

PREBLE METROPOLITAN HOUSING AUTHORITY

Financial Statements

For the Year Ended March 31, 2016



Dave Yost • Auditor of State

Members of the Board
Preble Metropolitan Housing Authority
719 S Main St
Dayton, OH 45402

We have reviewed the *Independent Auditor's Report* of the Preble Metropolitan Housing Authority, Preble County, prepared by Manning & Associates CPAs, LLC, for the audit period April 1, 2015 through March 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 8, 2016

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PREBLE METROPOLITAN HOUSING AUTHORITY

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Preble Metropolitan Housing Authority
Eaton, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Preble Metropolitan Housing Authority, Ohio (the Authority) as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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 of material misstatement.

An audit includes 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 the 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 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 respective financial position of Preble Metropolitan Housing Authority, Ohio as of March 31, 2016, and the respective changes in financial position, and cash flows 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 6 to the financial statements, during the year ended March 31, 2016, the Authority adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 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 Preble Metropolitan Housing Authority, Ohio's basic financial statements. The Financial Data Schedules are presented for purposes of additional analysis and not a required part of the basic financial statements.

The Financial Data Schedules 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 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 a report dated September 15, 2016, on our consideration of Preble Metropolitan Housing Authority, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Authority's internal control over financial reporting and compliance.

Manning &
Associates CPAs,
LLC

Digitally signed by Manning &
Associates CPAs, LLC
DN: cn=Manning & Associates CPAs,
LLC, o=Manning & Associates CPAs, LLC,
ou, email=dayton@manningcpallc.com,
c=US
Date: 2016.09.15 11:59:21 -04'00'

Manning & Associates CPAs, LLC
Dayton, Ohio

September 15, 2016

*Preble Metropolitan Housing Authority
Management's Discussion and Analysis-Cont.
For the Year Ended March 31, 2016
Unaudited*

Introduction

This Management's Discussion and Analysis (MD&A) of the Preble Metropolitan Housing Authority (Authority) provides an introduction and overview to the financial statements of the Preble Metropolitan Housing Authority for the fiscal year ended March 31, 2016. The Preble Metropolitan Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended March 31, 2016, to assist the reader in focusing on significant financial issues.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Preble Metropolitan Housing Authority. The information contained herein this MD&A should be considered in conjunction with the Authority's financial statements and related notes to the financial statements.

The Authority has one individual program, the Housing Choice Voucher Program. This program provides rental assistance to aid low income families afford, decent, safe and sanitary rental housing. The Authority provides rental assistance in the form of a Housing Assistance Payment to a landlord on behalf of the tenant. The Authority currently has 52 units available. Funds are provided by HUD to provide rental assistance payments. The Authority is provided an administrative fee for the purpose of covering the administrative costs of the program. The fee is preset by HUD on an annual basis.

Overview of the Financial Statements

This overview of the financial statement is intended to inform and introduce the reader to the Authority's financial statements. The financial statements are comprised of three individual statements. These statements include:

- The Statement of Net Position
- The Statement of Revenues, Expense, and Changes in Net Position
- The Statement of Cash Flows

The Statement of Net Position presents information on the assets, deferred outflows or resources, liabilities, and deferred inflows of resources with the differences between them being reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial situation of the Authority is improving or deteriorating. Net Position is comprised of three individual components:

- Net Investment in Capital Assets consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with the acquisition of these assets.
- Restricted component of net position consists of resources that are restricted by limitations placed on these resources by an external source or imposed by law through **constitutional provisions**.
- Unrestricted component of net position represents the remaining resources available that does not meet the definition of the above categories. The unrestricted component of Net Position is basically the amount of resources available for future year appropriations.

*Preble Metropolitan Housing Authority
Management's Discussion and Analysis-Cont.
For the Year Ended March 31, 2016
Unaudited*

The Statement of Revenues, Expenses, and Changes in Net Position reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended March 31, 2016, to determine the net change in Net Position for the fiscal year.

The Statement of Cash Flows reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended March 31, 2016.

Financial Highlights

The Preble Metropolitan Housing Authority's Net Position increased from \$1,218 to \$2,953, an increase of \$1,735 or 142%. Total assets increased by \$5,279 or 21%.

Total revenue increased from \$188,936 to \$215,075, an increase of \$26,139 or 14%.

Total expenses increased by \$3,226 from \$210,114 to \$213,340 for the current year. This represents an increase of 2%.

Authority Activities & Highlights

The Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the year ended March 31, 2016, and March 31, 2015.

**Summary Statement of Net Position
As of March 31, 2016 and 2015**

<u>Category</u>	<u>FYE 2016</u>	<u>FYE 2015</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 29,854	\$ 24,575	\$ 5,279	21%
Total Assets	\$ 29,854	\$ 24,575	\$ 5,279	21%
Current Liabilities	\$ 12,360	\$ 16,162	\$ (3,802)	-24%
Noncurrent Liabilities	\$ 14,541	\$ 7,195	\$ 7,346	102%
Total Liabilities	\$ 26,901	\$ 23,357	\$ 3,544	15%
Restricted	\$ 2,953	\$ 1,218	\$ 1,735	142%
Total Net Position	\$ 2,953	\$ 1,218	\$ 1,735	142%

Current Assets

Current assets increased by \$5,279 from the previous year. This was primarily due to an increase in restricted cash from \$9,213 in the prior year to \$19,110 in the current year. Restricted cash increased due excess HAP revenue over HAP expenditures and an increase in FSS liabilities in the current year. In contrast, unrestricted cash decreased from \$6,942 in the prior year to \$3,907 in the current year. This was due to operating expenditures exceeding operating revenues. Accounts receivable – other government also decreased by \$1,098 due to a decrease in the amount owed to the Authority by other agencies for portability-in HAP expenses.

*Preble Metropolitan Housing Authority
Management's Discussion and Analysis-Cont.
For the Year Ended March 31, 2016
Unaudited*

Current Liabilities

Current liabilities decreased by \$3,802 primarily due to a reduction in payables due to the Community Action Partnership (CAP).

Noncurrent Liabilities

Noncurrent liabilities increased by \$7,346 due to an increase in FSS liabilities.

Net Position

The total Net Position of the Authority increased by \$1,735 from \$1,218 to \$2,953. This increase was due to HAP revenues of \$178,950 over HAP expenditures of \$177,215.

**Summary Statement of Revenues & Expenses and Changes in Net Position
Years Ended March 31, 2016 and 2015**

<u>Category</u>	<u>FYE 2016</u>	<u>FYE 2015</u>	<u>Change \$</u>	<u>Change %</u>
HUD Operating Grants	\$ 199,179	\$ 170,537	\$ 28,642	17%
Other Revenue	\$ 15,896	\$ 18,399	\$ (2,503)	-14%
Total Revenue	\$ 215,075	\$ 188,936	\$ 26,139	14%
Administration	\$ 26,355	\$ 26,873	\$ (518)	-2%
Other General Expenses	\$ 1,308	\$ 4	\$ 1,304	32600%
Housing Assistance Payments	\$ 177,215	\$ 172,407	\$ 4,808	3%
HAP Portability-In	\$ 8,462	\$ 10,830	\$ (2,368)	-22%
Total Expenses	\$ 213,340	\$ 210,114	\$ 3,226	2%
Increase (Decrease) in Net Position	\$ 1,735	\$ (21,178)	\$ 22,913	-108%
Net Position, Beginning of Year	\$ 1,218	\$ 22,396	\$ (21,178)	-95%
Net Position, End of Year	\$ 2,953	\$ 1,218	\$ 1,735	142%

Results of Operations

Revenues of the Authority are generated principally from Federal and State funding grant income. The Authority's revenue increased by \$26,139 compared to the previous fiscal year.

- HUD operating grants increased by \$28,642. This was primarily due to an increase in HAP funding from \$151,205 in the previous year to \$178,950 in the current year.
- Other revenue decreased by \$2,503 due to a reduction in portability-in activity.

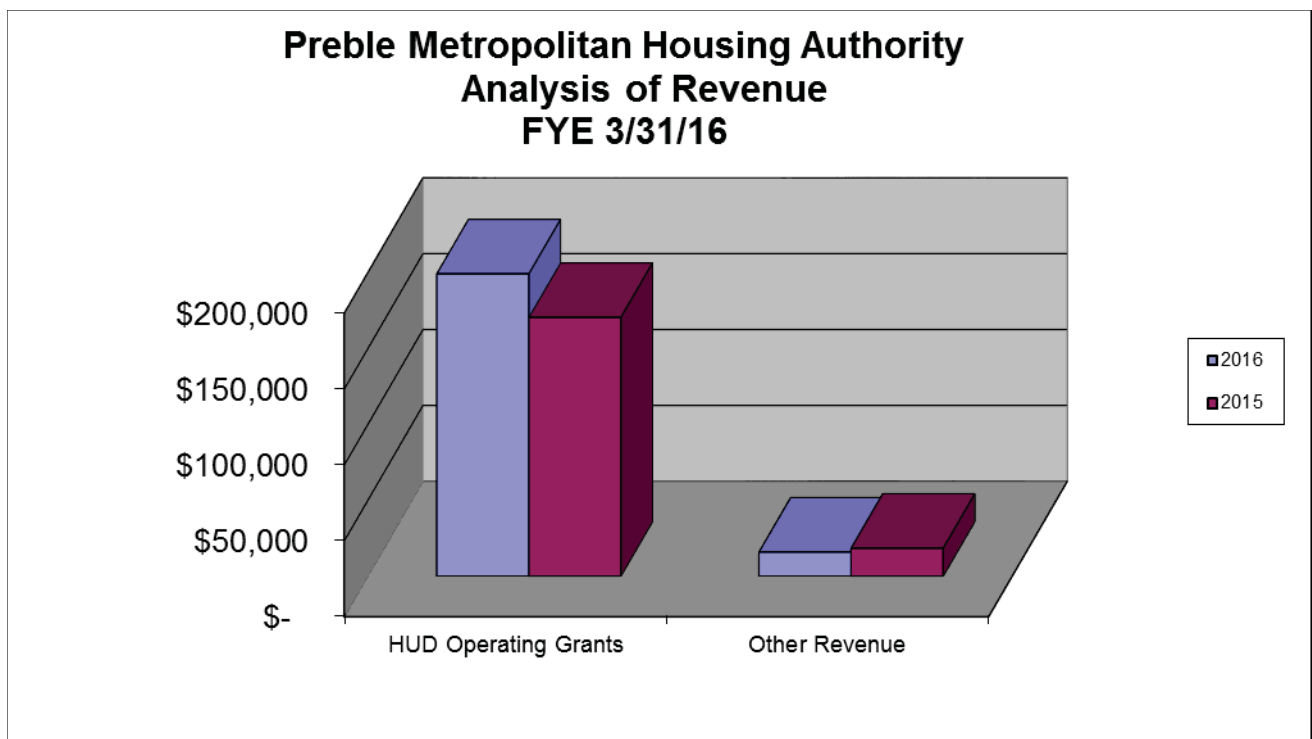
Total expenses increased by \$22,913. Significant changes from the previous year include:

- Other general expenses increased by \$1,308 due to an increase in the worker's comp insurance expenses.

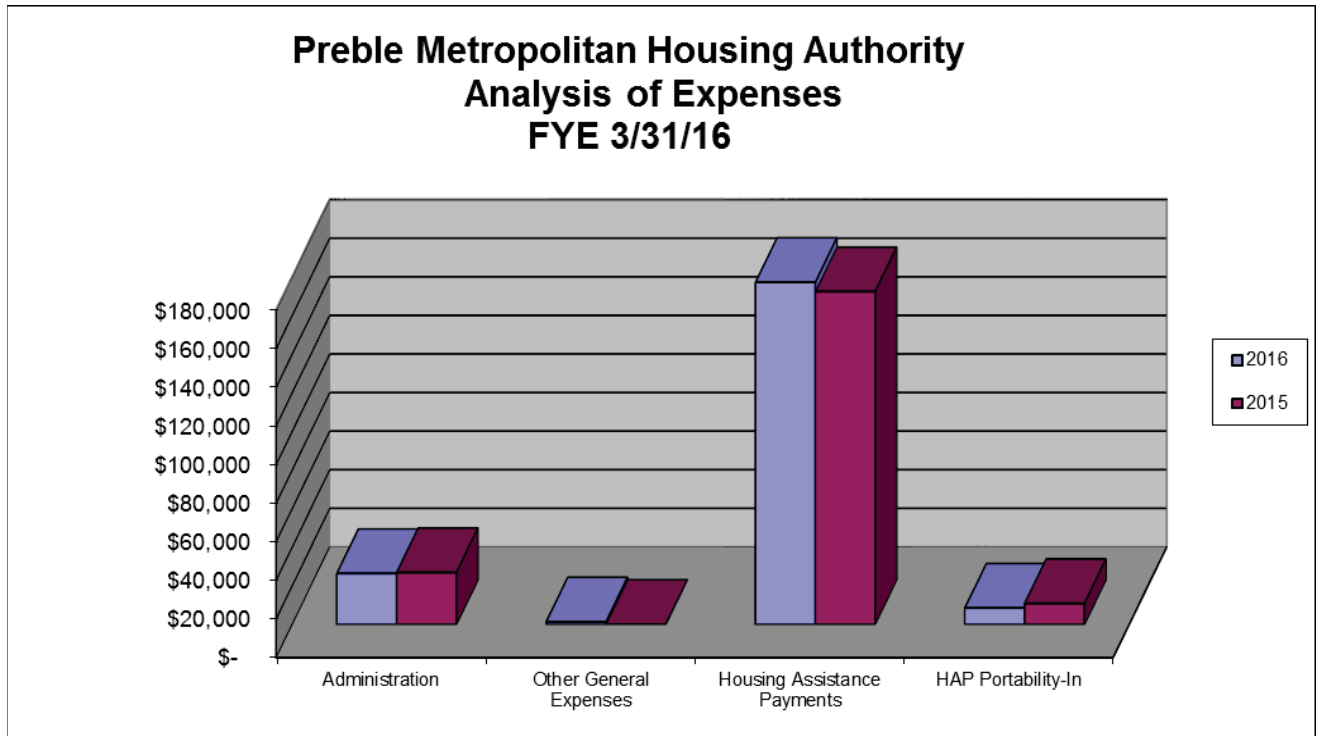
*Preble Metropolitan Housing Authority
 Management's Discussion and Analysis-Cont.
 For the Year Ended March 31, 2016
 Unaudited*

- Housing assistance payments increased by \$4,808 due to an increase in voucher unit months leased. Voucher unit months leased in the prior year were 435 compared to 441 voucher unit months leased in the current year.
- HAP costs related to portability-in units decreased by \$2,368 due to a reduction in portability-in vouchers during the current year.

The following presentations have been provided to demonstrate the revenues and expenses by summarized account category:



*Preble Metropolitan Housing Authority
Management's Discussion and Analysis-Cont.
For the Year Ended March 31, 2016
Unaudited*



Capital Assets

As of March 31, 2016, The Preble Metropolitan Housing Authority's net investment in capital assets was \$0. This investment includes equipment, less accumulated depreciation.

<u>Category</u>	<u>FYE 2016</u>	<u>FYE 2015</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ -	\$ -	\$ -	0%
Buildings	\$ -	\$ -	\$ -	0%
Equipment	\$ 968	\$ 968	\$ -	0%
Accumulated Depreciation	\$ (968)	\$ (968)	\$ -	0%
Total Net Capital Assets	\$ -	\$ -	\$ -	0%

Subsequent Event

The amount of HAP funding for the 2016 calendar year for the Housing Choice Voucher Program has not been finalized by HUD. The Authority estimates it will receive \$201,691 in HAP funding for the 2016 calendar year. As of the time of this analysis, HUD has projected administrative fees for the HCV program will be prorated at 84%.

*Preble Metropolitan Housing Authority
Management's Discussion and Analysis-Cont.
For the Year Ended March 31, 2016
Unaudited*

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested.

If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Preble Metropolitan Housing Authority
Deborah Donnelly, Chief Financial Officer
719 S. Main Street
Dayton, OH 45402

PREBLE METROPOLITAN HOUSING AUTHORITY

Statement of Net Position

Proprietary Funds

March 31, 2016

ASSETS

Current assets

Cash and cash equivalents	\$	23,017
Accounts Receivable		6,837
Fraud Recovery - Net of \$1,843 Allowance		-
Total current assets	\$	<u>29,854</u>

Noncurrent assets

Capital assets:		
Building and equipment	\$	968
Less accumulated depreciation		(968)
Total noncurrent assets	\$	<u>-</u>

Total assets \$ 29,854

LIABILITIES

Current liabilities

Accounts Payable	\$	10,744
Other current liabilities		1,616
Total current liabilities		<u>12,360</u>

Noncurrent liabilities

Non-current liabilities - Other	\$	14,541
Total noncurrent liabilities		<u>14,541</u>

Total liabilities \$ 26,901

NET POSITION

Restricted	\$	2,953
Unrestricted		-
Total net position	\$	<u>2,953</u>

Total liabilities and net position \$ 29,854

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

PREBLE METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses, and Change in Net Position
Proprietary Funds
For the Year Ended March 31, 2016

<i>OPERATING REVENUES</i>	
Government operating grants	\$ 199,179
Other Revenue	15,896
Total operating revenues	<u>215,075</u>
 <i>OPERATING EXPENSES</i>	
Administrative	\$ 27,663
Housing assistance payment	185,677
Depreciation	-
Total operating expenses	<u>\$ 213,340</u>
Operating income (loss)	<u>\$ 1,735</u>
 <i>NONOPERATING REVENUES (EXPENSES)</i>	
Interest and investment revenue	\$ -
Total nonoperating revenues (expenses)	<u>-</u>
Income (loss) before contributions and transfers	\$ 1,735
 Total net position - beginning	 <u>\$ 1,218</u>
Total net position - ending	 <u><u>\$ 2,953</u></u>

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

PREBLE METROPOLITAN HOUSING AUTHORITY

Combined Statement of Cash Flows
Proprietary Fund Type- Enterprise Fund
For the Year Ended March 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from grantor	\$ 200,762
Other income received	15,896
Cash paid Operating Activities	(24,119)
Cash Paid for Housing Assistance	<u>(185,677)</u>

Net cash provided (used) by operating activities \$ 6,862

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned	7 <u>-</u>
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Net cash provided by investing activities \$ -

CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES

Property and equipment purchased	\$ <u>-</u>
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Net cash provided (used) by capital and related activities \$ -

Net Increase (Decrease) in Cash	\$ 6,862
Cash and cash equivalents- Beginning of Year	<u>16,155</u>

Cash and cash equivalents- end of year \$ 23,017

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Operating Income (Loss)	\$ 1,735
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Adjustments to Reconcile Net Income to net Cash Provided
by Operating Activities:

(Increase) Decrease in accounts receivable	1,583
Increase (Decrease) in accounts payable	(4,332)
Increase (Decrease) in other current liabilities	530
Increase (Decrease) in non-current liabilities - other	<u>7,346</u>

Net cash provided (used) by operating activities \$ 6,862

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

PREBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Preble Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (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. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Preble Metropolitan Housing Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate-income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14 (as amended by GASB Statement No. 61), the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appointing a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

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

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

PREBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

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

Fund Accounting

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

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

Proprietary Fund Types

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

Enterprise Fund- This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability or other purposes.

Measurement Focus/Basis of Accounting

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Authority are included on the statement of net position. The statement of revenues, expenditures and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meet the cash flow needs of its enterprise activity.

Description of programs

The Authority operates the Housing Choice Voucher Program as a single enterprise fund.

The Housing Choice Voucher Program 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.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. No interest income was earned in fiscal year ended March 31, 2016.

PREBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$250 or more per unit. Depreciation is calculated using the straight line method over the estimated useful lives of three years. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

Net Position

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

Operating Revenues and Expenses

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

Cash and Cash Equivalents

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

Budgetary Accounting

The Authority is required by contractual agreements to adopt annual operating budgets for its HUD funded program. The budget for its program is prepared on HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end. The Board of Commissioners adopts the budget through passage of a budget resolution.

Accounting and Reporting for Non-exchange Transactions

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

Estimates

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

PREBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits

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

- A. Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
- B. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two period of designation of depositories. Inactive deposits must either be evidenced by certificate of deposits maturing not later than the end of the current period of designation of the depositories, or by savings or deposit accounts including, but not limited to passbook accounts.
- C. Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by the time certificate of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

At fiscal year end March 31, 2016, the carrying amount of the Authority's deposits totaled \$23,017 and its bank balance was \$24,262. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of March 31, 2016, the entire cash balance of \$23,017 was covered by the Federal Depository Insurance Corporation. The custodial credit risk for the Authority deposit is Category 1.

NOTE 3: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year ending March 31, 2016 the Authority contracted with Cincinnati Insurance Company for liability and property coverage of \$1,000,000.

Settled claims have not exceeded this coverage in any of the last three years.

PREBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

NOTE 4: CAPITAL ASSETS

The following is a summary:

	Balance 03/31/15	Additions	Deletion	Balance 03/31/16
Capital Assets Being Depreciated:				
Furnt, Mach. & Equip.- Admin.	968	0	0	968
Total Capital Assets Being Depreciated	968	0	0	968
Accumulated Depreciation:				
Furnt, Mach. & Equip. -Admin.	(968)	0	0	(968)
Total Accumulated Depreciation	(968)	0	0	(968)
Total Capital Assets Being Depreciated, Net	0	0	0	0
Total Capital Assets, Net	\$0	\$0	\$0	\$0

NOTE 5: MANAGEMENT CONTRACT/ RELATED PARTY TRANSACTION

The Authority Contracts with the Community Action Partnership of the Greater Dayton Area, a non-profit corporation, for the management and operations of its Housing Choice Voucher Program. The Authority does not have any employees; all staffs are subcontracted from the Community Action Partnership. The Authority’s current exposer to payroll of subcontract employees is \$8,240 annual. The Authority has an accounts payable balance of \$10,744 as of March 31, 2016 due to Community Action Partnership, for the management and operations of the Housing Choice Voucher Program.

NOTE 6: CHANGE IN ACCOUNTING PRINCIPAL

For fiscal year 2016, the Authority implemented the 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.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflow of resources and expense/expenditures. The implementation of the pronouncements did not have any effect on the net position because the Authority has no employees.

NOTE 7: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 15, 2016, the date on which the financial statements were available for issue.

PREBLE METROPOLITAN HOUSING AUTHORITY
Financial Data Schedules Submitted To REAC
March 31, 2016

Line Item No.	Account Description	Housing Choice Vouchers
111	Cash - Unrestricted	\$ 3,907
113	Cash - Other Restricted	17,494
115	Cash - Restricted for Payment of Current Liabilities	1,616
100	Total Cash	<u>\$ 23,017</u>
122	Accounts Receivable - HUD Other Projects	\$ 125
124	Accounts Receivable - Other Government	-
125	Accounts Receivable - Miscellaneous	6,712
128	Fraud Recovery	1,843
128.1	Allowance for Doubtful Accounts - Fraud	(1,843)
120	Total Receivables, net of allowances for doubtful accounts	<u>\$ 6,837</u>
150	Total Current Assets	<u>\$ 29,854</u>
164	Furniture, Equipment & Machinery- Administration	\$ 968
166	Accumulated Depreciation	(968)
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>\$ -</u>
180	Total Non-Current Assets	<u>\$ -</u>
190	Total Assets	<u><u>\$ 29,854</u></u>
312	Accounts Payable <=90 Days	\$ 10,471
321	Accrued Wage/Payroll Taxes Payable	273
345	Other Current Liabilities	1,616
310	Total Current Liabilities	<u>\$ 12,360</u>
353	Non-Current Liabilities - Other	\$ 14,541
350	Total Non-Current Liabilities	<u>\$ 14,541</u>
300	Total Liabilities	<u>\$ 26,901</u>
508.4	Net Investment in Capital Assets	\$ -
511.1	Restricted Net Position	2,953
512.1	Unrestricted Net Position	-
513	Total Equity/Net Position	<u>\$ 2,953</u>
600	Total Liabilities and Equity/Net Position	<u><u>\$ 29,854</u></u>

PREBLE METROPOLITAN HOUSING AUTHORITY
Financial Data Schedules Submitted To REAC
March 31, 2016

Line Item No.	Account Description	Housing Choice Vouchers
705	Total Tenant Revenue	\$ -
706	HUD PHA Operating Grants	199,179
711	Investment Income - Unrestricted	-
714	Fraud Recovery	-
715	Other Revenue	15,896
700	Total Revenue	<u>\$ 215,075</u>
911	Auditing Fees	\$ 639
913	Outside Management Fees	20,918
916	Office Expenses	1,191
917	Legal Expense	305
918	Travel	224
919	Other	3,078
961	Insurance Premiums	1,308
969	Total Operating Expenses	<u>\$ 27,663</u>
970	Excess Operating Revenue over Operating Expenses	<u>\$ 187,412</u>
973	Housing Assistance Payments	\$ 185,677
974	Depreciation Expense	-
900	Total Expenses	<u>\$ 185,677</u>
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$ 1,735
1103	Beginning Net Position	\$ 1,218
	Ending Net Position	<u><u>\$ 2,953</u></u>
1120	Unit Months Available	448
1121	Number of Unit Months Leased	441
1117	Administrative Fee Equity	-
1118	Housing Assistance Payments Equity	2,953

Manning & Associates

Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

REPORT IN 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

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Preble Metropolitan Housing Authority
Eaton, Ohio

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 Preble Metropolitan Housing Authority, which comprise the statement of net position as of March 31, 2016, and the related statement of revenues, expenses, and changes in fund net position, cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2016, wherein we noted the Authority adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Reporting for Pensions – an amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Preble Metropolitan Housing Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Preble Metropolitan Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Preble Metropolitan Housing Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

Preble Metropolitan Housing Authority
Board of Directors
Independent Auditors' 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*
Page 2

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 Preble Metropolitan Housing Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Manning &
Associates CPAs, LLC

Digitally signed by Manning & Associates
CPAs, LLC
DN: cn=Manning & Associates CPAs, LLC,
o=Manning & Associates CPAs, LLC, ou,
email=dayton@manningcpallc.com, c=US
Date: 2016.09.15 12:08:29 -04'00'

Manning & Associates CPAs, LLC
Dayton, Ohio

September 15, 2016

PREBLE METROPOLITAN HOUSING AUTHORITY

Schedule of Prior Audit Findings

March 31, 2016

The following are the status of March 31, 2015 audit findings. Those findings not fully corrected are repeated in the 2016 audit report.

Finding Number	Finding Summary	Fully Corrected?
	No prior audit findings	



Dave Yost • Auditor of State

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY

PREBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 20, 2016**