

**MORGAN METROPOLITAN HOUSING AUTHORITY**

**MORGAN COUNTY**

**SINGLE AUDIT**

**JULY 1, 2016 – JUNE 30, 2017**



**WILSON, SHANNON & SNOW**  
**INC.**  
**CPAs & ADVISORS**





# Dave Yost • Auditor of State

Board of Trustees  
Morgan Metropolitan Housing Authority  
4580 N. St. Rt. 376 NW  
McConnelsville, Ohio 43756

We have reviewed the *Independent Auditor's Report* of the Morgan Metropolitan Housing Authority, Morgan County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2016 through June 30, 2017. 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 Morgan 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 7, 2017

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**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**TABLE OF CONTENTS**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	13
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	14
STATEMENT OF CASH FLOWS	15
NOTES TO THE BASIC FINANCIAL STATEMENTS	16
REQUIRED SUPPLEMENTARY INFORMATION:	
SCHEDULE OF THE AUTHORITY’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	31
SCHEDULE OF THE AUTHORITY’S CONTRIBUTIONS	32
SUPPLEMENTARY INFORMATION:	
ENTITY WIDE BALANCE SHEET SUMMARY – FDS SCHEDULE SUBMITTED TO HUD	33
ENTITY WIDE REVENUE AND EXPENSE SUMMARY – FDS SCHEDULE SUBMITTED TO HUD	35
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	37
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY <i>GOVERNMENT AUDITING STANDARDS</i>	39
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	41
SCHEDULE OF FINDINGS – 2 CFR § 200.515	43

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## INDEPENDENT AUDITOR'S REPORT

Morgan Metropolitan Housing Authority  
Morgan County  
4580 N. St. Rt. 276 NW  
McConnelsville, Ohio 43756

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Morgan Metropolitan Housing Authority, Morgan County, Ohio (the Authority), as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

Morgan Metropolitan Housing Authority  
Morgan County  
Independent Auditor's Report

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Morgan Metropolitan Housing Authority, Morgan County as of June 30, 2017, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary Information*

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

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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



Morgan Metropolitan Housing Authority  
Morgan County  
Independent Auditor's Report

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report November 17, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
November 17, 2017

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

It is a privilege to present for you the financial picture of the Morgan Metropolitan Housing Authority. The Morgan 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 year changes), and (d) identify the single enterprise fund issues or concerns.

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

**FINANCIAL HIGHLIGHTS**

- During fiscal year 2017, the Authority’s net position decreased by \$138,925 (or 7.19%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net position for fiscal year 2016 was \$1,933,277 and net position for fiscal year 2017 was \$1,794,352.
- The revenues increased by \$41,022 (or 4.00%) during fiscal year 2017, and were \$1,026,592 and \$1,067,614 for fiscal year 2016 and fiscal year 2017 respectively.
- Total expenses increased by \$114,484 (or 10.48%) during fiscal year 2017 and were \$1,092,055 and \$1,206,539 for fiscal year 2016 and fiscal year 2017 respectively.

**USING THIS ANNUAL REPORT**

The following graphic outlines the format of this report:

<p><b>MD&amp;A</b> ~ Management’s Discussion and Analysis ~</p>
<p>Basic Financial Statements ~ Statement of Net Position ~ ~ Statement of Revenues, Expenses and Changes in Net Position ~ ~ Statement of Cash Flows ~ ~ Notes to the Basic Financial Statements ~</p>
<p>Other Required Supplementary Information ~ Required Supplementary Information (Pension Schedules) ~</p>
<p>Supplementary Information ~ Financial Data Schedules ~ ~ Schedule of Expenditures of Federal Awards ~</p>

The focus is on the Authority as a single enterprise fund. This format will allow the user to address relevant questions, broaden a basis for comparison (fiscal year to fiscal year or Authority to Authority) and enhance the Authority’s accountability.

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(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 the Authority.

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

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

Investment in Capital Assets: This component of Net Position consists of all Capital Assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Authority does not have outstanding debt related to capital assets as of June 30, 2017.

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

Unrestricted: Consists of Net Position that do not meet the definition of "Investment in Capital Assets," or "Restricted." 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 operating grant revenue and rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, Non-Operating Revenue, such as capital grant revenue and interest income.

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

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

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

Project Total (PH and CFP) – Under the Conventional Public Housing Program, the Authority rents 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 Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

Housing Choice Voucher Program (HCV) – Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

PIH Family Self-Sufficiency Program – A grant program that provides funding for the salary and benefits of a coordinator to assist tenants in finding jobs, training and supportive services to help residents transition from welfare to work. The coordinator also assist to link elderly/disabled residents to critical services which can help them continue to live independently.

Business Activities – The Business Activity Fund was set up to separate the non-HUD activities from the HUD funded programs. This fund is mainly used to account for the management fees received from the Housing Opportunities and Personal Empowerment (HOPE) Board for managing rental property for tenants with developmental disabilities.

State & Local – The State & Local fund was set up to track grant money received for low income housing programs through state and local sources.

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

Under GASB 68, the net pension liability equals the Authority's proportionate share of each plan's collective:

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

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

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

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

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

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

**Statement of Net Position**

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

**STATEMENT OF NET POSITION**

	<b>2017</b>	<b>2016</b>
Current Assets	\$308,710	\$278,087
Capital Assets, Net	1,783,527	1,862,551
Total Assets	2,092,237	2,140,638
 Deferred Outflow of Resources	 112,190	 80,291
Current Liabilities	70,539	41,423
Non-Current Liabilities	332,186	241,832
Total Liabilities	402,725	283,255
 Deferred Inflow of Resources	 7,350	 4,397
 Net Position:		
Investment in Capital Assets	1,783,527	1,862,551
Restricted	501	10,487
Unrestricted	10,324	60,239
Total Net Position	\$1,794,352	\$1,933,277

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

**Major factors affecting the Statement of Net Position:**

Current assets increased by \$30,623 in fiscal year 2017. This difference mostly represents the change in cash and accounts receivable due to the result of current activities. Current liabilities increased by \$29,116 due to the fiscal year-end vendor invoices received but not paid by the end of fiscal year 2017. Non-current liabilities increased \$90,354 primarily due to increases in net pension liability. Capital assets decreased by \$79,024, due to a combination of total acquisitions of \$34,826 less current year depreciation of \$113,850.

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

**CHANGE OF NET POSITION**

	<u>Unrestricted</u>	<u>Investment in Capital Assets</u>	<u>Restricted</u>
Beginning Balance	\$ 60,239	\$1,862,551	\$ 10,487
Results of Operation	(136,495)	-	(2,430)
Adjustments:			
Depreciation Expense (1)	113,850	(113,850)	-
Capital Expenditures (2)	(34,826)	34,826	-
Reclassification (3)	7,556	-	(7,556)
Ending Balance	<u>\$ 10,324</u>	<u>\$1,783,527</u>	<u>\$ 501</u>

- (1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net position.
- (2) Capital expenditures represent an outflow of unrestricted net position, but are not treated as an expense against Results of Operations, and therefore must be deducted.
- (3) A reclassification adjustment was made for fiscal year 2017 reporting based on equity reconciliation performed by HUD’s Financial Management Center.

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**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

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

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

	<u>2017</u>	<u>2016</u>
Revenues		
Tenant Revenues	\$92,965	\$79,263
HUD PHA Operating Grants	912,475	874,841
Capital Grants	34,826	48,410
Interest	1,747	1,154
Other Revenues	23,483	18,466
Fraud Recovery	2,118	4,458
Total Revenue	<u>1,067,614</u>	<u>1,026,592</u>
Expenses		
Administrative	212,579	219,039
Tenant Services	46,362	499
Utilities	112,014	93,564
Protective Services	239	-
Insurance	19,577	18,249
Maintenance and Operations	204,619	159,365
General Expenses	34,517	19,105
Housing Assistance Payments	462,782	435,176
Depreciation	113,850	112,114
Loss on sale of assets	-	34,944
Total Expenses	<u>1,206,539</u>	<u>1,092,055</u>
Change in Net Position	(138,925)	(65,463)
Net Position at July 1	<u>1,933,277</u>	<u>1,998,740</u>
Net Position at June 30	<u><u>\$1,794,352</u></u>	<u><u>\$1,933,277</u></u>

**Major factors affecting the Statement of Revenue, Expenses, and Changes in Net Position include:**

Operating Subsidy reflects an increase of \$37,634 (or 4.30%). In increase in operating subsidy is mainly due to additional housing assistance money received during the fiscal year. Capital grants decreased by \$13,584 due to capital funded activities during the fiscal year. Total tenant revenue increased by \$13,702 (or 17.29 %). The increase in tenant revenue was primarily due to increase in tenant rents and units leased. The increase in other revenue was mainly due to FSS Escrow forfeited during the fiscal year.

Total expenses increased \$114,484 due to increase in utility expenses, housing assistance payments and the net effect of GASB 68 transactions.

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

**CAPITAL ASSETS**

As of the current fiscal year-end, the Authority had \$1,783,527 invested in net capital assets as reflected in the following schedule which represents a net decrease (additions less depreciation) of \$79,024 from the end of last fiscal year. This decrease was due to depreciation expense net of current year capital additions.

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

	<b>2017</b>	<b>2016</b>
Land	\$274,650	\$274,650
Buildings	4,128,551	4,128,551
Equipment - administration	90,365	90,365
Equipment - dwelling	134,539	134,539
Leasehold Improvements	377,767	342,941
Accumulated Depreciation	(3,222,345)	(3,108,495)
 Total	 \$1,783,527	 \$1,862,551

The following reconciliation summarizes the change in Capital Assets. Capital fund projects were the main factors affecting a change in capital assets. See Note 4 to the financial statements for more detail of the Capital Assets.

**CHANGE IN CAPITAL ASSETS**

Beginning Balance	\$1,862,551
Additions	34,826
Depreciation	(113,850)
Ending Balance	\$1,783,527

Current fiscal year additions are summarized as follows:

Foundation work	\$ 34,826
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**DEBT OUTSTANDING**

As of June 30, 2017, the Authority has no outstanding debt.



**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

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

**IN CONCLUSION**

Morgan Metropolitan Housing Authority takes great pride in its financial management and is pleased to report on the consistent and sound financial condition of the Authority.

**FINANCIAL CONTACT**

If you have any questions regarding this report, you may contact Jenna Jenkins, Executive Director of the Morgan Metropolitan Housing Authority at (740) 962-4930.

Respectfully submitted,

Jenna Jenkins, Executive Director

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2017**

**Assets**

Current Assets:

Cash and Cash Equivalents	\$ 239,023
Restricted Cash	44,407
Receivable, Net	6,101
Inventories, Net	8,132
Prepaid Items	<u>11,047</u>
Total Current Assets	<u>308,710</u>

Non-Current Assets:

Capital Assets:

Nondepreciable Capital Assets	274,650
Depreciable Capital Assets, Net of Accumulated Depreciation	<u>1,508,877</u>
Total Capital Assets	<u>1,783,527</u>

Total Non-Current Assets	<u>1,783,527</u>
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<b>Total Assets</b>	<u>2,092,237</u>
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<b>Deferred Outflow of Resources</b>	<u>112,190</u>
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**Liabilities**

Current Liabilities:

Accounts Payable	25,934
Accrued Wages and Payroll Taxes	3,909
Tenant Security Deposits	30,050
Accrued Compensated Absences	7,046
Unearned Revenue	<u>3,600</u>
Total Current Liabilities	<u>70,539</u>

Non-Current Liabilities:

Accrued Compensated Absences	641
Net Pension Liability	317,689
Family Self-Sufficiency Escrow Liability	<u>13,856</u>

Total Non-Current Liabilities	<u>332,186</u>
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<b>Total Liabilities</b>	<u>402,725</u>
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<b>Deferred Inflow of Resources</b>	<u>7,350</u>
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**Net Position**

Investment in Capital Assets	1,783,527
Restricted	501
Unrestricted	<u>10,324</u>

<b>Total Net Position</b>	<u>\$ 1,794,352</u>
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The notes to the basic financial statements are an integral part of the statements.

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<b>Operating Revenues</b>		
Tenant Revenue	\$	92,965
Operating Grants		912,475
Fraud Recovery		2,118
Other Revenues		<u>23,483</u>
<b>Total Operating Revenue</b>		<u>1,031,041</u>
<b>Operating Expenses</b>		
Administrative	212,579	
Tenant Services	46,362	
Utilities	112,014	
Protective Services	239	
Insurance	19,577	
Maintenance	204,619	
General	34,517	
Housing Assistance Payments	462,782	
Depreciation	<u>113,850</u>	
<b>Total Operating Expenses</b>		<u>1,206,539</u>
Operating Loss		<u>(175,498)</u>
<b>Nonoperating Revenues</b>		
Interest Revenue		1,747
HUD Capital Grants		<u>34,826</u>
<b>Total Nonoperating Revenues</b>		<u>36,573</u>
Change in Net Position		(138,925)
Net Position at July 1, 2016		<u>1,933,277</u>
<b>Net Position at June 30, 2017</b>	<b>\$</b>	<b><u><u>1,794,352</u></u></b>

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

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Cash flows from operating activities:**

Cash received from tenants	\$ 92,152
Cash received from other sources	26,594
Cash received from HUD and other grant sources	911,632
Cash payments for administrative	(536,101)
Cash payments for housing assistance payments	(462,782)

Net cash provided by operating activities	31,495
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**Cash flows from capital and related financing activities:**

Capital funds received	34,826
Cash payments for capital assets	(34,826)

Net cash used in capital and related financing activities	-
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**Cash flows from investing activities:**

Interest received	1,747
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Net cash provided by investing activities	1,747
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Net change in cash and cash equivalents	33,242
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Cash and cash equivalents at July 1, 2016	250,188
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<b>Cash and cash equivalents at June 30, 2017</b>	<b>\$ 283,430</b>
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**Reconciliation of operating loss to net cash provided by operating activities:**

Operating loss	\$ (175,498)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	113,850
Changes in:	
Accounts receivable, net	524
Inventories, net	321
Prepaid items	1,774
Deferred outflow of resources	(31,899)
Accounts payable	21,725
Accrued wages and payroll taxes	940
Compensated absences	2,165
Net pension liability	86,623
Other liabilities	8,017
Deferred inflow of resources	2,953

<b>Net cash provided by operating activities</b>	<b>\$ 31,495</b>
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The notes to the basic financial statements are an integral part of this statement.

**MORGAN METROPOLITAN HOUSING AUTHORITY**  
**MORGAN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Summary of Significant Accounting Policies

The financial statements of the Morgan Metropolitan Housing Authority (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. The more significant of the Authority’s accounting policies are described below.

Reporting Entity

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

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, in that the financial statements include all organizations, activities, and functions for which the Authority is financially accountable. Financial accountability is defined by the component unit being fiscally dependent on the Authority. The Authority is not a component unit of any larger entity.

Basis of Presentation

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.

The Authority uses a single enterprise fund to maintain its financial records during the fiscal year. 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 change 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

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 changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Enterprise Fund

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the Section 8 and public housing programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

**MORGAN METROPOLITAN HOUSING AUTHORITY**  
**MORGAN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs. The following are the various programs which are included in the single enterprise fund:

Project Total (PH and CFP) – Under the Conventional Public Housing Program, the Authority rents 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 Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority’s properties.

Housing Choice Voucher Program (HCVP) – Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family’s rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an ACC with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

PIH Family Self-Sufficiency Program – A grant program that provides funding for the salary and benefits of a coordinator to assist tenants in finding jobs, training and supportive services to help residents transition from welfare to work. The coordinator also assist to link elderly/disabled residents to critical services which can help them continue to live independently.

Business Activities – The Business Activity Fund was set up to separate the non-HUD activities from the HUD funded programs. This fund is mainly used to account for the management fees received from the county for managing a HOPE project.

State & Local – The State & Local fund was set up to track grant money received for low income housing programs through state and local sources.

Accounting and Reporting for Nonexchange Transactions

Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB Statement No. 33 identifies four classes of nonexchange transactions as follows:

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

**MORGAN METROPOLITAN HOUSING AUTHORITY**  
**MORGAN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

PHA grants and subsidies will be defined as government-mandated or voluntary nonexchange transactions. GASB Statement No. 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

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

The PHA will recognize assets (liabilities) when all applicable eligibility requirements are met or resources received whichever is first. Eligibility requirements established by the provider may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies.

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

The PHA receives government-mandated or voluntary nonexchange transactions, which do not specify time requirements. Upon award, the entire subsidy should be recognized as a receivable and revenue in the period when applicable eligibility requirements have been met.

Unearned Revenue

Unearned revenue arises when revenues are received before revenue recognition criteria have been satisfied.

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the fiscal year in which the services are consumed.

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The Authority’s capitalization policy is \$1,750. The following are the estimated useful lives used for depreciation purposes:

Buildings – residential	27.5
Buildings – non residential	40
Building improvements	15
Furniture – dwelling	7
Furniture – non-dwelling	7
Equipment – dwelling	5
Equipment – non-dwelling	7
Autos and trucks	5
Computer hardware	3
Computer software	3
Leasehold improvements	15
Land improvements	15

Cash and Cash Equivalents

For cash flow reporting purposes, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Due From/To Other Programs

On the basic financial statements, receivables and payables resulting from the short-term interprogram loans are eliminated.

Accrued Liabilities

All payables and accrued liabilities are reported in the basic financial statements.

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.



**MORGAN METROPOLITAN HOUSING AUTHORITY**  
**MORGAN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1) The employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee, 2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

Budgetary Accounting

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development.

Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America 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.

Receivables – net of allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable and fraud recovery receivable balances at the end of the fiscal year. The allowance for doubtful accounts was \$1,557 at June 30, 2017.

Inventories

Inventories are stated at cost, (first-in, first-out method). Inventory consists of supplies and maintenance parts. The allowance for obsolete inventory was \$940 at June 30, 2017.

Pensions – Deferred inflow/outflow of Resources

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

Net Position

Net position represents the difference between assets and liabilities. Investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. There was no related debt as of June 30, 2017. Net position is recorded as restricted when there are limitations imposed on their use either by internal or external restrictions. 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 have net position restricted for the HAP reserve of \$501 at June 30, 2017.

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Operating/Nonoperating 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 tenant revenues, operating grants from HUD and other miscellaneous revenue. Nonoperating revenues are HUD capital grants and interest income. HUD capital grants are the amounts received by the Authority for capital improvements and administration of the public housing programs.

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

**2. CASH AND CASH EQUIVALENTS**

Funds are deposited into non-interest bearing checking accounts or interest bearing savings accounts. All monies are deposited into banks as determined by the Authority. Security shall be furnished for all accounts in the Authority’s name.

At fiscal year end, the carrying amount of the Authority’s deposits was \$283,380 and the bank balance was \$286,425. In addition, \$50 was maintained in petty cash funds which is included in cash and cash equivalents presented on the statement of net position. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosure*, as of June 30, 2017, \$250,000 was covered by Federal Depository Insurance and \$36,425 was exposed to custodial risk.

Based on the Authority having only demand deposits at June 30, 2017, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

**3. RESTRICTED CASH**

The restricted cash balance on the financial statements consists of the following:

Tenant Security Deposit	\$30,050
FSS Escrow Funds	13,856
Housing Assistance Payment Reserve	501
Total Restricted Cash on Hand	\$44,407

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**4. CAPITAL ASSETS**

The following is a summary of capital assets at June 30, 2017 by class:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2017</u>
<b>Capital Assets Not Depreciated</b>				
Land	\$ 274,650	\$ -	\$ -	\$ 274,650
<b>Capital Assets Depreciated</b>				
Buildings and improvements	4,471,492	34,826	-	4,506,318
Furniture and equipment	224,904	-	-	224,904
<b>Total Assets Depreciated</b>	<u>4,696,396</u>	<u>34,826</u>	<u>-</u>	<u>4,731,222</u>
<b>Accumulated Depreciation</b>				
Buildings and improvements	(2,961,990)	(97,612)	-	(3,059,602)
Furniture and equipment	(146,505)	(16,238)	-	(162,743)
<b>Total Accumulated Depreciation</b>	<u>(3,108,495)</u>	<u>(113,850)</u>	<u>-</u>	<u>(3,222,345)</u>
<b>Total Assets Depreciated, Net</b>	<u>1,587,901</u>	<u>(79,024)</u>	<u>-</u>	<u>1,508,877</u>
<b>Total Capital Assets, Net</b>	<u>\$ 1,862,551</u>	<u>\$ (79,024)</u>	<u>\$ -</u>	<u>\$ 1,783,527</u>

**5. LONG-TERM LIABILITIES**

Long-term liabilities are summarized as follows:

<u>Description</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
FSS Escrow Liability	\$ 8,280	\$ 11,319	\$(5,743)	\$ 13,856	\$ -
Net Pension Liability	231,066	86,623	-	317,689	
Compensated Absences Payable	5,522	5,201	(3,036)	7,687	7,046
<b>Total</b>	<u>\$ 244,868</u>	<u>\$ 103,143</u>	<u>\$(8,779)</u>	<u>\$ 339,232</u>	<u>\$ 7,046</u>

The noncurrent liability of \$13,856 represents escrow money held in escrow for residents participating in the Family Self-Sufficiency (FSS) program. Each month contributions are deposited into the designated savings account on behalf of the program participants. Participants enter into an initial five year contract (with an option for a two year extension upon Authority's approval). At the end of the contract, the participant either meet their program goals, may withdraw their money earned from the savings account, or they fail to meet their goals and forfeit their money. If a forfeiture occurs in the program, the money earned is used by the Authority to provide additional housing assistance.

See Note 6 and Note 7 for information on the Authority's net pension liability.

**MORGAN METROPOLITAN HOUSING AUTHORITY**  
**MORGAN COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**6. DEFINED BENEFIT PENSION PLANS**

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.

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 *accrued wages and payroll taxes* on the accrual basis of accounting.

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 combined plan, substantially all employees are in the OPERS’ traditional plan; therefore the following disclosure focuses on the traditional pension plan.

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**6. DEFINED BENEFIT PENSION PLANS - CONTINUED**

OPERS provides retirement, disability, survivor and death benefits, and annual costs-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 OPERS, 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):

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 after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b>	<b>Age and Service Requirements:</b>	<b>Age and Service Requirements:</b>
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b>	<b>Formula:</b>	<b>Formula:</b>
2.2% of FAS multiplied by years of service form the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service form the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service form the first 30 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 members' 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.

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**6. DEFINED BENEFIT PENSION PLANS - CONTINUED**

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

<b>2016 &amp; 2017 Statutory Maximum Contribution Rates:</b>	State <u>and Local</u>
Employer	14.0%
Employee	10.0%
<b>2016 &amp; 2017 Actual Contribution Rates:</b>	
Employer:	
Pension	12.0%
Post-employment Health Care Benefits	<u>2.0%</u>
Total Employer	<u>14.0%</u>
Employee	<u>10.0%</u>

The Authority’s contractually required contribution to OPERS was \$25,458 for the fiscal year 2017 of which \$21,823 related to the pension. The full amount was contributed during the fiscal year.

***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, 2016, 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:

	<u>OPERS Traditional Plan</u>
Proportionate Share of the Net Pension Liability	\$317,689
Proportion of the Net Pension Liability	0.001399%
Change in Proportion From Prior Measurement Date	0.000065%
Pension Expense	\$42,976

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

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Total Deferred Outflows
Net difference between projected and actual investment earnings on pension plan investments	\$ 95,701
Change in proportionate share and difference between employer contribution and proportionate share of contribution	5,521
Authority contributions subsequent to the measurement date	10,968
Total Deferred Outflows of Resources	\$ 112,190
	Total Deferred Inflows
Difference between expected and actual experience	\$7,350

\$10,968 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 June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending December 31:	
2017	\$ 38,921
2018	40,269
2019	16,070
2020	(1,388)
Total	\$ 93,872

***Actuarial Assumptions – PERS***

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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

Future Salary Increases, including inflation	3.25 - 10.75 percent, including wage inflation of 3.25%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3 percent, simple; Post 1/7/2013 retirees: 3 percent simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual entry age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board 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 following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return.



**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**6. DEFINED BENEFIT PENSION PLANS – CONTINUED**

<b>Asset Class</b>	<b>Target Allocation for 2016</b>	<b>Weighted Average Long-Term Expected Real Rate of Return</b>
Fixed Income	23.00%	2.75%
Domestic Equities	20.70%	6.34%
Real Estate	10.00%	4.75%
Private Equity	10.00%	8.97%
International Equities	18.30%	7.95%
Other Investments	18.00%	4.92%
<b>TOTAL</b>	<b>100.00%</b>	<b>5.66%</b>

**Discount Rate:** The discount rate used to measure the total pension liability was 7.5 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 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
Authority's proportionate share of the net pension liability			
- Traditional Pension Plan	\$485,341	\$317,689	\$177,981

**7. POSTEMPLOYMENT BENEFITS**

**A. Plan Description**

The Ohio Public Employees Retirement System of Ohio (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 pension plan that has elements of both a defined benefit and defined contribution plan.

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**7. POSTEMPLOYMENT BENEFITS - CONTINUED**

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, 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.

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. See the Plan Statement in OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not mandate, 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 issue 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 1-800-222-7377, or by visiting [www.opers.org/investments/cafr.shtml](http://www.opers.org/investments/cafr.shtml).

**B. Funding Policy**

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment 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 payroll of active members. For the year ended June 30, 2017, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of earnable salary for state and local employers. Active member contributions do not fund health care.

OPERS maintains that cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and 115 Health Care trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined Plans. Each year, the OPERS 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 2016. As recommended by the OPERS' actuary, the portion of employer contributions allocated to health care 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. The portion of actual Authority contributions for the years ended June 30, 2017, 2016, and 2015, which were used by OPERS to fund post-employment benefits, were \$3,618, \$3,320 and \$2,446, respectively.

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**7. POSTEMPLOYMENT BENEFITS – CONTINUED**

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

**8. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; damage to and theft or destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public officials' liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance risk pool comprised of thirty-nine (39) Ohio housing authorities, of which Morgan Metropolitan Housing Authority is a member. Settled claims have not exceeded the Authority's insurance in any of the past three fiscal years.

**9. CONTINGENCIES**

The Authority is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

The Authority has received federal grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
FOR THE FISCAL YEARS ENDED JUNE 30, 2017, 2016, 2015, AND 2014  
(UNAUDITED)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability	0.001399%	0.001334%	0.001302%	0.001302%
Authority's Proportionate Share of the Net Pension Liability	\$317,698	\$231,066	\$157,036	\$153,490
Authority's Covered-Employee Payroll	\$181,844	\$174,868	\$165,173	\$156,986
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	174.70%	132.14%	95.07%	97.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	89.19%

- 1) The amounts presented for each fiscal year were determined as of the calendar year-end occurring within the fiscal year.
- 2) Information prior to 2014 is not available.

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required employer contribution	\$25,458	\$24,482	\$23,124	\$21,978	\$23,076	\$20,719	\$24,562	\$21,829	\$22,410	\$19,271
Contributions in Relation to the Contractually Required Contribution	(\$25,458)	(\$24,482)	(\$23,124)	(\$21,978)	(\$23,076)	(\$20,719)	(\$24,562)	(\$21,829)	(\$22,410)	(\$19,271)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority Covered-Employee Payroll	\$181,844	\$174,868	\$165,173	\$156,986	\$164,828	\$147,993	\$175,443	\$155,921	\$160,071	\$138,366
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.93%

**MORGAN METROPOLITAN HOUSING AUTHORITY**  
**ENTITY WIDE BALANCE SHEET SUMMARY - FDS SCHEDULE SUBMITTED TO HUD**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Project Total	14,896 PIH Family Self-Sufficiency Program	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$161,332	\$0	\$58,906	\$7,160	\$11,625	\$239,023	\$0	\$239,023
113 Cash - Other Restricted	\$13,856	\$0	\$501	\$0	\$0	\$14,357	\$0	\$14,357
114 Cash - Tenant Security Deposits	\$30,050	\$0	\$0	\$0	\$0	\$30,050	\$0	\$30,050
100 Total Cash	\$205,238	\$0	\$59,407	\$7,160	\$11,625	\$283,430	\$0	\$283,430
124 Accounts Receivable - Other Government	\$0	\$0	\$0	\$2,334	\$0	\$2,334	\$0	\$2,334
126 Accounts Receivable - Tenants	\$3,541	\$0	\$0	\$0	\$0	\$3,541	\$0	\$3,541
126.1 Allowance for Doubtful Accounts - Tenants	(\$1,337)	\$0	\$0	\$0	\$0	(\$1,337)	\$0	(\$1,337)
128 Fraud Recovery	\$0	\$0	\$1,783	\$0	\$0	\$1,783	\$0	\$1,783
128.1 Allowance for Doubtful Accounts - Fraud	\$0	\$0	(\$220)	\$0	\$0	(\$220)	\$0	(\$220)
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$2,204	\$0	\$1,563	\$2,334	\$0	\$6,101	\$0	\$6,101
142 Prepaid Expenses and Other Assets	\$8,514	\$0	\$2,533	\$0	\$0	\$11,047	\$0	\$11,047
143 Inventories	\$9,072	\$0	\$0	\$0	\$0	\$9,072	\$0	\$9,072
143.1 Allowance for Obsolete Inventories	(\$940)	\$0	\$0	\$0	\$0	(\$940)	\$0	(\$940)
150 Total Current Assets	\$224,088	\$0	\$63,503	\$9,494	\$11,625	\$308,710	\$0	\$308,710
161 Land	\$274,650	\$0	\$0	\$0	\$0	\$274,650	\$0	\$274,650
162 Buildings	\$4,128,551	\$0	\$0	\$0	\$0	\$4,128,551	\$0	\$4,128,551
163 Furniture, Equipment & Machinery - Dwellings	\$134,539	\$0	\$0	\$0	\$0	\$134,539	\$0	\$134,539
164 Furniture, Equipment & Machinery - Administration	\$67,361	\$0	\$23,004	\$0	\$0	\$90,365	\$0	\$90,365
165 Leasehold Improvements	\$377,767	\$0	\$0	\$0	\$0	\$377,767	\$0	\$377,767
166 Accumulated Depreciation	(\$3,201,551)	\$0	(\$20,794)	\$0	\$0	(\$3,222,345)	\$0	(\$3,222,345)
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,781,317	\$0	\$2,210	\$0	\$0	\$1,783,527	\$0	\$1,783,527
180 Total Non-Current Assets	\$1,781,317	\$0	\$2,210	\$0	\$0	\$1,783,527	\$0	\$1,783,527
200 Deferred Outflow of Resources	\$91,996	\$0	\$20,194	\$0	\$0	\$112,190	\$0	\$112,190
290 Total Assets and Deferred Outflow of Resources	\$2,097,401	\$0	\$85,907	\$9,494	\$11,625	\$2,204,427	\$0	\$2,204,427

**MORGAN METROPOLITAN HOUSING AUTHORITY**  
**ENTITY WIDE BALANCE SHEET SUMMARY - FDS SCHEDULE SUBMITTED TO HUD**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Project Total	14,896 PIH Family Self-Sufficiency Program	14,871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	\$14,308	\$0	\$901	\$9,494	\$1,231	\$25,934	\$0	\$25,934
321 Accrued Wage/Payroll Taxes Payable	\$3,229	\$0	\$680	\$0	\$0	\$3,909	\$0	\$3,909
322 Accrued Compensated Absences - Current Portion	\$4,606	\$0	\$2,440	\$0	\$0	\$7,046	\$0	\$7,046
341 Tenant Security Deposits	\$30,050	\$0	\$0	\$0	\$0	\$30,050	\$0	\$30,050
342 Unearned Revenue	\$3,600	\$0	\$0	\$0	\$0	\$3,600	\$0	\$3,600
346 Accrued Liabilities - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
310 Total Current Liabilities	\$55,793	\$0	\$4,021	\$9,494	\$1,231	\$70,539	\$0	\$70,539
353 Non-current Liabilities - Other	\$13,856	\$0	\$0	\$0	\$0	\$13,856	\$0	\$13,856
354 Accrued Compensated Absences - Non Current	\$349	\$0	\$292	\$0	\$0	\$641	\$0	\$641
357 Accrued Pension and OPEB Liabilities	\$260,505	\$0	\$57,184	\$0	\$0	\$317,689	\$0	\$317,689
350 Total Non-Current Liabilities	\$274,710	\$0	\$57,476	\$0	\$0	\$332,186	\$0	\$332,186
300 Total Liabilities	\$330,503	\$0	\$61,497	\$9,494	\$1,231	\$402,725	\$0	\$402,725
400 Deferred Inflow of Resources	\$6,027	\$0	\$1,323	\$0	\$0	\$7,350	\$0	\$7,350
508.4 Net Investment in Capital Assets	\$1,781,317	\$0	\$2,210	\$0	\$0	\$1,783,527	\$0	\$1,783,527
511.4 Restricted Net Position	\$0	\$0	\$501	\$0	\$0	\$501	\$0	\$501
512.4 Unrestricted Net Position	(\$20,446)	\$0	\$20,376	\$0	\$10,394	\$10,324	\$0	\$10,324
513 Total Equity - Net Assets / Position	\$1,760,871	\$0	\$23,087	\$0	\$10,394	\$1,794,352	\$0	\$1,794,352
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,097,401	\$0	\$85,907	\$9,494	\$11,625	\$2,204,427	\$0	\$2,204,427

MORGAN METROPOLITAN HOUSING AUTHORITY  
 ENTITY WIDE REVENUE AND EXPENSE SUMMARY - FDS SCHEDULE SUBMITTED BY HUD  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$92,965	\$0	\$0	\$0	\$0	\$92,965	\$0	\$92,965
70400 Tenant Revenue - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
70500 Total Tenant Revenue	\$92,965	\$0	\$0	\$0	\$0	\$92,965	\$0	\$92,965
70600 HUD PHA Operating Grants	\$327,754	\$46,264	\$533,764	\$0	\$0	\$907,782	\$0	\$907,782
70610 Capital Grants	\$34,826	\$0	\$0	\$0	\$0	\$34,826	\$0	\$34,826
70800 Other Government Grants	\$0	\$0	\$0	\$4,693	\$0	\$4,693	\$0	\$4,693
71100 Investment Income - Unrestricted	\$1,218	\$0	\$529	\$0	\$0	\$1,747	\$0	\$1,747
71400 Fraud Recovery	\$0	\$0	\$2,118	\$0	\$0	\$2,118	\$0	\$2,118
71500 Other Revenue	\$20,571	\$0	\$0	\$0	\$2,912	\$23,483	\$0	\$23,483
70000 Total Revenue	\$477,334	\$46,264	\$536,411	\$4,693	\$2,912	\$1,067,614	\$0	\$1,067,614
91100 Administrative Salaries	\$50,397	\$0	\$25,585	\$0	\$764	\$76,746	\$0	\$76,746
91200 Auditing Fees	\$2,883	\$0	\$3,384	\$0	\$0	\$6,267	\$0	\$6,267
91400 Advertising and Marketing	\$160	\$0	\$4	\$0	\$0	\$164	\$0	\$164
91500 Employee Benefit contributions - Administrative	\$46,769	\$0	\$21,410	\$0	\$0	\$68,179	\$0	\$68,179
91600 Office Expenses	\$6,676	\$0	\$2,343	\$0	\$0	\$9,019	\$0	\$9,019
91700 Legal Expense	\$3,840	\$0	\$0	\$0	\$0	\$3,840	\$0	\$3,840
91800 Travel	\$4,792	\$0	\$945	\$0	\$0	\$5,737	\$0	\$5,737
91900 Other	\$27,698	\$0	\$14,929	\$0	\$0	\$42,627	\$0	\$42,627
91000 Total Operating - Administrative	\$143,215	\$0	\$68,600	\$0	\$764	\$212,579	\$0	\$212,579
92100 Tenant Services - Salaries	\$0	\$36,851	\$0	\$0	\$0	\$36,851	\$0	\$36,851
92300 Employee Benefit Contributions - Tenant Services	\$0	\$9,413	\$0	\$0	\$0	\$9,413	\$0	\$9,413
92400 Tenant Services - Other	\$98	\$0	\$0	\$0	\$0	\$98	\$0	\$98
92500 Total Tenant Services	\$98	\$46,264	\$0	\$0	\$0	\$46,362	\$0	\$46,362
93100 Water	\$97,563	\$0	\$115	\$0	\$0	\$97,678	\$0	\$97,678
93200 Electricity	\$10,774	\$0	\$415	\$0	\$0	\$11,189	\$0	\$11,189
93300 Gas	\$3,084	\$0	\$63	\$0	\$0	\$3,147	\$0	\$3,147
93000 Total Utilities	\$111,421	\$0	\$593	\$0	\$0	\$112,014	\$0	\$112,014
94100 Ordinary Maintenance and Operations - Labor	\$49,654	\$0	\$0	\$4,030	\$314	\$53,998	\$0	\$53,998
94200 Ordinary Maintenance and Operations - Materials and Other	\$5,902	\$0	\$0	\$0	\$0	\$5,902	\$0	\$5,902
94300 Ordinary Maintenance and Operations Contracts	\$73,233	\$0	\$0	\$0	\$0	\$73,233	\$0	\$73,233
94500 Employee Benefit Contributions - Ordinary Maintenance	\$70,823	\$0	\$0	\$663	\$0	\$71,486	\$0	\$71,486
94000 Total Maintenance	\$199,612	\$0	\$0	\$4,693	\$314	\$204,619	\$0	\$204,619



MORGAN METROPOLITAN HOUSING AUTHORITY  
 ENTITY WIDE REVENUE AND EXPENSE SUMMARY - FDS SCHEDULE SUBMITTED BY HUD  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	2 State/Local	1 Business Activities	Subtotal	ELIM	Total
95300 Protective Services - Other	\$239	\$0	\$0	\$0	\$0	\$239	\$0	\$239
95000 Total Protective Services	\$239	\$0	\$0	\$0	\$0	\$239	\$0	\$239
96110 Property Insurance	\$17,741	\$0	\$0	\$0	\$0	\$17,741	\$0	\$17,741
96120 Liability Insurance	\$0	\$0	\$268	\$0	\$0	\$268	\$0	\$268
96130 Workmen's Compensation	\$1,568	\$0	\$0	\$0	\$0	\$1,568	\$0	\$1,568
96100 Total insurance Premiums	\$19,309	\$0	\$268	\$0	\$0	\$19,577	\$0	\$19,577
96200 Other General Expenses	\$12,569	\$0	\$0	\$0	\$0	\$12,569	\$0	\$12,569
96210 Compensated Absences	\$9,798	\$0	\$7,902	\$0	\$0	\$17,700	\$0	\$17,700
96400 Bad debt - Tenant Rents	\$1,836	\$0	\$2,412	\$0	\$0	\$4,248	\$0	\$4,248
96000 Total Other General Expenses	\$24,203	\$0	\$10,314	\$0	\$0	\$34,517	\$0	\$34,517
96900 Total Operating Expenses	\$498,097	\$46,264	\$79,775	\$4,693	\$1,078	\$629,907	\$0	\$629,907
97000 Excess of Operating Revenue over Operating Expenses	(\$20,763)	\$0	\$456,636	\$0	\$1,834	\$437,707	\$0	\$437,707
97300 Housing Assistance Payments	\$0	\$0	\$462,782	\$0	\$0	\$462,782	\$0	\$462,782
97400 Depreciation Expense	\$112,377	\$0	\$1,473	\$0	\$0	\$113,850	\$0	\$113,850
90000 Total Expenses	\$610,474	\$46,264	\$544,030	\$4,693	\$1,078	\$1,206,539	\$0	\$1,206,539
10010 Operating Transfer In	\$41,036	\$0	\$0	\$0	\$0	\$41,036	(\$41,036)	\$0
10020 Operating transfer Out	(\$41,036)	\$0	\$0	\$0	\$0	(\$41,036)	\$41,036	\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$133,140)	\$0	(\$7,619)	\$0	\$1,834	(\$138,925)	\$0	(\$138,925)
11030 Beginning Equity	\$1,894,011	\$0	\$30,706	\$0	\$8,560	\$1,933,277	\$0	\$1,933,277
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11170 Administrative Fee Equity	\$0	\$0	\$22,586	\$0	\$0	\$22,586	\$0	\$22,586
11180 Housing Assistance Payments Equity	\$0	\$0	\$501	\$0	\$0	\$501	\$0	\$501
11190 Unit Months Available	720	0	1,680	0	0	2,400	0	2,400
11210 Number of Unit Months Leased	708	0	1,647	0	0	2,355	0	2,355
11650 Leasehold Improvements Purchases	\$34,826	\$0	\$0	\$0	\$0	\$34,826	\$0	\$34,826

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**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Federal Grantor/Pass Through Grantor Program/Cluster Title</u>	<u>Pass-Through Number</u>	<u>Federal CFDA Number</u>	<u>Total Federal Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Direct Programs:			
Public and Indian Housing - Low Rent Public Housing	N/A	14.850	\$ 286,718
Housing Choice Voucher Cluster:			
Section 8 Housing Choice Vouchers	N/A	14.871	533,764
Public Housing Capital Fund	N/A	14.872	75,862
Family Self-Sufficiency Program	N/A	14.896	46,264
<b>Total Expenditures of Federal Awards</b>			<b>\$ 942,608</b>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Morgan Metropolitan Housing Authority (the Authority) under programs of the federal government for the fiscal year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

Morgan Metropolitan Housing Authority  
Morgan County  
4580 N. St. Rt. 276 NW  
McConnelsville, Ohio 43756

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Morgan Metropolitan Housing Authority, Morgan County, (the Authority) as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 17, 2017.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
November 17, 2017

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

Morgan Metropolitan Housing Authority  
Morgan County  
4580 N. St. Rt. 276 NW  
McConnelsville, Ohio 43756

To the Board of Directors:

***Report on Compliance for the Major Federal Program***

We have audited the Morgan Metropolitan Housing Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Morgan Metropolitan Housing Authority's major federal program for the fiscal year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal program.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on the Major Federal Program***

In our opinion, the Morgan Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2017.

***Report on Internal Control Over Compliance***

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

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

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

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



Newark, Ohio  
November 17, 2017



**MORGAN METROPOLITAN HOUSING AUTHORITY  
MORGAN COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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# Dave Yost • Auditor of State

**MORGAN COUNTY METROPOLITAN HOUSING AUTHORITY**

**MORGAN 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 19, 2017**