

HIGHLAND METROPOLITAN HOUSING AUTHORITY

Highland County, Ohio

Financial Statements

For the Year Ended December 31, 2016



Whited Seigneur Sams & Rahe, LLP
CERTIFIED PUBLIC ACCOUNTANTS

213 South Paint Street, Chillicothe, Ohio 45601-3828
Phone: (740) 702-2600 • Fax: (740) 702-2610 • Audit Fax: (740) 702-2612
email@wssrcpa.com • <http://www.wssrcpa.com>



Dave Yost • Auditor of State

Board of Commissioners
Highland Metropolitan Housing Authority
121 E. East St
Washington Court House, OH 43160

We have reviewed the *Independent Auditor's Report* of the Highland Metropolitan Housing Authority, Highland County, prepared by Whited, Seigneur, Sams & Rahe CPAs, LLP, for the audit period January 1, 2016 through December 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 Highland 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

June 12, 2017

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HIGHLAND METROPOLITAN HOUSING AUTHORITY

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Jerry B. Whited, CPA
Donald R. Seigneur, CPA
John R. Sams, CPA

Barry L. Rahe, CPA
Kathleen M. Alderman, CPA
Nathan C. Baldwin, CPA

Jay D. Seigneur, CPA
Kathy J. Lambert, CPA
Katie E. Guba, CPA

INDEPENDENT AUDITOR'S REPORT

May 22, 2017

Members of the Board of Commissioners
Highland Metropolitan Housing Authority
Hillsboro, OH 45133

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Highland Metropolitan Housing Authority (the Authority), Highland County, as of and for the year ended December 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 opinions 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 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 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 entity'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 entity'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2016, and the respective changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Financial Data Schedules are presented for purpose 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 this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2017, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE, CPAs, LLP

Whited Seigneur Sams & Rahe

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2016**

UNAUDITED

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

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

FINANCIAL HIGHLIGHTS

- During 2016, the Authority's Net Position increased by \$1,115 or 1.70%. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type Net Position. Net Position was \$66,809 and \$65,694 for 2016 and 2015 respectively.
- The revenue decreased by \$47,204 (or 10.21%) during 2016, and was \$415,182 and \$462,386 for 2016 and 2015 respectively.
- The total expenses of the Authority decreased by \$42,693 or 9.35%. Total expenses were \$414,067 and \$456,760 for 2016 and 2015 respectively.

USING THIS ANNUAL REPORT

The Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary Information" :

MD&A ~ Management Discussion And Analysis ~
--

Basic Financial Statements ~ Authority-Wide Financial Statements ~ ~ Notes to Financial Statements ~

Other Required Supplementary Information ~ Required Supplementary Information ~

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

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2016**

UNAUDITED

Authority-Wide Financial Statements

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

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

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

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

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".

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund 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.

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

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

Fund Financial Statements

The Authority is accounted for as an Enterprise Fund. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2016**

UNAUDITED

Many of the programs maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Authority's Programs

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

AUTHORITY-WIDE STATEMENT

Statement of Net Position

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

**TABLE 1
STATEMENT OF NET POSITION**

	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$ 98,665	\$ 64,720
Capital Assets	<u>267</u>	<u>989</u>
Total Assets	<u><u>\$ 98,932</u></u>	<u><u>\$ 65,709</u></u>
Current Liabilities	<u>\$ 32,123</u>	<u>\$ 15</u>
Total Liabilities	32,123	15
Net Position:		
Net Investment in Capital Assets	267	989
Restricted	8,442	9,551
Unrestricted	<u>58,100</u>	<u>55,154</u>
Total Net Position	<u>66,809</u>	<u>65,694</u>
Total Liabilities & Net Position	<u><u>\$ 98,932</u></u>	<u><u>\$ 65,709</u></u>

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2016**

UNAUDITED

Major Factors Affecting the Statement of Net Position

Current assets increased by \$33,945 or 52.45% and liabilities also increased by \$32,108 as a result of 2017 funding received in December.

Capital Assets decreased by an amount of \$722. No new purchases, only current year's depreciation of \$722 will account for this year's decrease. For more detail see "Capital Assets and Debt Administration" below.

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

Table 2 presents details on the change in Net Position.

**TABLE 2
CHANGE OF NET POSITION**

	Unrestricted	Restricted	Net Investment in Capital Assets
Ending Balance - December 31, 2015	\$ 55,154	\$ 9,551	\$ 989
Net Operating Income (Loss)	2,224	(1,109)	-
Adjustments:			
Depreciation Expense (1)	722	-	(722)
Capital Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Ending Balance - December 31, 2016	<u>\$ 58,100</u>	<u>\$ 8,442</u>	<u>\$ 267</u>

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

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

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2016**

UNAUDITED

**TABLE 3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

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

	<u>2016</u>	<u>2015</u>
Revenues		
HUD PHA Operating Grants	\$ 414,985	\$ 462,215
Investment Income	182	171
Other Revenues	<u>15</u>	<u>-</u>
Total Revenue	415,182	462,386
Expenses		
Administrative	48,967	47,701
Maintenance	-	1,803
Housing Assistance Payments	364,378	405,705
Depreciation	<u>722</u>	<u>1,551</u>
Total Expenses	<u>414,067</u>	<u>456,760</u>
Net Increase/(Decrease)	<u>\$ 1,115</u>	<u>\$ 5,626</u>

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

Total amount of HUD PHA Grants for 2016 decreased by \$47,230, which includes both Administrative Fees and Housing Assistance Payments; other Revenues increased by \$26 or 15.21%. This also resulted in a decrease in Housing Assistance Payments by \$41,327 or 10.19%

Leasing rate for 2016 decreased to 1,119 units months leased out of 1,200 or 93.29%. Compared to FY15 1,133 units months leased out of 1,200 or 94.42%

Net increase for 2016 reflects the decrease of \$1,109 in the Restricted HAP funds and an increase of \$2,224 in Administrative funds.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2016**

UNAUDITED

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2016, the Authority had \$267 invested in capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions and depreciation).

**TABLE 4
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	<u>2016</u>	<u>2015</u>
Equipment - Administrative	\$ 33,464	\$ 33,464
Accumulated Depreciation	<u>(33,197)</u>	<u>(32,475)</u>
Total Assets	<u><u>\$ 267</u></u>	<u><u>\$ 989</u></u>

The following reconciliation summarizes the change in Capital Assets.

**TABLE 5
CHANGE IN CAPITAL ASSETS**

Ending Balance - December 31, 2015	\$ 989	
Current year Additions		-
Current Year Depreciation Expense		<u>(722)</u>
Ending Balance - December 31, 2016		<u><u>\$ 267</u></u>

Debt Outstanding

As of December 31, 2016, the Authority has no outstanding debt (bonds, notes, etc.).

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
DECEMBER 31, 2016**

UNAUDITED

FINANCIAL CONTACT

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

HIGHLAND METROPOLITAN HOUSING AUTHORITY
Statement of Net Position
Proprietary Funds
December 31, 2016

ASSETS

Current assets

Cash and cash equivalents	\$ 90,223
Restricted cash	<u>8,442</u>
Total current assets	98,665

Noncurrent assets

Capital assets:	
Equipment	33,464
Less accumulated depreciation	<u>(33,197)</u>
Capital assets, net	<u>267</u>

Total noncurrent assets	<u>267</u>
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TOTAL ASSETS	<u>\$ 98,932</u>
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LIABILITIES

Current liabilities

Accounts payable	\$ 768
Total current liabilities	<u>768</u>

TOTAL LIABILITIES	768
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Deferred Inflows	31,355
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NET POSITION

Net investment in capital assets	267
Restricted	8,442
Unrestricted	<u>58,100</u>
Total Net Position	<u>66,809</u>

TOTAL LIABILITIES & NET POSITION	<u>\$ 98,932</u>
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See accompanying notes and auditor's reports

HIGHLAND METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
December 31, 2016

OPERATING REVENUES

Government operating grants	\$ 414,985
Other Revenues	<u>15</u>
Total operating revenues	415,000

OPERATING EXPENSES

Administrative	48,967
Housing assistance payments	364,378
Depreciation	<u>722</u>
Total operating expenses	<u>414,067</u>

Operating income (loss) 933

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	<u>182</u>
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Total non-operating revenues (expenses) **182**

Change in net position	1,115
Total net position – beginning balance	<u>65,694</u>
Total net position – ending	<u><u>\$ 66,809</u></u>

See accompanying notes and auditor's reports

HIGHLAND METROPOLITAN HOUSING AUTHORITY

Statement of Cash Flows

Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Operating grants received	\$ 448,812
Other revenues received	15
Administrative expenses paid	(45,397)
Housing assistance payments	(364,378)

NET CASH USED BY OPERATING ACTIVITIES **39,052**

CASH FLOWS FROM INVESTING ACTIVITIES

Investment earnings	182
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NET CASH PROVIDED BY INVESTING ACTIVITIES **182**

CASH FLOWS FROM CAPITAL ACTIVITIES

Acquisition of capital assets	-
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NET CASH USED BY CAPITAL ACTIVITIES **-**

Change in cash and cash equivalents 39,234

Cash and cash equivalents, Beginning of year 59,431

Cash and cash equivalents, End of year **\$ 98,665**

**RECONCILIATION OF OPERATING LOSS
TO NET CASH USED BY OPERATING ACTIVITIES**

Operating income (loss) \$ 933

Adjustments to reconcile operating loss to net cash
used by operating activities

Depreciation 722

(Increase) decrease in:

Accounts Receivable-HUD 1,689

Pre-Paid Expenses 3,600

Increase (decrease) in:

Accounts Payable 753

Deferred Inflow of Resources 31,355

Net Cash Used By Operating Activities **\$ 39,052**

See accompanying notes and auditor's reports

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Highland 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 Highland 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 39, *Determining Whether Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting

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. GASB is the accepted-settling body for establishing governmental accounting and financial reporting principles.

The propriety funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuit 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 propriety 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.

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 non-operating revenues and expenses.

Description of Program

The following is the program which is included in the single enterprise fund:

Housing Choice Voucher Program

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.

Budgetary Accounting

The Authority is required by contractual agreements to adopt annual operating budgets for all its HUD funded programs. The budget for its programs is prepared on a 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.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In conformity with the requirements of GASB Statement No. 33, the Authority has recognized grant funds expended for capitalizable capital assets acquired after December 31, 2000 as revenues and the related depreciation thereon, as expenses in the accompanying Statement of Revenue, Expenses, and Changes in Net Position.

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.

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.

Tenant/Fraud Receivables- net of allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant/fraud receivable balances at the end of the year. The allowance for doubtful accounts was \$1,539 at December 31, 2016.

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 \$500 or more per unit. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Furniture and Equipment - Non-Dwelling	5-7 years
Computer Hardware	3 years
Computer Software	3 years

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance 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.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. The Authority did not have net position restricted by enabling legislature at December 31, 2016.

Restricted Assets

Certain assets may be classified as restricted assets on the Statement of Net Position, because their use is restricted by contracts or agreements with outside third parties and lending institutions, or laws and regulations of other governments or imposed by enabling legislation.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are operating grants from HUD and other miscellaneous revenue.

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

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits

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

1. 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.
2. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two periods 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.
3. 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 time certificate of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Protection of the Authority's 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 the 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 December 31, 2016, the carrying amount of the Authority's deposits totaled \$98,665 and its bank balance was \$98,665. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2016, no amount was exposed to custodial risk as discussed below and the full balance was covered by the Federal Depository Insurance Corporation.

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

Investments

Highland Metropolitan Housing Authority had no investments at December 31, 2016.

NOTE 3: RESTRICTED CASH AND NET POSITION

Restricted cash balance and net position as of December 31, 2016 of \$8,442 represents cash advanced from HUD to be used for tenants housing assistance payments.

NOTE 4: RISK MANAGEMENT

The Authority utilizes private insurance carriers for a comprehensive coverage of real property, vehicles, and furnishings & equipment and health. Individual policies allow for coverage bodily injury and property damage liabilities. Coverage has not been reduced nor any settlements exceeding insurance coverage in the past three years.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE 5: CAPITAL ASSETS

	<u>Balance at 12/31/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2016</u>
<u>Capital Assets Being Depreciated</u>				
Furniture and Equipment	\$ 33,464	\$ 0	\$ 0	\$ 33,464
Accumulated Depreciation	<u>(32,475)</u>	<u>(722)</u>	<u>0</u>	<u>(33,197)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 981</u>	<u>\$ (722)</u>	<u>\$ 0</u>	<u>\$ 267</u>

NOTE 6: ECONOMIC DEPENDENCY

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

NOTE 7: GRANT CONTINGENCIES

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, 2016.

NOTE 8: MANAGEMENT SERVICES CONTRACT

The Authority has contracted with Fayette Metropolitan Housing Authority for management services including management and operations of the Housing Choice Voucher Program meeting all HUD program requirements. Fayette Metropolitan Housing Authority has contracted with Fayette County Commissioners for management services. Highland Metropolitan Housing Authority has no employees and is staffed by personnel subcontracted from the Fayette County Commissioners.

NOTE 9: ADMINISTRATIVE FEE

The Authority receives an 'administrative fee' as part of the annual contributions from HUD to cover the costs (including overhead) of administering the Section 8 Housing Assistance Payments (HAP) Program. The fee is a percentage of a HUD-determined base rate for each unit per month under HAP contracts.

SUPPLEMENTAL INFORMATION

See accompanying notes and auditor's reports

Highland Metropolitan Housing Authority
Financial Data Schedules
Proprietary Fund Type - Enterprise Fund
December 31, 2016

	14.871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$90,223	\$90,223	\$90,223
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted	\$8,442	\$8,442	\$8,442
114 Cash - Tenant Security Deposits			
115 Cash - Restricted for Payment of Current Liabilities			
100 Total Cash	\$98,665	\$98,665	\$98,665
121 Accounts Receivable - PHA Projects			
122 Accounts Receivable - HUD Other Projects			
128 Fraud Recovery	\$1,539	\$1,539	\$1,539
128.1 Allowance for Doubtful Accounts - Fraud	-\$1,539	-\$1,539	-\$1,539
129 Accrued Interest Receivable			
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0	\$0
150 Total Current Assets	\$98,665	\$98,665	\$98,665
161 Land			
162 Buildings			
163 Furniture, Equipment & Machinery - Dwellings			
164 Furniture, Equipment & Machinery - Administration	\$33,464	\$33,464	\$33,464
165 Leasehold Improvements			
166 Accumulated Depreciation	-\$33,197	-\$33,197	-\$33,197
167 Construction in Progress			
168 Infrastructure			
160 Total Capital Assets, Net of Accumulated Depreciation	\$267	\$267	\$267
290 Total Assets and Deferred Outflow of Resources	\$98,932	\$98,932	\$98,932
311 Bank Overdraft			
312 Accounts Payable <= 90 Days	\$768	\$768	\$768
310 Total Current Liabilities	\$768	\$768	\$768
300 Total Liabilities	\$768	\$768	\$768
400 Deferred Inflow of Resources	\$31,355	\$31,355	\$31,355
508.4 Net Investment in Capital Assets	\$267	\$267	\$267
511.4 Restricted Net Position	\$8,442	\$8,442	\$8,442
512.4 Unrestricted Net Position	\$58,100	\$58,100	\$58,100
513 Total Equity - Net Assets / Position	\$66,809	\$66,809	\$66,809
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$98,932	\$98,932	\$98,932

See accompanying notes and auditor's reports

Highland Metropolitan Housing Authority
Financial Data Schedules
Proprietary Fund Type - Enterprise Fund
December 31, 2016

	14.871 Housing Choice Vouchers	Subtotal	Total
70600 HUD PHA Operating Grants	\$414,985	\$414,985	\$414,985
70800 Other Government Grants			
71100 Investment Income - Unrestricted	\$182	\$182	\$182
71500 Other Revenue	\$15	\$15	\$15
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted			
70000 Total Revenue	\$415,182	\$415,182	\$415,182
91100 Administrative Salaries			
91200 Auditing Fees	\$2,731	\$2,731	\$2,731
91300 Management Fee	\$43,200	\$43,200	\$43,200
91600 Office Expenses	\$3,036	\$3,036	\$3,036
91000 Total Operating - Administrative	\$48,967	\$48,967	\$48,967
96900 Total Operating Expenses	\$48,967	\$48,967	\$48,967
97000 Excess of Operating Revenue over Operating Expenses	\$366,215	\$366,215	\$366,215
97100 Extraordinary Maintenance			
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments	\$364,378	\$364,378	\$364,378
97350 HAP Portability-In			
97400 Depreciation Expense	\$722	\$722	\$722
90000 Total Expenses	\$414,067	\$414,067	\$414,067
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$1,115	\$1,115	\$1,115
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$65,694	\$65,694	\$65,694
11170 Administrative Fee Equity	\$58,367	\$58,367	\$58,367
11180 Housing Assistance Payments Equity	\$8,442	\$8,442	\$8,442
11190 Unit Months Available	1200	1200	1200
11210 Number of Unit Months Leased	1119	1119	1119

See accompanying notes and auditor's reports



Jerry B. Whited, CPA
Donald R. Seigneur, CPA
John R. Sams, CPA

Barry L. Rahe, CPA
Kathleen M. Alderman, CPA
Nathan C. Baldwin, CPA

Jay D. Seigneur, CPA
Kathy J. Lambert, CPA
Katie E. Guba, CPA

**INDEPENDENT AUDITOR'S 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**

May 22, 2017

Members of the Board of Commissioners
Highland Metropolitan Housing Authority

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, of Highland Metropolitan Housing Authority, Highland County, Ohio, (the Authority) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 15, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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 Authority's financial statements are free of 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 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.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

Whited Seigneur Sams & Rahe

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Dave Yost • Auditor of State

HIGHLAND METROPOLITAN HOUSING AUTHORITY

HIGHLAND 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
JUNE 22, 2017**