

**HIGHLAND METROPOLITAN
HOUSING AUTHORITY
HIGHLAND COUNTY, OHIO**

AUDITED FINANCIAL STATEMENTS

For the Year Ended December 31, 2017



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Highland County Metropolitan Housing Authority, Highland County, prepared by JC & Company, for the audit period January 1, 2017 through December 31, 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 Highland County Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

June 19, 2018

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**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
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Jeanette R. Addington, MBA, CPA, CGFM ▪ Brian D. Long, CPA, PFS, CFF ▪ Keith A. Lewis, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Highland Metropolitan Housing Authority
Hillsboro, Ohio 45133

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Highland Metropolitan Housing Authority, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which comprise Highland Metropolitan Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Highland Metropolitan Housing Authority, as of December 31, 2017, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Highland Metropolitan Housing Authority's basic financial statements. The financial data schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The financial data schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2018, on our consideration of Highland Metropolitan Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Highland Metropolitan Housing Authority's internal control over financial reporting and compliance.



JC & Company
Lancaster, Ohio
May 31, 2018

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- During FY 2017, the Authority’s Net Position decreased by \$7,353 or 11%. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type Net Position. Net Position was \$66,809 and \$59,456 for FY 2016 and FY 2017, respectively.
- The revenue decreased by \$915 (or less than 1%) during FY 2017, and was \$415,182 and \$416,097 for FY 2016 and FY 2017, respectively.
- The total expenses of the Authority increased by \$9,383 (or 2.27%). Total expenses were \$414,067 and \$423,450 for FY 2016 and FY 2017, respectively.

USING THIS ANNUAL REPORT

The Report includes the following sections:

MD&A ~ Management’s Discussion and Analysis ~
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 ~
Other Required Supplementary Information ~ Required Supplementary Information (Pension Schedules) ~
Supplementary and Other Information ~ Financial Data Schedules ~ ~ Schedule of Federal Awards Expenditures ~

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

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

Government-Wide Financial Statements

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

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

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

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

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 "Net Position Invested in Capital Assets, Net of Related Debt", or "Restricted Net Position".

The Government-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

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

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

Fund Financial Statements

The Authority consists of exclusively an Enterprise Fund. The Enterprise fund utilizes the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized in the private sector. The fund maintained by the Authority is required by the Department of Housing and Urban Development (HUD).

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Business-Type Activities:

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

Statement of Net Position

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

STATEMENT OF NET POSITION

	<u>FY 2017</u>	<u>FY 2016</u>
Current and Other Assets	\$ 60,009	\$ 98,665
Capital Assets	-	267
Total Assets	\$ 60,009	\$ 98,932
Other Liabilities	\$ 553	\$ 768
Non-Current Liabilities	-	-
Total Liabilities	553	768
Deferred Inflows	-	31,355
Net Position:		
Invested in Capital Assets,	-	267
Restricted - HAP	2,273	8,442
Unrestricted - Admin	57,183	58,100
Total Net Position	59,456	66,809
Total Liabilities, Deferred Inflows & Net Position	\$ 60,009	\$ 98,932

For more detailed information see page 8 for the Statement of Net Position.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Major Factors Affecting the Statement of Net Position

Current assets were decreased by \$38,656 or 39.18%. The main reason was no funding advances were received and a decrease in both UNP & RNP. Liabilities were decreased by \$31,570, the result of no deferred inflows.

Capital Assets were decreased by an amount of \$267. No new purchases, only the current year's depreciation of \$267 will account for this year's decrease. For more detail see "Capital Assets and Debt Administration" below.

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

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position as of 12/31/16		\$ 58,100
Results of Operations Admin fees	(1,184)	
Adjustments:		
Depreciation (1)	267	
Adjusted Results from Operations		(917)
Capital Expenditures		(-)
Unrestricted Net Position as of 12/31/17		\$ 57,183

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

CHANGE OF RESTRICTED NET POSITION

Restricted Net Position as of 12/31/16		\$ 8,442
Results of Operations		
HAP reserves C/Y decrease	6,169	
Fraud Recovery payments net bad debt	-	
Adjusted Results from Operations		(6,169)
Restricted Net Position as of 12/31/17		\$ 2,273

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 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.

	FY 2017	FY 2016
Revenues		
HUD PHA Operating Grants	\$ 412,722	\$ 414,985
Investment Income	158	182
Other Revenues	3,217	15
	<hr/>	<hr/>
Total Revenue	416,097	415,182
	<hr/>	<hr/>
Expenses		
Administrative	52,541	48,967
Maintenance	-	-
General	-	-
Housing Assistance Payments	370,642	364,378
Depreciation	267	722
	<hr/>	<hr/>
Total Expenses	423,450	414,067
	<hr/>	<hr/>
Net Increase/(Decrease)	<u>\$ (7,353)</u>	<u>\$ 1,115</u>

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

Total amount of HUD PHA Grants for FY 2017 decreased by \$2,263 this includes both Administrative Fees and Housing Assistance Payments. However, there was an increase in Housing Assistance Payments by \$6,264 or 1.72% as the Authority reduced their RNP.

Leasing rate for 2017 increased to 1,162-unit months leased out of 1,200 available or 96.83% compared to FY16 1,119-unit months leased out of 1,200 or 93.25%

Net decrease for FY17 reflects the decrease of \$6,169 in the Restricted HAP funds and a decrease of \$1,184 in administrative funds.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of 12/31/17, the Authority had \$0 invested in capital assets as reflected in the following schedule, which represents a net decrease (additions, disposals and depreciation).

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

	FY 2017	FY 2016
Equipment – Administrative	\$ 33,464	\$ 33,464
Accumulated Depreciation	(33,464)	(33,197)
Total	\$ -	\$ 267

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on Page 16 of the notes.

CHANGE IN CAPITAL ASSETS

Beginning Balance – 01/01/16	\$ 267
Additions	-
Disposition	(-)
Depreciation	(267)
Ending Balance – 12/31/17	\$ -

This year's additions: None

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Debt Outstanding

As of 12/31/17, the Authority has no outstanding debt (bonds, notes, etc.).

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

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

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HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	55,058
Cash and cash equivalents - restricted		2,273
Receivables - net of allowance		2,678
TOTAL CURRENT ASSETS		60,009

LIABILITIES

CURRENT LIABILITIES

Accounts payable		553
		553

NET POSITION

Restricted - HAP funds		2,273
Unrestricted - Admin Pre FY03		6,163
Unrestricted - Admin Post FY04		51,020
TOTAL NET POSITION	\$	59,456

See accompanying notes to the basic financial statements

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
YEAR ENDED DECEMBER 31, 2017**

OPERATING REVENUES		
HUD operating grants	\$	412,722
Other operating revenues		<u>3,217</u>
TOTAL OPERATING REVENUES		<u>415,939</u>
OPERATING EXPENSES		
Administrative		55,510
Housing assistance payments		367,673
Depreciation		<u>267</u>
TOTAL OPERATING EXPENSES		<u>423,450</u>
	OPERATING (LOSS)	(7,511)
NON-OPERATING REVENUE		
Interest income		<u>158</u>
	CHANGE IN NET POSITION	(7,353)
NET POSITION BEGINNING OF YEAR		<u>66,809</u>
	NET POSITION END OF YEAR	<u><u>\$ 59,456</u></u>

See accompanying notes to the basic financial statements

HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from HUD	\$ 381,367
Other revenue received	3,217
Administrative expenses paid	(55,434)
Housing assistance payments	<u>(370,642)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(41,492)
 CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Interest income	<u>158</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(41,334)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>98,665</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 57,331</u></u>
 RECONCILIATION OF OPERATING (LOSS)	
TO NET CASH (USED) BY OPERATING ACTIVITIES	
Operating (loss)	\$ (7,511)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	267
(Increase) decrease in:	
Receivables - HUD	(2,678)
Increase (decrease) in:	
Accounts payable	(215)
Deferred inflow of resources	<u>(31,355)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (41,492)</u></u>

See accompanying notes to the basic financial statements

**HIGHLAND COUNTY METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The basic financial statements of the Highland Metropolitan Housing Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the generally accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate. The accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

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

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

Basis of Presentation

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

Fund Accounting

The Authority uses a proprietary fund to report on its financial position and the results of its operations for the Section 8 Housing Choice Voucher program. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Funds are classified into three categories: governmental, proprietary, and fiduciary. The Authority uses the proprietary category for its programs.

**HIGHLAND COUNTY METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary Fund Types

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

Enterprise Fund – The Authority is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position. The statement of cash flows provides information about how the Authority finances and meets cash flow needs.

The Authority accounts for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Accounting and Reporting for Nonexchange Transactions

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

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

Cash and Cash Equivalents

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

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight-line method over the estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the assets life, are not capitalized. The capitalization threshold used by the Authority is \$500. The following are the useful lives used for depreciation purposes:

<u>Description</u>	<u>Estimated Useful Life – Years</u>
Furniture & Equipment	3-7
Computer Hardware & Software	3

Tenant/Fraud Receivables-net of allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant/fraud receivable balances at the end of the year. The allowance for doubtful accounts was \$1,539 at December 31, 2017.

Prepaid Items

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

**HIGHLAND COUNTY METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred Inflows

Deferred Inflows arises when assets are recognized before revenue recognition criteria have been satisfied. Grants associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as a receivable or revenue, or unearned revenue of the current fiscal year. The Deferred Inflows recognized for fiscal year 2017 was \$0.

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Authority had restricted assets for Housing Assistance Payment equity balances of \$2,273

Net Position

Net position represents the difference between assets and liabilities. The investment in capital assets consists of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. The Authority did report restricted net position for HAP reserves of \$2,273 at December 31, 2017.

Estimates

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are for Housing and Urban Development Grants and other revenues.

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

2. CASH AND CASH EQUIVALENTS

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

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

At fiscal year-end December 31, 2017, the carrying amount of the Authority's deposits totaled \$57,331 and its bank balance was \$57,331. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2017, no amount was exposed to custodial risk as discussed below and the full balance was covered by the Federal Depository Insurance Corporation.

**HIGHLAND COUNTY METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

2. CASH AND CASH EQUIVALENTS - CONTINUED

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

Investments

Highland Metropolitan Housing Authority had no investments at December 31, 2017.

3. RESTRICTED CASH AND NET POSITION

Restricted cash balance and net position as of December 31, 2017 of \$2,273 represents advances from HUD to be used for Housing Assistance Payments.

4. RISK MANAGEMENT

The Authority utilizes private insurance carriers for comprehensive coverage of real property, vehicles and furnishings & equipment and health. Individual policies allow for coverage for bodily injury and property damage liabilities. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three fiscal years.

5. CAPITAL ASSETS

The following is a summary of capital assets at December 31, 2017:

	Balance 12/31/2016	Additions	Disposals/ Corrections	Balance 12/31/2017
CAPITAL ASSETS, BEING DEPRECIATED				
Furniture and equipment	\$ 33,464	\$ -	\$ -	\$ 33,464
Accumulated depreciation	(33,197)	(267)	-	(33,464)
TOTAL CAPITAL ASSETS	\$ 267	\$ (267)	\$ -	\$ -

6. ECONOMIC DEPENDENCY

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

7. CONTINGENT LIABILITIES

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at December 31, 2017.

Litigation

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

**HIGHLAND COUNTY METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

8. MANAGEMENT SERVICES CONTRACT

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

9. ADMINISTRATIVE FEE

The Authority receives an 'Administrative fee' as part of the annual contributions from HUD to cover the costs (including overhead) of administering the Section 8 Housing Choice Voucher Program. The fee is a percentage of a HUD – determined base rate for each unit leased at the first of each month under HAP contracts.

10. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended December 31, 2017, the Authority electronically submitted an unaudited version of the balance sheet, statement of revenues, expenses, and changes in net position and other data to HUD as required on the GAAP basis. The schedules are presented in the manner prescribed by Housing and Urban Development.

11. RESTRICTED NET POSITION

For the fiscal year ended December 31, 2017, the Authority had \$2,273 in its HAP reserve account for the Section 8 program.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 31, 2018, the date the financial statements were available to be issued. Any subsequent events after that date have not been evaluated.

**HIGHLAND COUNTY METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2017**

	14.871 Housing Choice Vouchers	Total
111 Cash - Unrestricted	\$55,058	\$55,058
113 Cash - Other Restricted	\$2,273	\$2,273
100 Total Cash	\$57,331	\$57,331
122 Accounts Receivable - HUD Other Projects	\$2,678	\$2,678
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0
128 Fraud Recovery	\$1,539	\$1,539
128.1 Allowance for Doubtful Accounts - Fraud	(1,539)	(1,539)
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$2,678	\$2,678
150 Total Current Assets	\$60,009	\$60,009
164 Furniture, Equipment & Machinery - Administration	\$33,464	\$33,464
166 Accumulated Depreciation	(33,464)	(33,464)
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0
180 Total Non-Current Assets	\$0	\$0
290 Total Assets and Deferred Outflow of Resources	\$60,009	\$60,009
312 Accounts Payable <= 90 Days	\$553	\$553
310 Total Current Liabilities	\$553	\$553
350 Total Non-Current Liabilities	\$0	\$0
300 Total Liabilities	\$553	\$553
508.4 Net Investment in Capital Assets	\$0	\$0
511.4 Restricted Net Position	\$2,273	\$2,273
512.4 Unrestricted Net Position	\$57,183	\$57,183
513 Total Equity - Net Assets / Position	\$59,456	\$59,456
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$60,009	\$60,009

See Independent Auditor's Report

**HIGHLAND COUNTY METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2017**

	14.871 Housing Choice Vouchers	Total
70600 HUD PHA Operating Grants	\$412,722	\$412,722
71100 Investment Income - Unrestricted	\$158	\$158
71500 Other Revenue	\$3,217	\$3,217
70000 Total Revenue	\$416,097	\$416,097
91200 Auditing Fees	\$2,777	\$2,777
91300 Management Fee	\$43,200	\$43,200
91600 Office Expenses	\$6,564	\$6,564
91000 Total Operating - Administrative	\$52,541	\$52,541
96900 Total Operating Expenses	\$52,541	\$52,541
97000 Excess of Operating Revenue over Operating Expenses	\$363,556	\$363,556
97300 Housing Assistance Payments	\$367,673	\$367,673
97350 HAP Portability-In	\$2,969	\$2,969
97400 Depreciation Expense	\$267	\$267
90000 Total Expenses	\$423,450	\$423,450
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$7,353	-\$7,353
11020 Required Annual Debt Principal Payments	\$0	\$0
11030 Beginning Equity	\$66,809	\$66,809
11170 Administrative Fee Equity	\$57,183	\$57,183
11180 Housing Assistance Payments Equity	\$2,273	\$2,273
11190 Unit Months Available	1200	1200
11210 Number of Unit Months Leased	1162	1162

See Independent Auditor's Report

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Jeanette R. Addington, MBA, CPA, CGFM ▪ Brian D. Long, CPA, PFS, CFF ▪ Keith A. Lewis, CPA

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

Board of Directors
Highland Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Highland Metropolitan Housing Authority, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which comprise the Highland Metropolitan Housing Authority's basic financial statements, and have issued our report thereon dated May 31, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Highland Metropolitan Housing Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



JC & Company
Lancaster, Ohio
May 31, 2018



Dave Yost • Auditor of State

HIGHLAND METROPOLITAN HOUSING AUTHORITY

HIGHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 3, 2018**