



**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2019

**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY
DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

Licking Metropolitan Housing Authority
Licking County
144 W Main Street
Newark, Ohio 43055

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Licking Metropolitan Housing Authority, Licking County, Ohio (the LMHA), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the LMHA'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 LMHA'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 LMHA'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 the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Licking Metropolitan Housing Authority, Licking County, Ohio, as of December 31, 2019, and the respective changes in financial position and, cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the LMHA. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit 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 LMHA's basic financial statements taken as a whole.

The Financial Data Schedules present additional analysis and are not a required part of the 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 this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2020, on our consideration of the LMHA'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 LMHA's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

October 6, 2020

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**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
(Unaudited)**

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

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

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

Financial Highlights

- Total Revenue: FYE12/31/19: \$7,282,022 **increase** of \$192,640 in 2019
- Total Expenses: FYE12/31/19: \$7,330,043 **increase** of \$194,222 in 2019

USING THIS ANNUAL REPORT

**MD&A
Management Discussion and Analysis**

**BASIC FINANCIAL STATEMENTS
Statement of Net Position
Statement of Revenues, Expenses and Changes in Net Position
Cash Flows
Notes to Financial Statements**

**OTHER REQUIRED SUPPLEMENTARY INFORMATION
Pension and OPEB Schedules**

This report focuses on LMHA as a single-enterprise fund. This format allows the user to address relevant questions, broaden a basis for comparison (year-to-year) and enhances LMHA’s accountability.

BASIC FINANCIAL STATEMENTS

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

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

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(Unaudited)**

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 LMHA. Net Position (formerly equity) is reported in three broad categories (as applicable).

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

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

Unrestricted Net Position: Consists of Net Position that does not meet the definition of “Investment in Capital Assets”, or “Restricted Net Position”. This account resembles the old operating reserves account.

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

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.

LMHA’s programs that are consolidated into a single-enterprise fund are as follows:

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

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

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

Other Business Activity - LMHA owns an office building/land which it purchased in 2005 for Section 8 and administrative staff. A lease agreement with the local health clinic for the rental of a portion of the administrative building continued through 2019. This agreement allows the local health clinic to provide a centralized location for their facility and provided LMHA’s business activities with \$7,200 income in the period. The additional \$373 was for a premium charged for inspections performed for a local non-profit-coalition for housing.

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

Mainstream 5 (MS5) – The Program, newly awarded in 2019, involves tenant-based vouchers that serve households that include a non-elderly person with a disability. Above and beyond requiring a household member who is disabled and between the ages of 18 and 61, LMHA chose local preferences for this grant to include being homeless, at risk of becoming homeless, and at risk of being institutionalized. Aside from assisting a special population, the MS5 vouchers follow the same program policies as the regular tenant-based voucher program. Funding and financial reporting for MS5 Program are separate from Housing Choice Voucher and other programs. (This program is broader than the Non-Elderly Disabled – NED Program, as the disabled household member on the MS5 Program does not have to be the head, co-head, or spouse who is a non-elderly person with a disability.)

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

	2019	2018	Change	Percent Change
<u>Assets and Deferred Outflows of Resources</u>				
<u>Assets</u>				
Current Assets	\$ 533,438	\$ 335,065	\$ 198,373	59.20%
Capital Assets	1,710,963	1,780,593	(69,630)	-3.91%
Total Assets	2,244,401	2,115,658	128,743	6.09%
Deferred Outflow of Resources	329,228	171,175	158,053	92.33%
Total Assets and Deferred Outflows of Resources	\$ 2,573,629	\$ 2,286,833	\$ 286,796	12.54%
<u>Liabilities, Deferred Inflows of Resources, and Net Position</u>				
<u>Liabilities</u>				
Current Liabilities	\$ 65,385	\$ 71,708	\$ (6,323)	-8.82%
Non-current Liabilities	1,494,569	1,018,769	475,800	46.70%
Total Liabilities	1,559,954	1,090,477	469,477	43.05%
Deferred Inflow of Resources	44,126	178,786	(134,660)	-75.32%
<u>Net Position</u>				
Investment in Capital Assets	1,710,963	1,780,593	(69,630)	-3.91%
Restricted Net Position	214,244	10,064	204,180	2028.82%
Unrestricted Net Position	(955,658)	(773,087)	(182,571)	23.62%
Total Net Position	969,549	1,017,570	(48,021)	-4.72%
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 2,573,629	\$ 2,286,833	\$ 286,796	12.54%

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

Major Factors Affecting the Statement of Net Position

Restricted net position (RNP) includes \$128,153 in HCVP HAP equity up from \$10,064 in 2018. RNP also includes \$89,601 MS5 HAP equity. These were funds provided by HUD to be used by LMHA to make rental assistance payments under the HCVP and MS5 Program that had not yet been spent at year end. This figure includes 50 percent of the fraud revenue received in 2019.

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The 2019 figures presented above reflect balances reported in accordance with GASB Statements No. 68 and No. 75. A net pension liability and Other Post Employee Benefits (OPEB) Liability are being reported in the amount of \$1,456,568 in 2019. This figure is up from the 2018 balance of \$985,717.

Essentially, these accounting standards require LMHA to report on its financial statements the amount determined to be its share of the unfunded pension and OPEB liability of the Ohio Public Employees Retirement System (OPERS). The very large Net Pension Liability and OPEB Liability reported by LMHA in the amount \$1,456,568 are unlike other liabilities, in that if LMHA ceased its operation today there would be no invoice in that amount to be paid. The concept behind the standard is ultimately for OPERS to resolve any unfunded pension and OPEB commitment it has, it will need to impose an additional funding burden on the entities contributing to it. Ohio State Law mandates employees of LMHA to participate in OPERS. Likewise, LMHA is mandated to make retirement contributions to OPERS on behalf of all its employees.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
(Unaudited)**

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

	2019	2018	Change	Percent Change
Revenues				
Total Tenant Revenues	\$ 316,468	\$ 306,903	\$ 9,565	3.12%
Operating Subsidies	6,843,773	6,516,295	327,478	5.03%
Capital Grants	28,500	162,029	(133,529)	-82.41%
Investment Income	2,729	997	1,732	173.72%
Other Revenues	90,552	103,158	(12,606)	-12.22%
Total Revenues	<u>7,282,022</u>	<u>7,089,382</u>	<u>192,640</u>	<u>2.72%</u>
Expenses				
Administrative	974,449	858,905	115,544	13.45%
Tenant and Protective Services	1,121	1,125	(4)	-0.36%
Utilities	114,515	128,950	(14,435)	-11.19%
Maintenance & Extraordinary Maintenance	231,932	196,735	35,197	17.89%
Insurance and General Expenses	66,869	66,707	162	0.24%
Housing Assistance Payments	5,791,032	5,733,715	57,317	1.00%
Depreciation	150,125	149,684	441	0.29%
Total Expenses	<u>7,330,043</u>	<u>7,135,821</u>	<u>194,222</u>	<u>2.72%</u>
Net Increases (Decreases)	(48,021)	(46,439)	(1,582)	3.41%
Beginning Net Position	<u>1,017,570</u>	<u>1,064,009</u>		
Ending Net Position	<u>\$ 969,549</u>	<u>\$ 1,017,570</u>		

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

In 2019, a \$327,478 increase in operating subsidies revenue can be broken down by program as follows:

- Low-Rent Public Housing received \$26,485 more;
- HCVP received \$58,050 more;
- Continuum of Care Programs received \$56,278 more;
- New Mainstream 5 Program received \$186,665 – there were no receipts in 2018 for this Program.

With only \$28,500 drawn in 2019 from capital-fund grants for capital improvements, income decreased for this line item by \$133,529. This was because much of 2018 and 2019 capital funds were earmarked for an air conditioner procurement/contract that would be negotiated in 2020.

Other revenue decreased by \$12,606 in 2019. A reduction in the VASH port-ins administered accounted for \$11,130 of this overall decrease

Administrative expense increased \$115,544 in 2019, but it should be noted that in 2019 this figure was up from the prior year by \$92,360, primarily due to changes to the GASB 68 balances, which increased the benefits expense for 2019 by \$84,973 entity-wide. Expense for the newly awarded MS5 Program accounted for \$8,199. The balance was from administrative salaries. While the 2019 administrative salary was reduced, the office expense increased, due primarily because in late 2018 a long-term employee terminated their employment and contract services (office expense) were used in 2019 to assist with the workload from the terminated position.

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LICKING COUNTY, OHIO
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(Unaudited)**

Total Housing Assistance Payments and HAP Portability-In increased by \$57,317. Below are the figures by program:

HCVP HAP decreased \$68,356
 HCVP Port-Ins decreased \$11,130
 Continuum of Care HAP increased \$48,084
 MS5 Program (new in 2019) increased \$88,719

In reviewing the per-unit cost in the HCVP in 2019 vs. 2018, the average per unit cost increased in 2019 by \$1.05 per unit, from \$435.57 to \$436.62.

A comparison of 2019 and 2018 utilities for the LMHA's programs is as follows:

<u>HCVP Utility</u>	<u>2019</u>	<u>2018</u>
Water	\$ 722	\$ 687
Electric	4,880	5,634
Gas	1,877	1,960
Total	<u>\$ 7,479</u>	<u>\$ 8,281</u>

HCVP: A decrease of \$802 and a 9.68 percent reduction was seen in utility expenses in 2019 from 2018.

A comparison of 2019 to 2018 utility expense for the Public Housing Program is as follows:

<u>Low Rent Public Housing Utility</u>	<u>2019</u>	<u>2018</u>
Water	\$ 26,615	\$ 26,616
Electric	60,868	74,299
Gas	19,553	19,754
Total	<u>\$ 107,036</u>	<u>\$ 120,669</u>

Low-Rent PH: A significant decrease of \$13,633, or 11.30 percent, reduction was seen in utility expenses in 2018 from 2019. In analyzing the reduction, it was discovered that the average daily temperatures were nearly identical for the two years at 54 degrees. This decrease was primarily due to three separate riders (Retail Stability, Deferred Asset Phase-In, and Phase-In Recovery), as well as power purchase rider which was imposed through the utility commission and the AEP Electric Company. These were phased in at December 2017 and were gradually phased out throughout early 2019.

DEBT

LMHA ended the year with no debt.

CAPITAL ASSETS

As of 2019 year end, LMHA had \$1,710,963 invested in a variety of capital assets as reflected in the following schedule which represents a net decrease (addition, deductions, and depreciation) of \$69,630 from the end of 2018 year-end balances. See tables 3 and 4.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
(Unaudited)**

Table 3 - Condensed Statement of Changes in Capital Assets

	2019	2018	Change	Percent Change
Land	\$ 276,250	\$ 276,250	\$ 0	0.00%
Buildings	6,258,804	6,224,075	34,729	0.56%
Equipment	274,069	228,303	45,766	20.05%
Accumulated Depreciation	(5,098,160)	(4,948,035)	(150,125)	3.03%
Total Capital Assets, Net	<u>\$ 1,710,963</u>	<u>\$ 1,780,593</u>	<u>\$ (69,630)</u>	-3.91%

Table 4 - Changes in Capital Assets

Beginning Balance - December 31, 2018	\$ 1,780,593
Current Year Additions	80,495
Current Year Deductions	0
Current Year Depreciation Expense	(150,125)
Ending Balance - December 31, 2019	<u>\$ 1,710,963</u>

HCVP capital assets in the amount of \$39,698.58 purchased in 2019 are listed below:

- \$15,827.61 for purchasing and IT installing new software to help streamline processes and improve security including: a utility schedule module in Housing Pro; Office 365 on LMHA's own platform; Assistance Connect module in Housing Pro; and Barracuda encryption software.
- \$22,443.97 for purchasing and IT installing new office equipment including: a SonicWall 7 port Security App/Firewall; and ten new Dell Optiplex PCs – required because the computers were near their end of life and ran on Windows 7 which would be obsolete in January 2020.
- \$1,427 for parking lot repair at LMHA Administrative Building.

Additions in capital assets in the amount of \$40,796.17 for the Public Housing Hi-Rise included the following purchases:

- \$2,522 Elevator Upgrade
- \$2,279.95 New Domestic Hot Water Pump
- \$28,500 Fifteen Island Air EZ Series air conditioners
- \$7,494.22 Equipment including: two Dell Optiplex PCs with installation; Sonic Wall 7 port Security App/Firewall with installation; floor stripping machine.

ECONOMIC FACTORS

Significant economic factors affecting LMHA are as follows:

- Federal funding from the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary, and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies, and other costs
- After the 2019 audit year, the COVID-19 pandemic emerged in Spring 2020. LMHA Management really cannot predict what will be the full financial impact, but for now, management is not seeing that it will cause any negative impact on the Authority. HUD has

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provided additional funds to offset all the administrative burdens incurred so far in 2020 and in the foreseeable future.

MANAGEMENT NOTES AND CONCLUSIONS:

LMHA ended the year with \$199,368 more in cash. HCV HAP equity was \$128,153 – up from \$10,064 in 2018. MS5 Program ended with \$89,601 in HAP equity in 2019. Business Activity Program cash at \$63,146 increased by \$3,828. There was a reduction of \$20,852 in unrestricted cash in the HCVP. Contributing to that change was purchase of HCVP equipment in the period of \$38,271.

HCVP unit months leased totaled 12,054 of its allowable 12,420, which represents a 97.05 percent lease-up rate for 2019, down from 98.75 percent in 2018.

Public Housing Management and their maintenance staff again focused on successful unit turn over. Of the 1,188 unit months available for the Public Housing Program, 1,185 were leased in 2019, resulting in a 99.75 percent occupancy rate, up from 98.82 in 2018.

In reviewing the per unit costs for one, two, three and four bedrooms on the HCVP, in 2019, LMHA saw an increase of \$1.05 per unit. This increase was much lower than the \$14.55 increase that was seen the prior year.

The end of utility riders imposed in previous years by the Utility Commission and AEP Electric Company accounted for a large portion of the reduction seen in utility expenses for 2019.

FINANCIAL CONTACT

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

LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2019

ASSETS

Current Assets

Cash and Cash Equivalents:	\$ 274,820
Restricted Cash and Cash Equivalents	236,462
Prepaid Expenses and Other Assets	22,156
Total Current Assets	533,438

Non-Current Assets

Non-Depreciable Capital Assets	276,250
Depreciable Capital Assets, Net	1,434,713
Total Non-Current Assets	1,710,963

Deferred Outflows of Resources

Deferred Outflow of Resources - Pension	294,148
Deferred Outflow of Resources - OPEB	35,080
Total Deferred Outflows of Resources	329,228

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 2,573,629

LIABILITIES

Current Liabilities

Accounts Payable	\$ 13,592
Accrued Wages - Payroll Taxes	10,418
Tenant Security Deposits	13,058
Intergovernmental Payable	20,943
Unearned Revenue	1,881
Other Current Liability	5,493
Total Current Liabilities	65,385

Non-Current Liabilities

Accrued Compensated Absences	38,001
Net Pension Liability GASB 68	1,009,247
OPEB Liability GASB 75	447,321
Total Non-Current Liabilities	1,494,569
TOTAL LIABILITIES	1,559,954

Deferred Inflows of Resources

Deferred Inflow of Resources - Pension	30,999
Deferred Inflow of Resources - OPEB	13,127
Total Deferred Inflows of Resources	44,126

Net Position

Investment in Capital Assets	1,710,963
Unrestricted	(959,168)
Restricted	217,754
Total Net Position	969,549

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

\$2,573,629

See accompanying notes to the basic financial statements.

**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

<u>Operating Revenue</u>	
Government Grants	\$ 6,843,773
Tenant Revenue	316,468
Other Revenue	90,552
Total Operating Revenue	<u>7,250,793</u>
 <u>Operating Expenses</u>	
Administrative	974,449
Tenant Services	1,121
Utilities	114,515
Maintenance	231,932
General	66,869
Housing Assistance Payments	5,791,032
Total Operating Expenses	<u>7,179,918</u>
Income Before Depreciation	<u>70,875</u>
 Depreciation	 <u>150,125</u>
Operating Income (Loss)	(79,250)
 <u>Non-Operating Revenues (Expenses)</u>	
Interest and Investment Revenue	<u>2,729</u>
Total Non-Operating Revenues (Expenses)	<u>2,729</u>
Income (Loss) Before Capital Grants	<u>(76,521)</u>
 Capital Grants	 <u>28,500</u>
Change In Net Position	(48,021)
 Total Net Position - Beginning of Year	 <u>1,017,570</u>
 Total Net Position - End of Year	 <u><u>\$ 969,549</u></u>

See accompanying notes to the basic financial statements.

**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

<u>Cash Flows from Operating Activities</u>	
Cash Received from Government Grants	\$ 6,846,097
Cash Received from Tenants	311,146
Cash Payments for Housing Assistance	(5,791,032)
Cash Payments for Administrative Expenses	(817,536)
Cash Payments for Other Operating Expenses	(390,593)
Cash Received - Other Revenue	90,552
Net Cash Provided (Used) by Operating Activities	248,634
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	(80,495)
Capital Grants Received	28,500
Net Cash Provided (Used) by Capital and Related Financing Activities	(51,995)
<u>Cash Flows from Investing Activities</u>	
Interest and Investment Income Received	2,729
Net Cash Provided (Used) by Investing Activities	2,729
Net Increase in Cash and Cash Equivalents	199,368
Cash and Cash Equivalents - Beginning of Year	311,914
Cash and Cash Equivalents - End of Year	\$ 511,282
<u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u>	
Net Operating (Loss)	\$ (79,250)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	150,125
(Increase) Decrease in:	
Deferred Outflows of Resources	(158,053)
Prepaid Expenses	995
Increase (Decrease) in:	
Accounts Payable	(3,444)
Accrued Pension and OPEB Liability	470,851
Accrued Compensated Absences	4,949
Tenants' Security Deposits	50
Accrued Wages and Payroll Taxes	547
Intergovernmental Payable	2,324
Unearned Revenue	(5,372)
Other Liabilities	(428)
Deferred Inflows of Resources	(134,660)
Net Cash Provided (Used) by Operating Activities	\$ 248,634

See accompanying notes to the basic financial statements.

**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Reporting Entity

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

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

Basis of Presentation

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

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

LMHA'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.

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

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

**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

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

Measurement Focus and Basis of Accounting

The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of LMHA are included on the Statement of Net Position. The Statement of Changes in Revenues, Expenses, and Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how LMHA finances and meets the cash flow needs of its enterprise activity.

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

Description of Programs

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

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

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

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

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

Business Activities (BA) - Business Activities represents operations of LMHA other than HUD funded programming. Business Activities owns an office building and generates leasing revenue for space leased to other LMHA programs and a local health clinic. The revenue and expenses for these services are identified and tracked separate from the HUD activities.

LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

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

Mainstream 5 (MS5) – The MS5 Program involves tenant-based vouchers that serve households that include a non-elderly person with a disability. Aside from assisting a special population, the MS5 vouchers follow the same program policies as the regular tenant-based voucher program. Funding and financial reporting for MS5 Program are separate from HCVP and other programs.

Cash and Cash Equivalents

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

Investments

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

Restricted Assets

Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include excess HCVP and MS5 housing assistance payments funding and security deposits collected from residents of LMHA's housing units.

Property and Equipment

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

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

Net Position

The investment in capital assets component of net position, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is recorded as restricted when there are limitations imposed on their use either through the enabling legislation adopted by LMHA or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position includes what is known as HAP Equity in the HCVP and MS5 Mainstream Voucher programs. That is funding provided to the Agency by HUD for the purpose of making rental assistance payments on behalf of program participants that has yet to be expended.

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

**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

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

Use of Estimates

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

Budgetary Accounting

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

Capitalization of Interest

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

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB systems report investments at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For LMHA, deferred outflows of resources are reported on the statement of net position for pension, and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 6 and 7.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For LMHA, deferred inflows of resources are reported on the Statement of Net Position for pension and OPEB. Deferred inflows of resources related to pension and OPEB are explained in Notes 6 and 7.

Change in Accounting Principle

During the year, LMHA implemented the following Governmental Accounting Standards Board (GASB) statements:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The implementation of this Statement did not have any impact on the financial statements of the LMHA.

**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

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

Change in Accounting Principle (Continued)

GASB Statement No. 84, *Fiduciary Activities*. This Statement established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. The implementation of this Statement did not have any impact on the financial statements of the LMHA.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of this Statement did not have an impact on the financial statements of the LMHA.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statements information for certain component units. The implementation of this Statement did not have any impact on the financial statements of the LMHA.

NOTE 2: **DEPOSITS AND INVESTMENTS**

Cash on Hand

At December 31, 2019, the carrying amount of LMHA's deposits was \$511,282 (including \$236,462 of restricted funds and \$200 of petty cash).

At December 31, 2019, the bank balance of LMHA's cash deposits was \$531,666. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2019, deposits held at PNC Bank totaling \$395,057 were covered by Federal Depository Insurance. The balance is fully collateralized by PNC Bank at the Federal Reserve Bank in the name of Licking MHA. Deposits held at Park National Bank totaled \$95,204 and were fully covered by FDIC insurance.

Custodial credit is the risk that, in the event of a bank failure, LMHA's deposits may not be returned. LMHA's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 105 percent of deposits. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve system in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at a Federal Reserve bank in the name of LMHA.

**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

Investments

LMHA complies with HUD regulations that provide a list of financial instruments in which PHAs are permitted to invest. Investments are valued at market value. At December 31, 2019, LMHA had no investments

Interest Rate Risk

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

Custodial Credit Risk

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

Restricted Cash

The restricted cash balance of \$236,462 on the financial statements represents the following:

Unspent cash advanced by HUD for:	
HCVP Housing Assistance Payments	\$ 128,153
MS5 Housing Assistance Payments	89,601
HCVP RNP Interest Earned over \$500 due to HUD	46
Cash Restricted for Payment of Current Liabilities	5,604
Tenant Security Deposits Liability	13,058
Total Restricted Cash	<u><u>\$ 236,462</u></u>

**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

NOTE 3: CAPITAL ASSETS

Following is a summary of capital assets:

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 276,250	\$ 0	\$ 0	\$ 276,250
Total Capital Assets Not Being Depreciated	276,250	0	0	276,250
<u>Capital Assets Being Depreciated</u>				
Buildings and Improvements	6,224,075	34,729	0	6,258,804
Furniture, Equipment, and Machinery	228,303	45,766	0	274,069
Subtotal Capital Assets Being Depreciated	6,452,378	80,495	0	6,532,873
Accumulated Depreciation -				
Buildings and Improvements	(4,758,427)	(129,180)	0	(4,887,607)
Furniture and Equipment	(189,608)	(20,945)	0	(210,553)
Total Accumulated Depreciation	(4,948,035)	(150,125)	0	(5,098,160)
Depreciable Assets, Net	1,504,343	(69,630)	0	1,434,713
Total Capital Assets, Net	\$ 1,780,593	\$ (69,630)	\$ 0	\$ 1,710,963

NOTE 4: CAPITAL LEASE OBLIGATIONS

LMHA had no capital lease obligations throughout 2019.

NOTE 5: ALLOCATION OF COSTS

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

NOTE 6: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

NOTE 6: **DEFINED BENEFIT PENSION PLANS** (Continued)

Net Pension Liability (Continued)

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 *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

NOTE 6: **DEFINED BENEFIT PENSION PLANS** (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

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

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of the annual cost-of-living adjustment.

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

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

**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

NOTE 6: **DEFINED BENEFIT PENSION PLANS** (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2019 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-Employment Health Care Benefits **	0.0 %
Total Employer	14.0 %
 Employee	 10.0 %

* Member contributions within combined plan are not used to fund the defined benefit retirement allowance

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Authority's contractually required contributions was \$69,192 for fiscal year ending December 31, 2019.

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, 2018, 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:

**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

NOTE 6: **DEFINED BENEFIT PENSION PLANS** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	OPERS Traditional Pension Plan
Proportion of the Net Pension Liability Prior Measurement Date	0.003819%
Proportion of the Net Pension Liability Current Measurement Date	0.003685%
Change in Proportionate Share	-0.000134%
Proportionate Share of the Net Pension Liability	\$ 1,009,247
Pension Expense	\$ 212,695

At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Pension Plan
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$ 136,983
Differences between expected and actual experience	46
Changes of assumptions	87,859
Changes in proportion and differences between Authority contributions and proportionate share of contributions	68
Authority contributions subsequent to the measurement date	69,192
Total Deferred Outflows of Resources	\$ 294,148
Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 13,251
Changes in proportion and differences between Authority contributions and proportionate share of contributions	17,748
Total Deferred Inflows of Resources	\$ 30,999

\$69,192 reported as deferred outflows of resources related to pension resulting from Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

NOTE 6: **DEFINED BENEFIT PENSION PLANS** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	OPERS Traditional Pension Plan
Year Ending December 31:	
2020	\$ 80,642
2021	36,900
2022	12,707
2023	63,708
Total	\$ 193,957

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation 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	7.2 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the previously described tables.

**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

NOTE 6: **DEFINED BENEFIT PENSION PLANS** (Continued)

Actuarial Assumptions – OPERS (Continued)

The most recent experience study was completed for the five-year period ended December 31, 2015.

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

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. 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 investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94 percent for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	<u>100.00 %</u>	<u>5.95 %</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 6: **DEFINED BENEFIT PENSION PLANS** (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent, post-experience study results. 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 contractually required rates, as actuarially determined. 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 7.2 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 (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Authority's proportionate share of the net pension liability	\$ 1,490,951	\$ 1,009,247	\$ 608,946

NOTE 7: **POST-EMPLOYMENT BENEFITS**

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Authority's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates annually.

The 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 OPEB are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including OPEB.

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(CONTINUED)**

NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

Net OPEB Liability (Continued)

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 75. See OPERS' CAFR referenced below for additional information.

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

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(CONTINUED)**

NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board 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 Pension Plan and Combined Plan was 0 percent during calendar year 2018. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2019 remained at 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Authority's contractually required contribution was \$0 for fiscal year ending December 31, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

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(CONTINUED)**

NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

	OPERS
Proportion of the Net OPEB Liability:	
Prior Measurement Date	0.003560%
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.003431%
Change in Proportionate Share	-0.000129%
Proportionate Share of the Net OPEB Liability	\$ 447,321
OPEB Expense	\$ 34,635

At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	\$ 20,507
Differences between expected and actual experience	151
Changes of assumptions	14,422
Total Deferred Outflows of Resources	\$ 35,080
Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 1,213
Changes in proportion and differences between Authority contributions and proportionate share of contributions	11,914
Total Deferred Inflows of Resources	\$ 13,127

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS
Year Ending December 31:	
2020	\$ 9,328
2021	(936)
2022	3,231
2023	10,330
Total	\$ 21,953

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(CONTINUED)**

NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.71 percent
Health Care Cost Trend Rate	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

**LICKING METROPOLITAN HOUSING AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

Actuarial Assumptions – OPERS (Continued)

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. 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 Health Care portfolio was a loss of 5.60 percent for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	<u>100.00 %</u>	<u>5.16 %</u>

**LICKING METROPOLITAN HOUSING AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 7: POST-EMPLOYMENT BENEFITS (Continued)

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Authority's proportionate share of the net OPEB liability	\$ 572,291	\$ 447,321	\$ 347,938

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.0 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

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(CONTINUED)**

NOTE 7: POST-EMPLOYMENT BENEFITS (Continued)

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	\$ 429,973	\$ 447,321	\$ 467,302

NOTE 8: NON-CURRENT LIABILITIES

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

	Balance 1/1/2019	Additions	Used	Balance 12/31/2019	Current Portion
Compensated Absence	\$ 33,052	\$ 33,396	\$ (28,447)	\$ 38,001	\$ 0
Net Pension Liability	599,127	410,120	0	1,009,247	0
OPEB Liability	386,590	60,731	0	447,321	0
Total Non-Current Liabilities	\$ 1,018,769	\$ 504,247	\$ (28,447)	\$ 1,494,569	\$ 0

See Note 6 for more information regarding Net Pension Liability and Note 7 for information regarding OPEB Liability.

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

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

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

All permanent employees will earn vacation hours accumulated based on length of service. Unused vacation time may be accumulated up to 240 hours. All vacation time accumulated will be paid to an employee upon separation of employment. At December 31, 2019 \$38,001 was accrued for unused vacation.

NOTE 9: 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 disaster. The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public official's liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance pool comprised of forty (40) housing authorities in Ohio, of which the Authority is a member.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year. Health, dental, vision, and life insurance is offered to Authority employees through a commercial insurance company.

**LICKING METROPOLITAN HOUSING AUTHORITY
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
(CONTINUED)**

NOTE 9: **RISK MANAGEMENT** (Continued)

Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively.

NOTE 10: **CONTINGENCIES**

Grants

Amounts grantor agencies pay to LMHA are subject to audit and adjustments by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of LMHA at December 31, 2019.

Litigations and Claims

In the normal course of operations, the PHA may be subject to litigations and claims. At December 31, 2019, LMHA was not aware of any such matters.

NOTE 11: **OPERATING LEASES**

LMHA leases equipment through operating leases. Minimum future rental payments under non-cancelable operating leases having terms in excess of one year as of December 31, 2019 are:

FYE 2020	\$ 2,641
FYE 2021	\$ 1,195
FYE 2022	\$ 1,095

NOTE 12: **SUBSEQUENT EVENTS**

The United States and the State of Ohio declared a statement of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will likely impact subsequent periods of LMHA. The investments of the pension and other postemployment benefit plan in which LMHA participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on LMHA's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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

<u>Traditional Plan</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability	0.003685%	0.003819%	0.003863%	0.003844%	0.004012%	0.004012%
Authority's Proportionate Share of the Net Pension Liability	\$ 1,009,247	\$ 599,127	\$ 877,222	\$ 665,831	\$ 483,893	\$ 472,963
Authority's Covered Payroll	\$ 497,679	\$ 504,708	\$ 499,375	\$ 478,408	\$ 491,833	\$ 468,446
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.79%	118.71%	175.66%	139.18%	98.39%	100.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) - Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the information becomes available.

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

See accompanying notes to the required supplementary information.

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

<u>Traditional Plan</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually Required Contributions	\$ 69,192	\$ 69,675	\$ 65,612	\$ 59,925	\$ 57,409	\$ 59,020	\$ 60,898	\$ 44,828	\$ 45,006	\$ 38,319
Contributions in Relation to the Contractually Required Contribution	<u>\$ (69,192)</u>	<u>\$ (69,675)</u>	<u>\$ (65,612)</u>	<u>\$ (59,925)</u>	<u>\$ (57,409)</u>	<u>\$ (59,020)</u>	<u>\$ (60,898)</u>	<u>\$ (44,828)</u>	<u>\$ (45,006)</u>	<u>\$ (38,319)</u>
Contribution Deficiency / (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Authority's Covered Payroll	\$ 494,229	\$ 497,679	\$ 504,708	\$ 499,375	\$ 478,408	\$ 491,833	\$ 468,446	\$ 448,280	\$ 450,060	\$ 425,767
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%

See accompanying notes to the required supplementary information.

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

	2019	2018	2017
Authority's Proportion of the Net OPEB Liability	0.003431%	0.003560%	0.003610%
Authority's Proportionate Share of the Net OPEB Liability	\$ 447,321	\$ 386,590	\$ 364,622
Authority's Covered Payroll	\$ 497,679	\$ 504,708	\$ 499,375
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.88%	76.60%	73.02%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.05%

(1) - Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the information becomes available.

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

See accompanying notes to the required supplementary information

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually Required Contribution	\$ 0	\$ 0	\$ 5,047	\$ 9,988	\$ 9,568	\$ 9,837	\$ 4,685	\$ 17,931	\$ 18,002	\$ 21,288
Contributions in Relation to the Contractually Required Contribution	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (5,047)</u>	<u>\$ (9,988)</u>	<u>\$ (9,568)</u>	<u>\$ (9,837)</u>	<u>\$ (4,685)</u>	<u>\$ (17,931)</u>	<u>\$ (18,002)</u>	<u>\$ (21,288)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Authority Covered Payroll	\$ 494,229	\$ 497,679	\$ 504,708	\$ 499,375	\$ 478,408	\$ 491,833	\$ 468,466	\$ 448,280	\$ 450,060	\$ 425,767
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%	4.00%	4.00%	5.00%

See accompanying notes to the required supplementary information.

**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) 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. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2018. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00%.

LICKING METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2019

	Project Total	14.267 Continuum of Care Program	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	107,249	-	103,841	584	63,146	274,820		274,820
113 Cash - Other Restricted	-	-	128,153	89,601	-	217,754		217,754
114 Cash - Tenant Security Deposits	13,058	-	-	-	-	13,058		13,058
115 Cash - Restricted for Payment of Current Liabilities	-	-	5,604	46	-	5,650		5,650
100 Total Cash	120,307	-	237,598	90,231	63,146	511,282	-	511,282
142 Prepaid Expenses and Other Assets	11,913	-	10,243	-	-	22,156		22,156
150 Total Current Assets	132,220	-	247,841	90,231	63,146	533,438	-	533,438
161 Land	201,250	-	-	-	75,000	276,250		276,250
162 Buildings	5,623,830	-	45,896	-	589,278	6,258,804		6,258,804
163 Furniture, Equipment & Machinery - Dwellings	11,498	-	-	-	-	11,498		11,498
164 Furniture, Equipment & Machinery - Administration	21,212	-	220,996	-	20,363	262,571		262,571
166 Accumulated Depreciation	-4,600,657	-	-191,758	-	-305,745	-5,098,160		-5,098,160
160 Total Capital Assets, Net of Accumulated Depreciation	1,257,133	-	74,934	-	378,896	1,710,963	-	1,710,963
180 Total Non-Current Assets	1,257,133	-	74,934	-	378,896	1,710,963	-	1,710,963
200 Deferred Outflow of Resources	108,645	-	220,583	-	-	329,228		329,228
290 Total Assets and Deferred Outflow of Resources	1,497,998	-	543,358	90,231	442,042	2,573,629	-	2,573,629
312 Accounts Payable <= 90 Days	8,274	-	5,161	-	-	13,435		13,435
321 Accrued Wage/Payroll Taxes Payable	-	-	10,418	-	-	10,418		10,418
331 Accounts Payable - HUD PHA Programs	-	-	157	-	-	157		157
333 Accounts Payable - Other Government	20,943	-	-	-	-	20,943		20,943
341 Tenant Security Deposits	13,058	-	-	-	-	13,058		13,058
342 Unearned Revenue	1,881	-	-	-	-	1,881		1,881
345 Other Current Liabilities	-	-	5,447	46	-	5,493		5,493
310 Total Current Liabilities	44,156	-	21,183	46	-	65,385	-	65,385
354 Accrued Compensated Absences - Non Current	15,513	-	22,488	-	-	38,001		38,001
357 Accrued Pension and OPEB Liabilities	480,668	-	975,900	-	-	1,456,568		1,456,568
350 Total Non-Current Liabilities	496,181	-	998,388	-	-	1,494,569	-	1,494,569
300 Total Liabilities	540,337	-	1,019,571	46	-	1,559,954	-	1,559,954
400 Deferred Inflow of Resources	14,562	-	29,564	-	-	44,126		44,126
508.4 Net Investment in Capital Assets	1,257,133	-	74,934	-	378,896	1,710,963		1,710,963
511.4 Restricted Net Position	-	-	128,153	89,601	-	217,754		217,754
512.4 Unrestricted Net Position	-314,034	-	-708,864	584	63,146	-959,168		-959,168
513 Total Equity - Net Assets / Position	943,099	-	-505,777	90,185	442,042	969,549	-	969,549
600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net	1,497,998	-	543,358	90,231	442,042	2,573,629	-	2,573,629

**LICKING METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

	Project Total	14,267 Continuum of Care Program	14,871 Housing Choice Vouchers	14,879 Mainstream Vouchers	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	315,235	-	-	-	-	315,235		315,235
70400 Tenant Revenue - Other	1,233	-	-	-	-	1,233		1,233
70500 Total Tenant Revenue	316,468	-	-	-	-	316,468	-	316,468
70600 HUD PHA Operating Grants	221,667	404,437	6,031,004	186,665	-	6,843,773		6,843,773
70610 Capital Grants	28,500	-	-	-	-	28,500		28,500
71100 Investment Income - Unrestricted	796	-	1,101	438	394	2,729		2,729
71400 Fraud Recovery	-	-	1,286	-	-	1,286		1,286
71500 Other Revenue	7,767	-	73,926	-	7,573	89,266		89,266
70000 Total Revenue	575,198	404,437	6,107,317	187,103	7,967	7,282,022	-	7,282,022
91100 Administrative Salaries	105,379	27,492	285,055	8,199	-	426,125		426,125
91200 Auditing Fees	2,758	-	9,376	-	-	12,134		12,134
91400 Advertising and Marketing	122	-	236	-	-	358		358
91500 Employee Benefit contributions - Administrative	78,619	-	274,408	-	-	353,027		353,027
91600 Office Expenses	28,109	-	139,920	-	-	168,029		168,029
91700 Legal Expense	2,201	-	5,870	-	-	8,071		8,071
91800 Travel	1,983	-	4,722	-	-	6,705		6,705
91000 Total Operating - Administrative	219,171	27,492	719,587	8,199	-	974,449	-	974,449
92400 Tenant Services - Other	1,121	-	-	-	-	1,121		1,121
92500 Total Tenant Services	1,121	-	-	-	-	1,121	-	1,121
93100 Water	26,615	-	722	-	-	27,337		27,337
93200 Electricity	60,868	-	4,880	-	-	65,748		65,748
93300 Gas	19,553	-	1,877	-	-	21,430		21,430
93000 Total Utilities	107,036	-	7,479	-	-	114,515	-	114,515
94100 Ordinary Maintenance and Operations - Labor	76,281	-	-	-	-	76,281		76,281
94200 Ordinary Maintenance and Operations - Materials and Other	15,147	-	1,049	-	-	16,196		16,196
94300 Ordinary Maintenance and Operations Contracts	57,517	-	12,494	-	-	70,011		70,011
94500 Employee Benefit Contributions - Ordinary Maintenance	56,910	-	-	-	-	56,910		56,910
94000 Total Maintenance	205,855	-	13,543	-	-	219,398	-	219,398
96110 Property Insurance	10,615	-	5,127	-	-	15,742		15,742
96130 Workmen's Compensation	2,630	-	5,461	-	-	8,091		8,091
96100 Total insurance Premiums	13,245	-	10,588	-	-	23,833	-	23,833
96200 Other General Expenses	967	-	8,987	-	4,137	14,091		14,091
96210 Compensated Absences	685	-	4,264	-	-	4,949		4,949
96300 Payments in Lieu of Taxes	20,943	-	-	-	-	20,943		20,943
96400 Bad debt - Tenant Rents	3,053	-	-	-	-	3,053		3,053
96000 Total Other General Expenses	25,648	-	13,251	-	4,137	43,036	-	43,036
96900 Total Operating Expenses	572,076	27,492	764,448	8,199	4,137	1,376,352	-	1,376,352
97000 Excess of Operating Revenue over Operating Expenses	3,122	376,945	5,342,869	178,904	3,830	5,905,670	-	5,905,670
97100 Extraordinary Maintenance	12,534	-	-	-	-	12,534		12,534
97300 Housing Assistance Payments	-	376,945	5,263,065	88,719	-	5,728,729		5,728,729
97350 HAP Portability-In	-	-	62,303	-	-	62,303		62,303
97400 Depreciation Expense	105,246	-	21,655	-	23,224	150,125		150,125
90000 Total Expenses	689,856	404,437	6,111,471	96,918	27,361	7,330,043	-	7,330,043
10010 Operating Transfer In	11,134	-	-	-	-	11,134		11,134
10020 Operating transfer Out	-11,134	-	-	-	-	-11,134		-11,134
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-114,658	-	-4,154	90,185	-19,394	-48,021	-	-48,021
11030 Beginning Equity	1,057,757	-	-501,623	-	461,436	1,017,570		1,017,570
11170 Administrative Fee Equity	-	-	-633,930	-	-	-633,930		-633,930
11180 Housing Assistance Payments Equity	-	-	128,153	-	-	128,153		128,153
11190 Unit Months Available	1,188	655	12,420	-	-	14,263		14,263
11210 Number of Unit Months Leased	1,185	655	12,054	-	-	13,894		13,894
11270 Excess Cash	28,478	-	-	-	-	28,478		28,478
11620 Building Purchases	28,500	-	-	-	-	28,500		28,500

**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED 2019**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S Department of Housing and Urban Development		
<i>Direct Programs:</i>		
Continuum of Care Program	14.267	\$ 404,437
Public and Indian Housing	14.850	210,533
Public Housing Capital Fund	14.872	39,634
Housing Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	6,031,004
Mainstream Vouchers	14.879	186,665
Total Housing Voucher Cluster		6,217,669
 Total U.S Department of Housing and Urban Development		 6,872,273
 Total Expenditures of Federal Awards		 \$ 6,872,273

The accompanying notes are an integral part of this schedule.

**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Licking Metropolitan Housing Authority under programs of the Federal government for the year ended December 31, 2019. The information in this schedule is presented 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 Licking Metropolitan Housing Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Licking Metropolitan Housing Authority.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the GAAP basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

Licking Metropolitan Housing Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

OHIO AUDITOR OF STATE KEITH FABER



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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*

Licking Metropolitan Housing Authority
Licking County
144 W Main Street
Newark, Ohio 43055

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 Licking Metropolitan Housing Authority, Licking County, (the LMHA) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the LMHA's basic financial statements and have issued our report thereon dated October 6, 2020 wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the LMHA.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the LMHA'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 LMHA'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 LMHA'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 LMHA'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*.

Efficient • Effective • Transparent

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 LMHA's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the LMHA's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

October 6, 2020

OHIO AUDITOR OF STATE KEITH FABER



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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

Licking Metropolitan Housing Authority
Licking County
144 W Main Street
Newark, Ohio 43055

To the Board of Directors:

Report on Compliance for the Major Federal Program

We have audited the Licking Metropolitan Housing Authority's (the LMHA) 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 Licking Metropolitan Housing Authority's major federal program for the year ended December 31, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the MHA's major federal program.

Management's Responsibility

The LMHA'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 LMHA's compliance for the LMHA'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 LMHA'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 LMHA's major program. However, our audit does not provide a legal determination of the LMHA's compliance.

Opinion on the Major Federal Program

In our opinion, the Licking 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 year ended December 31, 2019.

Report on Internal Control Over Compliance

The LMHA'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 LMHA'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 LMHA'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.



Keith Faber
Auditor of State

Columbus, Ohio

October 6, 2020

**LICKING METROPOLITAN HOUSING AUTHORITY
LICKING COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2019**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



LICKING METROPOLITAN HOUSING AUTHORITY

LICKING COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/17/2020

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This report is a matter of public record and is available online at
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