in connection with supportive services to homeless persons with disabilities, (primarily persons who are seriously mentally ill and/or chronic substance abuse) and their families. The programs provide assistance through tenant-based rental assistance.

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**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

STATEMENT OF NET POSITION

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

	2015	Restated 2014	Change	Percent Change
Current and Other Assets	\$ 486,762	\$ 433,685	\$ 53,077	\$ 12.24 %
Capital Assets	1,714,454	1,840,103	(125,649)	(6.83)%
Total Assets	<u>2,201,216</u>	<u>2,273,788</u>	(72,572)	(3.19)%
Deferred Outflow of Resources	<u>78,521</u>	<u>54,187</u>	24,334	44.91 %
Total Assets and Deferred Outflows	<u>\$ 2,279,737</u>	<u>\$ 2,327,975</u>	(48,238)	(2.07)%
Current Liabilities	\$ 53,327	\$ 62,494	(9,167)	(14.67)%
Non-current Liabilities	510,643	497,598	13,045	2.62 %
Total Liabilities	<u>563,970</u>	<u>560,092</u>	3,878	0.69 %
Deferred Inflow of Resources	8,501	0	8,501	
Net Position:				
Net Investment in Capital Assets	1,714,454	1,840,103	(125,649)	(6.83)%
Restricted Net Position	33,473	6,399	27,074	423.10 %
Unrestricted Net Position	<u>(40,661)</u>	<u>(78,619)</u>	37,958	48.28 %
Total Net Position	<u>1,707,266</u>	<u>1,767,883</u>	(60,617)	(3.43)%
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 2,279,737</u>	<u>\$ 2,327,975</u>	(48,238)	(2.07)%

For more detail information see Statement of Net Position presented elsewhere in this report.

The 2014 numbers presented in the table have been restated to reflect the effect of the prior-period adjustment related to the implementation of GASB Statement No. 68, allowing for a more meaningful comparison of 2014 and 2015 balances. The figures for 2014's non-current liabilities and unrestricted net position saw the most significant changes. A net pension liability of \$483,893 is being reported in 2015 which was not originally reported in 2014. After adjusting the 2014 numbers for the prior-period adjustment, non-current liabilities changes only slightly, increasing by a modest amount. See the discussion about changes in income and expenses related to Table 2 to better understand changes in net position.

“Restricted net position” includes \$33,473, HCV HAP equity. These are funds that were provided by HUD to be used by LMHA to make rental assistance payments under the HCV program that had not yet been spent at year end. This figure also includes 50 percent of the fraud revenue received in 2015.

Unrestricted cash in the PH Low-Rent Program at year end is \$182,039, which is an increase of \$27,456. The Section 8 Program ended the year with \$169,917 in unrestricted cash, showing a \$8,585 decrease in 2015.

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

Table 2 - Statement of Revenue, Expenses and Changes in Net Position

	2015	2014	Change	Percent Change
Revenues				
Total Tenant Revenues	\$ 296,950	\$ 291,786	\$ 5,164	\$ 1.77 %
Operating Subsidies	6,316,688	6,238,453	78,235	1.25 %
Capital Grants	6,753	18,852	(12,099)	(64.18)%
Investment Income	315	363	(48)	(13.22)%
Other Revenues	56,057	71,055	(14,998)	(21.11)%
Total Revenues	<u>6,676,763</u>	<u>6,620,509</u>	56,254	0.85 %
Expenses				
Administrative	748,500	749,847	(1,347)	(0.18)%
Tenant and Protective Services	2,520	1,537	983	63.96 %
Utilities	128,423	131,629	(3,206)	(2.44)%
Maintenance	157,713	194,471	(36,758)	(18.90)%
Insurance and General Expenses	61,588	67,527	(5,939)	(8.80)%
Housing Assistance Payments	5,495,026	5,388,898	106,128	1.97 %
Depreciation	143,610	169,523	(25,913)	(15.29)%
Total Expenses	<u>6,737,380</u>	<u>6,703,432</u>	33,948	0.51 %
Net Increases (Decreases)	<u>\$ (60,617)</u>	<u>\$ (82,923)</u>	22,306	(26.90)%
Prior Period Adjustment	<u>\$ (418,776)</u>	<u>\$ 0</u>	(418,736)	(100.00)%

Major Factors Affecting the Statements of Revenue, Expenses, and Changes in Net Position

The most significant balance on the statement is the prior-period adjustment made to reduce Net Position by \$418,776. This was the result of implementing GASB Statement No. 68. GASB Statement No. 68 has been cited often in the MD&A because implementation of the new accounting standard has a large impact on the financial statements of the Authority. Almost all units of government will have a similar impact of their financial statements due to the changes from GASB Statement No. 68.

Essentially, the regulation requires LMHA to report on its financial statements the amount determined to be its share of the unfunded pension liability of the Ohio Public Employees Retirement System (OPERS). The very large Net Pension Liability reported by LMHA in the amount of \$483,893 does not represent a true liability to the Agency in that if the Agency ceased its operation today, there would be no invoice in that amount to be paid. The concept behind the standard is ultimately for OPERS to resolve any unfunded pension it may have, it will need to impose an additional funding burden on the entities contributing to it. Ohio State Law mandates employees of LMHA to participate in OPERS. Likewise, LMHA is mandated to make retirement contributions to OPERS on behalf of all of its employees.

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

It should be noted, in Ohio, because members and employers pre-fund pension benefits for active employees through their regular contributions required by Ohio statute, current retiree liabilities are 100 percent funded, which makes default by OPERS very remote. The majority of systems in the recent news facing default did not deposit the required contributions over time needed to fund their member's pension benefits. To monitor the health of OPERS funding status, OPERS retains an external actuary to evaluate positions, annually. OPERS informs its contributors that should OPERS funding levels begin to trend downward, OPERS will work with the General Assembly to pass legislation increasing statutory contributions or decreasing benefits for its members. As evidence, this action was taken in 2012, when the General Assembly and OPERS adjusted the cost of benefits to maintain the funding necessary to meet long-term pension obligations.

SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM

LMHA experienced a net increase (all programs) of \$56,254 in total revenue from 2014 to 2015, and a net increase in expenses of \$33,948 of which the following may be noted:

SECTION-8 (HCV)

HAP Vouchers for SPC Program involve a pass-through process, whereby exact amounts of expenses are immediately drawn down by the Licking Metropolitan Housing Authority through HUD's LOCCs for reimbursement. The HAP Housing Choice Voucher (HCV) Program operates by receiving an amount defined by HUD through an annual contributions contract. Deposits are made by HUD, typically, into the LMHA's account at the beginning of each month. LMHA is then responsible for making all housing-assistance payments for the applicable period.

HCV HAP revenue from HUD for 2015 increased \$90,203 from \$5,054,339 in 2014 to \$5,144,542 in 2015. LMHA ended the year with \$33,478 in its reserve to fund the HCV HAP.

Overall income for the SPC Program increased by \$64,426. Two of the SPC Programs began in December 2014; therefore, LMHA received an entire year of revenue for the programs in 2015 vs. one month in 2014. Expenses increased equal to the income, with 84 more SPC units administered in 2015.

The primary increases in overall Section-8 expenses were due to more HCV HAP expense in the amount of \$45,702, as well as more expense for the SPC Programs, which increased by \$60,426 in 2014.

HCV Administrative Fee revenue decreased \$10,365 in 2015 at \$606,170, down from \$616,535 in 2014.

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

A comparison of 2015 and 2014 utilities for the HCV Program is as follows:

<u>HCV Utility</u>	<u>2015</u>	<u>2014</u>
Water	\$ 686	\$ 671
Electric	6,838	6,293
Gas	<u>3,267</u>	<u>3,097</u>
Total	<u>\$ 10,791</u>	<u>\$ 10,061</u>

A 7.25 percent increase of \$730 was seen in utility expenses in 2015 from 2014.

PUBLIC HOUSING - LOW-RENT PROGRAM

The Public Housing, Low-Rent Program, operating subsidy received from HUD decreased 5.25 percent, which resulted in a \$10,691 reduction from \$203,558 in 2014 to \$192,867 in 2015. Tenant revenue increased \$5,164 from \$291,786 in 2014 to \$296,950 in 2015.

A comparison of 2015 to 2014 utility expense for the Public Housing Program is as follows:

<u>PH Utility</u>	<u>2015</u>	<u>2014</u>
Water	\$ 26,550	\$ 27,260
Electric	69,383	68,695
Gas	<u>21,699</u>	<u>25,613</u>
Total	<u>\$ 117,632</u>	<u>\$ 121,568</u>

A 3.24 percent decrease of \$3,937 was seen in utility expenses in 2015 from 2014.

Total operating expenses for the Public Housing Program decreased by \$54,647 in 2015 from \$509,800 in 2014 to \$455,153 in 2015.

In 2015, LMHA Low-Rent Program spent \$6,753 in capital fund grants for various capital improvement projects.

DEBT

LMHA ended the year with no debt.

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

CAPITAL ASSETS

As of 2015 year end, the Authority had \$1,714,454 invested in a variety of capital assets as reflected in the following schedule which represents a net decrease (addition, deductions and depreciation) of \$125,649 from the end of 2014 year-end balances. See tables 3 & 4.

Table 3 - Condensed Statement of Changes in Capital Assets

	2015	2014	Change	Percent Change
Land	\$ 276,250	\$ 276,250	\$ 0	0.0 %
Buildings	5,916,304	5,905,286	11,018	0.2 %
Equipment	226,408	219,465	6,943	3.2 %
Accumulated Depreciation	(4,704,508)	(4,560,898)	(143,610)	3.1 %
Total Capital Assets, Net	<u>\$ 1,714,454</u>	<u>\$ 1,840,103</u>	(125,649)	(6.8)%

Table 4 - Changes in Capital Assets

Beginning Balance - December 31, 2014	\$ 1,840,103
Current Year Additions	17,961
Current Year Depreciation Expense	(143,610)
Ending Balance - December 31, 2015	<u>\$ 1,714,454</u>

Additions in capital assets in the amount of \$4,213 for the HCV Program included the following purchases:

- WASP, Inc., Biometric Time Clock for Administration Building
- Two Dell Optiplex PC's with Windows Software and Warranty

Additions in capital assets in the amount of \$13,748 for the Public Housing Hi-Rise included the following purchases:

- Community Room Flooring
- Two Dell Optiplex PC's with Windows Software and Warranty
- Island Air, Inc., Air-Conditioning Units
- New Sprinkler Heads
- Furniture for the Outdoor Commons Area
- Professional Floor Steam Cleaner

The majority of the capital funds available through the Capital Fund Program were not yet drawn down in 2015, as these funds are ear-marked for a large procurement scheduled in 2016 for major overhaul of the Terrace Garden's elevators.

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding from the Department of Housing and Urban Development
- Local labor supply and demand, which can effect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

MANAGEMENT NOTES AND CONCLUSIONS:

LMHA’s Executive Director promotes extensive cross training in all housing authority job classifications. Her goal is to have the ability to interchange any position within any department by a number of employees with the Organization.

In 2015, evidence of this versatility was shown, when Management and LMHA Staff were required to step in for the Financial Operations Manager/Accountant, during an extended, unplanned leave-of-absence for a serious illness/surgery. Despite the Organization’s small size, for over three months the Executive Director and staff worked together to keep the finance and other departments running effectively. Some of the \$16,641 increase in the Section-8 operating expenses were for accounting fees and contract services for administrative support to assist during this difficult period.

There were several decreases in other areas within the Section-8 Program including a decrease in the need for the Independent Informal Hearing Officer, contract computer services, and building maintenance.

Staff at LMHA continued to enhance its procedures and software to streamline its “paperless” process. This allowed for the removal of twenty-four, four-drawer vertical filing cabinets in the Administrative Office Building, opening up space for an improved training area.

Other administrative processes were also streamlined, allowing the Section-8 Department to eliminate one full-time position, late in the year.

Cash on the entity-wide balance sheet for 2015 increased \$45,610 from 2014. Changes to cash by program were are follows:

- PH-Low Rent Unrestricted: increased \$27,456 for a balance of \$182,039
- PH-Low Rent Restricted: decreased \$818 for a balance of \$10,780

- Section-8 Unrestricted: decreased \$8,595 for a balance of \$169,917
- Section-8 Restricted: increased \$27,074 for a balance of \$33,473

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

- Business Activity Unrestricted: increased \$483 for a balance of \$64,547

Tenant revenue increased \$5,164 in 2015 to \$296,950. This 1.77 percent increase is primarily due to the 1.7 percent increase to Social Security benefits in 2015.

Public Housing Management and their maintenance staff, again focused on successful unit turn over. 1,185 of the 1,188 unit months available for the Public Housing Program were leased in 2015 resulting in a 99.75 percent occupancy rate.

Also being diligent, the Section-8 HCV Program finished the year with 12,250 of its 12,360 unit months available leased, resulting in a 99.11 percent utilization rate.

HCV-HAP expense increased by \$45,702 in 2015 from 2014. In reviewing the per unit costs for one, two, three and four bedrooms, LMHA saw an average unit cost of \$417.84, up \$3.10 from 2014.

Entity-wide, LMHA ended 2015 with \$15,389 in Accounts Payable \leq 90 days, much of which was due to winter utility expenses for the Terrace Garden Apartments and the Section-8 Administration Building.

In summary, several changes were analyzed by management, including:

- In 2015, LMHA finished with a \$10,365 reduction in its HCV Admin Fee revenue. LMHA expects to receive a portion of this in 2016, once HUD performs its normal year-end reconciliation for the HCV Program.
- For the SPC Programs, an overall increase of \$4,000 was seen in the SPC Admin Fee revenue. SPC HAP expense increased \$60,426 in 2015. This increase was expected, as LMHA was awarded two new SPC Grants in December 2014.
- Public Housing Operating Expenses decreased \$54,647. Some areas in 2015 showing reductions included a \$20,202 reduction in maintenance labor in-house; a \$7,551 reduction in legal fees; a \$9,427 reduction in various materials; a \$5,609 reduction in contract administrative support; and a reduction in strategic contracts of \$11,598. Strategic contracts in 2014 included a required environmental review and physical needs assessment. These reports were not required in 2015.
- LMHA continued hosting the LMHA educational workshop for landlords and other related entities in LMHA's jurisdiction. This "Housing Forum" provides information about the processes and requirements within the LMHA Section-8 Program. Representatives attending included various local vendors, local division of water and waste management, various local courts, legal aid, insurance providers, various lending institutions, Fair Housing, County Coalition for Housing, County Board of Development Disabilities, and County Apartment Association. This event involved 100 percent staff participation, and assists in the following:

**LICKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

builds larger quality housing stock for LMHA program participation; opens lines of communication between related agencies; helps meet common goals among agencies to expedite the process and end homelessness. A special guest from the Ohio Inspector General's Office gave a presentation to help inspectors and property owners identify signs of methamphetamine use and manufacture.

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Jody Hull-Arthur, Executive Director of the LMHA 740-349-8069 Ext. 224, or Cynthia Hite, Financial Operations Manager, Ext. 229.

Cynthia Hite
Financial Operations Manager
740-349-8069 Ext. 229

LICKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2015

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 416,503
Restricted Cash and Cash Equivalents	44,253
Receivables, Net	8,148
Prepaid Expenses	<u>17,858</u>
Total Current Assets	<u>486,762</u>

Noncurrent Assets

Non-depreciable Capital Assets	276,250
Depreciable Capital Assets, Net	<u>1,438,204</u>
Total Noncurrent Assets	<u>1,714,454</u>

TOTAL ASSETS 2,201,216

Deferred Outflows of Resources 78,521

TOTAL ASSETS AND DEFERRED OUTFLOWS \$ 2,279,737

LIABILITIES

Current Liabilities

Accounts Payable	\$ 15,389
Accrued Wages - Payroll Taxes	9,226
Tenant Security Deposits	10,780
Intergovernmental Payable	<u>17,932</u>
Total Current Liabilities	<u>53,327</u>

Noncurrent Liabilities

Accrued Compensated Absences	26,750
Net Pension Liability	<u>483,893</u>
Total Noncurrent Liabilities	<u>510,643</u>
Total Liabilities	<u>563,970</u>

Deferred Inflows of Resources 8,501

NET POSITION

Net Investment in Capital Assets	1,714,454
Unrestricted	(40,661)
Restricted	<u>33,473</u>
Total Net Position	<u>1,707,266</u>

TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION \$ 2,279,737

See accompanying notes to the basic financial statements.

LICKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Operating Revenues</u>	
Government Grants	\$ 6,316,688
Tenant Revenue	296,950
Other Revenue	<u>56,057</u>
Total Operating Revenues	<u>6,669,695</u>
<u>Operating Expenses</u>	
Administrative	748,500
Tenant and Protective Services	2,520
Utilities	128,423
Maintenance	157,713
General	61,588
Housing Assistance Payments	<u>5,495,026</u>
Total Operating Expenses Before Depreciation	<u>6,593,770</u>
Income Before Depreciation	75,925
Depreciation	<u>143,610</u>
Operating Income (Loss)	<u>(67,685)</u>
<u>Non-Operating Revenues</u>	
Interest and Investment Revenue	<u>315</u>
Total Non-Operating Revenues	
Income (Loss) Before Capital Grants	(67,370)
Capital Grants	<u>6,753</u>
Change in Net Position	(60,617)
Net Position, Beginning of Year	2,186,659
Prior Period Adjustments	<u>(418,776)</u>
Net Position, End of Year	<u>\$ 1,707,266</u>

See accompanying notes to the basic financial statements.

LICKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Cash Flows from Operating Activities</u>	
Cash Received from Government Grants	\$ 6,317,598
Cash Received From Tenants	299,200
Cash Payments for Housing Assistance	(5,495,026)
Cash Payments for Administrative Expenses	(768,176)
Cash Payments for Other Operating Expenses	(353,160)
Cash Received - Other Revenue	<u>56,057</u>
Net Cash Provided by Operating Activities	<u>56,493</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	(17,961)
Capital Grants Received	<u>6,753</u>
Net Cash (Used In) Capital and Other Related Financing Activities	<u>(11,208)</u>
 <u>Cash Flows from Investing Activities</u>	
Interest and Investment Income Received	<u>315</u>
Net Cash Provided by Investing Activities	<u>315</u>
Net Increase in Cash and Cash Equivalents	45,600
Cash and Cash Equivalents, Beginning	<u>415,156</u>
 Cash and Cash Equivalents, Ending	 <u>\$ 460,756</u>
 <u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u>	
Net Operating (Loss)	\$ (67,685)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	143,610
(Increase) Decrease in:	
Accounts Receivable	(5,433)
Deferred Outflows	(2,044)
Prepaid Expenses	(24,334)
Increase (Decrease) in:	
Accounts Payable	(8,802)
Accrued Pension Liability and Deferred Inflows	19,431
Accrued Compensated Absences	2,115
Tenants' Security Deposits	(818)
Accrued Wages and Payroll Taxes	(457)
Intergovernmental Payable	<u>910</u>
 Net Cash Provided Operating Activities	 <u>\$ 56,493</u>

See accompanying notes to the basic financial statements.

**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

The Licking Metropolitan Housing Authority (LMHA) is a political subdivision of the State of Ohio, located in Newark, Ohio, created under Section 3735.27 of the Ohio Revised Code, to engage in the acquisition, development, leasing and administration of low-rent housing programs. An Annual Contributions Contract was signed by the LMHA and the United States Department of Housing and Urban Development (HUD), under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring construction, maintenance, operating, improving, extending, and repairing housing facilities.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 - as amended by GASB Statement No. 61, is the “primary government”. A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. This criterion was considered in determining the reporting entity. The Authority is a political subdivision with no component units.

Basis of Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance, contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

The Authority’s basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Presentation (Continued)

The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the changes in net position, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus and Basis of Accounting

The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the Authority are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Description of Programs

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

Public Housing (PH) - The PH program is designed to provide low-cost housing within the County. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with rental income received from tenants, are available solely to meet the operating expenses of the program.

Capital Fund Program (CFP) - The CFP provides funds annually, via a formula, to PH Agencies for capital and management activities, including modernization and development housing.

Housing Choice Voucher Program (HCVP) - The HCVP was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons.

Shelter Plus Care (SPC) - The SPC Program provides rental assistance, in connection with supportive services funded from sources other than this program to homeless persons with disabilities (primarily persons who are seriously mentally ill; have chronic problems with alcohol, drugs, or both, or have acquired immunodeficiency syndrome and related diseases) and their families. The program provides assistance through Tenant-based Rental Assistance (TRA).

Business Activities (BA) - Business Activities represents other services that the PHA provides to Licking Metropolitan Housing Authority for a fee and services that the PHA provides to the County. The revenue and expenses for these services are identified and tracked separate from the HUD activities.

**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash and cash equivalents.

Investments

Investments are stated at fair value. Cost-based measures of fair value were applied to non-negotiable certificates of deposit and money market investments.

Restricted Assets

Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include excess Housing Choice Voucher housing assistance payments funding and security deposits collected from residents of the Authority's housing units.

Property and Equipment

Property and equipment are recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. The Authority's capitalization threshold is \$1,000. Depreciation is recorded on the straight-line method under the following lives:

Buildings	27.5 years
Building Improvements	15 years
Equipment	7 years
Autos	5 years

Net Position

Net position represents the difference between assets and liabilities. The net investment in capital assets component of net position, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is recorded 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. Restricted Net Position includes what is known as Housing Choice Voucher Program HAP Equity. That is funding provided to the Agency by HUD for the purpose of making rental assistance payments on behalf of program participants that has yet to be expended.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Accounting

LMHA annually prepares funding requests as prescribed by HUD. Operating budgets are adopted for all Authority's programs by the Authority's Board.

Capitalization of Interest

The Authority's policy is not to capitalize interest related to the construction or purchase of capital assets.

Pensions

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 7.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the statement of net position. (See Note 7)

**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 2: CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

For fiscal year 2015, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

The objective of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, is to improve accounting and financial reporting by state and local governments for pensions. The provisions of this Statement are effective for periods beginning after June 15, 2014, and have been implemented by the Authority.

The objective of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision of usefulness of the financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the Authority's financial statements.

The objective of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68, and have been implemented by the Authority.

The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

Prior Period Adjustments:	
Net Pension Liability	\$ (472,963)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>54,187</u>
Total Prior Period Adjustments	<u>\$ (418,776)</u>

Other than employer contributions subsequent to the measurement date, the Authority made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 3: **DEPOSITS AND INVESTMENTS**

Cash on Hand

At December 31, 2015, the carrying amount of the Authority's deposits was \$460,756 (including \$44,253 of restricted funds, and \$200 of petty cash).

At December 31, 2015, the bank balance of the Authority's cash deposits was \$484,182. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2015, deposits totaling \$484,182 were covered by Federal Depository Insurance.

Custodial credit is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 110 percent of deposits. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 110 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at 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 of the public deposits it holds, or as specific collateral held at a Federal Reserve bank in the name of the Authority.

Investments

The Authority has a formal investment policy. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*, and records all its investments at fair value. At December 31, 2015, the Authority had no investments.

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**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

Interest Rate Risk

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires that operating funds be invested primarily in short-term investments maturing within 2 years from the date of purchase and that its investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the controller or qualified trustee.

Restricted Cash

The restricted cash balance of \$44,253 on the financial statements represents the following:

Excess cash advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments (Restricted Net Position)	\$ 33,473
Tenant Security Deposits Liability	<u>10,780</u>
Total	<u>\$ 44,253</u>

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**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 4: **CAPITAL ASSETS**

Following is a summary of capital assets:

	<u>Balance 12/31/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2015</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 276,250	\$ 0	\$ 0	\$ 276,250
Total Capital Assets Not Being Depreciated	<u>276,250</u>	<u>0</u>	<u>0</u>	<u>276,250</u>
<u>Capital Assets Being Depreciated</u>				
Buildings and Improvements	5,905,286	11,018	0	5,916,304
Furniture, Equipment & Machinery	<u>219,465</u>	<u>6,943</u>	<u>0</u>	<u>226,408</u>
Subtotal Capital Assets Being Depreciated	<u>6,124,751</u>	<u>17,961</u>	<u>0</u>	<u>6,142,712</u>
Accumulated Depreciation - Buildings and Improvements	(4,395,929)	(116,327)	0	(4,512,256)
Accumulated Depreciation - Furniture and Equipment	<u>(164,969)</u>	<u>(27,283)</u>	<u>0</u>	<u>(192,252)</u>
Subtotal Accumulated Depreciation	<u>(4,560,898)</u>	<u>(143,610)</u>	<u>0</u>	<u>(4,704,508)</u>
Depreciable Assets, Net	<u>1,563,853</u>	<u>(125,649)</u>	<u>0</u>	<u>1,438,204</u>
Total Capital Assets, Net	<u>\$ 1,840,103</u>	<u>\$ (125,649)</u>	<u>\$ 0</u>	<u>\$ 1,714,454</u>

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LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 5: CAPITAL LEASE OBLIGATIONS

The Authority had no capital lease obligations throughout 2015.

NOTE 6: ALLOCATION OF COSTS

The Authority allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program or estimated actual usage. Management considers this to be an equitable method of allocation.

NOTE 7: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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

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

**LICKING METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015
 (CONTINUED)**

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

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

LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLANS** (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was \$57,409 for 2015.

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, 2014, 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 contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Proportionate Share of the Net Pension Liability	\$ 483,893
Proportion of the Net Pension Liability	0.004012%
Pension Expense	\$ 52,832

At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Net difference between projected and Actual Earnings on pension plan investments	\$ 25,819
Authority contributions subsequent to the Measurement Date	52,702
Total Deferred Outflows of Resources	<u>\$ 78,521</u>

Deferred Inflows of Resources

Differences between expected and actual experience	<u>\$ 8,501</u>
--	-----------------

\$52,702 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2016	\$ 2,532
2017	2,532
2018	5,799
2019	6,455
Total	<u>\$ 17,318</u>

**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 7: **DEFINED BENEFIT PENSION PLANS** (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLANS** (Continued)

Actuarial Assumptions - OPERS (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.31%
Domestic Equities	19.90%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	19.10%	7.40%
Other Investments	18.00%	4.59%
Total	100.00%	5.28%

**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 7: DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - OPERS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Authority’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Authority’s proportionate share of the net pension liability	\$ 890,223	\$ 483,893	\$ 141,664

NOTE 8. POST-EMPLOYMENT BENEFITS

A. Plan Description

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans; the Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing, multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

**LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 8. **POST-EMPLOYMENT BENEFITS**

A. **Plan Description**

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 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-Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide healthcare to its eligible benefit recipients. Authority to establish and amend healthcare coverage is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377 or by visiting www.opers.org/investments/cafr.shtml.

B. **Funding Policy**

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 to fund OPERS healthcare plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, the Authority contributed at a rate of 14.00 percent of the earnable salary. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of the earnable salary for state and local employers. Active members contributions do not fund healthcare.

OPERS maintains two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Healthcare Trust that work together to provide health care funding to eligible retirees under the Traditional Pension and Combined Plans.

LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 8. POST-EMPLOYMENT BENEFITS (Continued)

Each year, the OPERS Retirement Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2.0 percent for calendar year 2015. As recommended by the OPERS' actuary, the portion of employer contributions allocated to healthcare beginning January 1, 2016 remained at 2.0 percent for the Traditional Plan. 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. Actual Authority contributions for the years ended December 31, 2015, 2014 and 2013, which were used to fund post-employment benefits were \$9,568, \$9,837, and \$4,684, respectively.

NOTE 9: NON-CURRENT LIABILITIES

A summary of changes in non-current liabilities is as follows:

	Restated Balance			Balance
	<u>01/01/2015</u>	<u>Additions</u>	<u>Used</u>	<u>12/31/2015</u>
Compensated Absence	\$ 24,635	\$ 27,862	\$ 25,747	\$ 26,750
Net Pension Liability	<u>472,963</u>	<u>10,930</u>	<u>0</u>	<u>483,893</u>
Total Non-current Liabilities	<u>\$ 497,598</u>	<u>\$ 38,792</u>	<u>\$ 25,747</u>	<u>\$ 510,643</u>

See Note 7 for more information regarding Net Pension Liability.

None of the compensated absence balance is considered to be current because no pay-outs at separation are anticipated in the coming period, and it is expected that leave earned in the period is what will be used in the period.

Vacation and sick leave are established by the Board of Commissioners based on local and state laws.

All permanent employees earn 5 hours of sick leave per 86.66 hours of service. Unused sick leave may be accumulated without limit. Accrued sick time is not payable to the employee upon their separation from employment.

All permanent employees will earn vacation hours accumulated based on length of service. Unused vacation time may be accumulated up to 240 hours. All vacation time accumulated will be paid to an employee upon separation of employment. At December 31, 2015 \$26,750 was accrued for unused vacation.

LICKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 10: **RISK MANAGEMENT**

The Authority is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of damage to, and destruction of assets; errors and omissions; and injuries to employees.

The Authority maintains comprehensive insurance coverage with private carriers for health, real property and building contents. Workers' Compensation coverage is maintained through the State. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three years.

NOTE 11: **CONTINGENCIES**

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustments 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, 2015.

Litigations and Claims

In the normal course of operations the PHA may be subject to litigations and claims. At December 31, 2015 the PHA was not aware of any such matters.

NOTE 12: **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Licking Metropolitan Housing Authority and is presented on the accrued basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

**LICKING METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS (1)**

Traditional Plan	2014	2013
Authority's Proportion of the Net Pension Liability/Asset	0.004012%	0.004012%
Authority's Proportionate Share of the Net Pension Liability	\$ 483,893	\$ 472,963
Authority's Covered-Employee Payroll	\$ 491,833	\$ 468,446
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	98.38%	100.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented as of the Authority's measurement date which is the prior year end.

**LICKING METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SEVEN FISCAL YEARS (1)**

	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions	\$ 57,409	\$ 59,020	\$ 60,898	\$ 44,828	\$ 45,006	\$ 38,319	\$ 37,213
Contribution In Relation to the Contractually Required Contributions	(57,409)	(59,020)	(60,898)	(44,828)	(45,006)	(38,319)	(37,213)
Contribution Deficiency/(Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Authority's Covered-Employee Payroll	\$ 478,408	\$ 491,833	\$ 468,446	\$ 448,280	\$ 450,060	\$ 425,767	\$ 437,800
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%	8.50%

(1) Information prior to 2009 is not available.

LICKING METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2015

	Project Total	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	182,039	169,917		64,547	416,503		416,503
113 Cash - Other Restricted		33,473			33,473		33,473
114 Cash - Tenant Security Deposits	10,780				10,780		10,780
100 Total Cash	192,819	203,390	-	64,547	460,756	-	460,756
122 Accounts Receivable - HUD Other Projects		5,492			5,492		5,492
124 Accounts Receivable - Other Government		487			487		487
126 Accounts Receivable - Tenants	2,169				2,169		2,169
128 Fraud Recovery		24,523			24,523		24,523
128.1 Allowance for Doubtful Accounts - Fraud		-24,523			-24,523		-24,523
120 Total Receivables, Net of Allowances for Doubtful Accounts	2,169	5,979	-	-	8,148	-	8,148
142 Prepaid Expenses and Other Assets	12,886	4,972			17,858		17,858
150 Total Current Assets	207,874	214,341	-	64,547	486,762	-	486,762
161 Land	201,250			75,000	276,250		276,250
162 Buildings	5,293,201	33,825		589,278	5,916,304		5,916,304
163 Furniture, Equipment & Machinery - Dwellings	12,210				12,210		12,210
164 Furniture, Equipment & Machinery - Administration	38,943	138,117		37,138	214,198		214,198
166 Accumulated Depreciation	-4,348,230	-121,369		-234,909	-4,704,508		-4,704,508
160 Total Capital Assets, Net of Accumulated Depreciation	1,197,374	50,573	-	466,507	1,714,454	-	1,714,454
180 Total Non-Current Assets	1,197,374	50,573	-	466,507	1,714,454	-	1,714,454
200 Deferred Outflow of Resources	25,912	52,609			78,521		78,521
290 Total Assets and Deferred Outflow of Resources	1,431,160	317,523	-	531,054	2,279,737	-	2,279,737
312 Accounts Payable <= 90 Days	10,107	5,282			15,389		15,389
321 Accrued Wage/Payroll Taxes Payable		9,226			9,226		9,226
333 Accounts Payable - Other Government	17,932				17,932		17,932
341 Tenant Security Deposits	10,780				10,780		10,780
310 Total Current Liabilities	38,819	14,508	-	-	53,327	-	53,327
354 Accrued Compensated Absences - Non Current	13,852	12,898			26,750		26,750
357 Accrued Pension and OPEB Liabilities	159,685	324,208			483,893		483,893
350 Total Non-Current Liabilities	173,537	337,106	-	-	510,643	-	510,643
300 Total Liabilities	212,356	351,614	-	-	563,970	-	563,970
400 Deferred Inflow of Resources	2,805	5,696			8,501		8,501
508.4 Net Investment in Capital Assets	1,197,374	50,573		466,507	1,714,454		1,714,454
511.4 Restricted Net Position		33,473			33,473		33,473
512.4 Unrestricted Net Position	18,625	-123,833		64,547	-40,661		-40,661
513 Total Equity - Net Assets / Position	1,215,999	-39,787	-	531,054	1,707,266	-	1,707,266
600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net	1,431,160	317,523	-	531,054	2,279,737	-	2,279,737

**LICKING METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

	Project Total	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	295,273				295,273		295,273
70400 Tenant Revenue - Other	1,677				1,677		1,677
70500 Total Tenant Revenue	296,950	-	-	-	296,950	-	296,950
70600 HUD PHA Operating Grants	194,847	5,750,712	371,129		6,316,688		6,316,688
70610 Capital Grants	6,753				6,753		6,753
71100 Investment Income - Unrestricted	300	15			315		315
71400 Fraud Recovery		3,302			3,302		3,302
71500 Other Revenue	7,806	37,749		7,200	52,755		52,755
70000 Total Revenue	506,656	5,791,778	371,129	7,200	6,676,763	-	6,676,763
91100 Administrative Salaries	98,295	297,808	23,903		420,006		420,006
91200 Auditing Fees	934	9,790			10,724		10,724
91400 Advertising and Marketing	754	2,733			3,487		3,487
91500 Employee Benefit contributions - Administrative	35,611	123,341			158,952		158,952
91600 Office Expenses	20,601	107,715			128,316		128,316
91700 Legal Expense	789	22,252			23,041		23,041
91800 Travel	476	3,498			3,974		3,974
91000 Total Operating - Administrative	157,460	567,137	23,903	-	748,500	-	748,500
92400 Tenant Services - Other	1,993				1,993		1,993
92500 Total Tenant Services	1,993	-	-	-	1,993	-	1,993
93100 Water	26,550	686			27,236		27,236
93200 Electricity	69,382	6,838			76,220		76,220
93300 Gas	21,699	3,267			24,966		24,966
93000 Total Utilities	117,631	10,791	-	-	128,422	-	128,422
94100 Ordinary Maintenance and Operations - Labor	60,681				60,681		60,681
94200 Ordinary Maintenance and Operations - Materials and Other	23,113	3,892			27,005		27,005
94300 Ordinary Maintenance and Operations Contracts	36,992	7,057			44,049		44,049
94500 Employee Benefit Contributions - Ordinary Maintenance	21,826				21,826		21,826
94000 Total Maintenance	142,612	10,949	-	-	153,561	-	153,561
95200 Protective Services - Other Contract Costs	527				527		527
95000 Total Protective Services	527	-	-	-	527	-	527
96110 Property Insurance	10,646	4,004			14,650		14,650
96130 Workmen's Compensation	4,528	9,279			13,807		13,807
96100 Total insurance Premiums	15,174	13,283	-	-	28,457	-	28,457
96200 Other General Expenses	407	5,959		6,717	13,083		13,083
96210 Compensated Absences	1,417	699			2,116		2,116
96300 Payments in Lieu of Taxes	17,932				17,932		17,932
96000 Total Other General Expenses	19,756	6,658	-	6,717	33,131	-	33,131
96900 Total Operating Expenses	455,153	608,818	23,903	6,717	1,094,591	-	1,094,591
97000 Excess of Operating Revenue over Operating Expenses	51,503	5,182,960	347,226	483	5,582,172	-	5,582,172
97100 Extraordinary Maintenance	4,152				4,152		4,152
97300 Housing Assistance Payments		5,119,119	347,226		5,466,345		5,466,345
97350 HAP Portability-In		28,681			28,681		28,681
97400 Depreciation Expense	93,973	26,823		22,815	143,611		143,611
90000 Total Expenses	553,278	5,783,441	371,129	29,532	6,737,380	-	6,737,380
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-46,622	8,337	-	-22,332	-60,617	-	-60,617
11030 Beginning Equity	1,400,817	232,456		553,386	2,186,659		2,186,659
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-138,196	-280,580			-418,776		-418,776
11170 Administrative Fee Equity		-73,260			-73,260		-73,260
11180 Housing Assistance Payments Equity		33,473			33,473		33,473
11190 Unit Months Available	1,188	12,360	636		14,184		14,184
11210 Number of Unit Months Leased	1,185	12,250	636		14,071		14,071

**LICKING METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs:</i>		
<u>Public Housing Programs</u>		
Low Rent Public Housing Program	14.850	\$ <u>192,867</u>
Capital Fund Program	14.872	<u>8,733</u>
Total Public Housing Programs		<u>201,600</u>
<u>Section 8 Tenant Based Programs</u>		
Section 8 Housing Choice Voucher Program	14.871	5,750,712
Shelter Plus Care Program	14.238	<u>371,129</u>
Total Section 8 Tenant Based Programs		<u>6,121,841</u>
Total U.S. Department of Housing and Urban Development		<u>6,323,441</u>
Total Federal Expenditures		<u>\$ 6,323,441</u>

This schedule is prepared on the accrual basis of accounting.

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Licking Metropolitan Housing
Newark, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited, in accordance with the 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 Licking Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Licking Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated April 14, 2016, wherein we noted that the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, and restated its net position at December 31, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Licking Metropolitan Housing Authority, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Licking Metropolitan Housing Authority, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the Licking Metropolitan Housing Authority, Ohio'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Licking Metropolitan Housing Authority, Ohio'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 determination of financial statement amounts. 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.

James G. Zupka,
CPA, President

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President
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o=James G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2016.05.20 14:41:14 -04'00'

James G. Zupka, CPA, Inc.
Certified Public Accountants

April 14, 2016

JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

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Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Licking Metropolitan Housing Authority
Newark, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Licking Metropolitan Housing Authority, Ohio's, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Licking Metropolitan Housing Authority, Ohio's major federal program for the year ended December 31, 2015. The Licking Metropolitan Housing Authority, Ohio's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and condition of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Licking Metropolitan Housing Authority, Ohio's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Licking Metropolitan Housing Authority, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Licking Metropolitan Housing Authority, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of the Licking Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Licking Metropolitan Housing Authority, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Licking Metropolitan Housing Authority, Ohio'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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

James G. Zupka, CPA,
President
James G. Zupka CPA, Inc.
Certified Public Accountants

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c=US
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April 14, 2016

**LICKING METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
UNIFORM GUIDANCE
DECEMBER 31, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

2015(i)	Type of Financial Statement Opinion	Unmodified
2015(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2015(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2015(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2015(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2015(iv)	Were there any significant deficiency conditions reported for major Federal programs?	No
2015(v)	Type of Major Programs' Compliance Opinion	Unmodified
2015(vi)	Are there any reportable findings under .510(a)?	No
2015(vii)	Major Programs (list): Housing Choice Voucher Program - CFDA #14.871	
2015(viii)	Dollar Threshold: Type A\B Programs	Type A: \geq \$750,000 Type B: all others
2015(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**LICKING METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The audit report for the prior year ended December 31, 2014 contained no findings or citations.



Dave Yost • Auditor of State

LICKING COUNTY METROPOLITAN HOUSING AUTHORITY

LICKING 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
JULY 26, 2016