

**ZANESVILLE METROPOLITAN
HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2014**

James G. Zupka, CPA, Inc.

Certified Public Accountants



Dave Yost • Auditor of State

Board of Directors
Zanesville Metropolitan Housing Authority
407 Pershing Rd
Zanesville, OH 43701

We have reviewed the *Independent Auditor's Report* of the Zanesville Metropolitan Housing Authority, Muskingum County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

April 29, 2015

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**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Zanesville Metropolitan Housing Authority
Zanesville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Zanesville Metropolitan Housing Authority, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Zanesville Metropolitan Housing Authority, as of June 30, 2014, and the changes in financial position, and cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Financial Data Schedules are presented for purposes of additional analysis and not a part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Financial Data Schedules and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2015, on our consideration of the Zanesville Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

James G. Zupka
CPA, President

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G.
Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@independentglobal.net, c=US
Date: 2015.01.28 14:06:08 -0500

James G. Zupka, CPA, Inc.
Certified Public Accountants

January 16, 2015

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The following discussion and analysis of the Zanesville Metropolitan Housing Authority (the Authority) is to provide an introduction to the basic financial statements for the fiscal year ended June 30, 2014, with selected comparative information for the fiscal year ended June 30, 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements, notes to the financial statements and supplementary information found in the report. This information taken collectively is designed to provide readers with an understanding of the Authority's finances.

FINANCIAL HIGHLIGHTS

- Assets of the Authority exceeded its liabilities at the close of the most recent fiscal year 2014 by \$14,509,550 (net position). Of this amount, \$4,378,278 (unrestricted net position) may be used to meet the Authority's ongoing obligations to citizens and creditors. The restricted net position of \$134,189 is the HAP reserve and FSS liability.
- Capital assets decreased by \$655,342 from the depreciation of Capital Assets and capital fund asset additions.
- Net position decreased by \$681,534 for the fiscal year ended June 30, 2014. This was due primarily to a decrease in capital contributions.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority is a special purpose governmental entity and accounts for its financial activities as an enterprise fund. The financial statements are prepared on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when incurred. Capital assets are capitalized and depreciated, except for land, over their useful lives. See notes to the financial statements for a summary of the Authority's significant accounting policies and practices.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

AUTHORITY ACTIVITY HIGHLIGHTS

The following are the various programs that the Authority operates. These programs are included in the single enterprise fund:

Public Housing Program

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

Capital Fund Program (CFP)

The capital fund program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development housing.

Housing Choice Voucher Program (Section 8)

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

Shelter Plus Care

The Shelter Plus Care program is designed to link rental assistance to supportive services for hard to serve homeless persons with disabilities. The Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants rent at 30% of household income.

Resident Opportunity and Supportive Services

A grant funded by the Department of Housing and Urban Development that is intended to enable public housing residents to obtain self sufficiency and economic independence and move from welfare to work.

Section 8 New Construction Program

The Authority administers a Housing Assistance Payments contract on behalf of HUD through which HUD subsidizes the rents of low to moderate-income families when those families rent from a private landlord. That rental assistance is provided similarly to how it is under the Housing Choice Voucher program except the rental assistance is tied to the dwelling units, and the assistance is provided to the families renting those units selected by HUD.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

State and Local Fund

The Authority administered a contract with Muskingum County Department of Job and Family Services to provide a Youth Employment Service Program to resident youths. Also, the Authority administers a wellness program through a contract with the Muskingum County Board of Health and a home maintenance program through a contract with the City of Zanesville.

Business Activity

The Business Activity Fund was set-up to separate the HUD funded program from non-HUD activities. This fund is mainly used to account for the rental income received from the daycare facility known as Carey Street Day Care Center and the expenses of the maintenance and utilities of the building, and repayment of the construction loan.

FINANCIAL POSITION

The statement of net position presents the financial position of the Authority at the end of the fiscal year. The statement includes all assets and liabilities of the Authority. Net position is the difference between total assets and total liabilities and is an indicator of the current fiscal health of the Authority. The following is a summarized comparison of the Authority's assets, liabilities, and net position at June 30, 2014 and 2013:

Table 1 - Statement of Net Position

	2014	2013
Current and Other Assets	\$ 5,319,163	\$ 5,398,510
Capital Assets	10,453,366	11,108,708
Total Assets	<u>\$15,772,529</u>	<u>\$16,507,218</u>
Current Liabilities	\$ 537,302	\$ 615,930
Long-Term Liabilities	725,677	700,204
Total Liabilities	<u>1,262,979</u>	<u>1,316,134</u>
Net Position		
Net Investment in Capital Assets	9,997,083	10,629,585
Restricted Net Position	134,189	307,255
Unrestricted Net Position	4,378,278	4,254,244
Total Net Position	<u>14,509,550</u>	<u>15,191,084</u>
Total Liabilities and Net Position	<u>\$15,772,529</u>	<u>\$16,507,218</u>

Current assets decreased slightly and capital assets decreased due to depreciation expense. Liabilities decreased primarily due to debt payments.

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

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Statement of Revenues, Expenses, and Changes in Net Position

The following is a summary of the results of operations of the Authority for the fiscal years ended June 30, 2014 and 2013:

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

	2014	2013
Operating Revenue	\$ 7,881,117	\$ 8,299,656
Operating Expenses	8,719,719	9,241,191
Total Operating Loss	(838,602)	(941,535)
Non-Operating:		
Interest	6,535	4,202
Interest Expense	(30,986)	(21,143)
Capital Contributions and Gain on Sale of Assets	181,519	367,799
Change in Net Position	(681,534)	(590,677)
Total Net Position - Beginning of Year	15,191,084	15,781,761
Total Net Position - End of Year	\$14,509,550	\$15,191,084

Operating revenues decreased due to the calendar year 2013 and 2014 prorated obligations decreasing to 81.86 percent and 89 percent respectively. Operating expenses decreased due to the decrease in operating subsidy. The non-operating revenue decrease reflects interest rates declining and decreased capital contributions.

Housing Units Managed

The following table shows housing units managed by the Authority for the fiscal years ended June 30, 2014 and 2013:

	2014	2013
Owned by Authority	674	674
Units Under Vouchers	939	939
Units Under Shelter Plus Care	96	8
Total Housing Units Managed	1,709	1,621

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Capital Assets

Capital assets are the largest asset reflected on the Authority's statement of net position. The following is a summary of capital assets owned by the Authority at June 30, 2014:

Table 3 - Capital Assets

	2014
Land and Land Rights	\$ 1,160,622
Buildings and Improvements	34,143,639
Equipment - Administrative	795,526
Equipment - Dwellings	674,173
Accumulated Depreciation	<u>(26,320,594)</u>
Total	<u>\$10,453,366</u>
 Capital Assets Activity:	
Capital Asset, Net at June 30, 2013	\$11,108,708
Depreciation Expense	(872,265)
Capital Assets Additions - Operations	38,188
Capital Assets Additions - Capital Funds	<u>178,735</u>
 Capital Assets, Net at June 30, 2014	 <u>\$10,453,366</u>

Changes in Net Position

Total capital assets decreased from the previous year by \$655,342. The decrease is a net result of capital asset additions and depreciation expense for the year. The largest component of net position is *Net Investment in Capital Assets*. The following table shows how this amount is calculated for the fiscal years ended June 30, 2014 and 2013:

	2014	2013
Total Capital Assets	\$36,773,960	\$36,575,624
Less:		
Capital Related Debt	(456,283)	(479,123)
Accumulated Depreciation	<u>(26,320,594)</u>	<u>(25,466,916)</u>
Net Investment in Capital Assets	<u>\$ 9,997,083</u>	<u>\$10,629,585</u>

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Debt Administration

Zanesville Metropolitan Housing Authority obtained a loan in the amount of \$843,000 on June 1, 2002. The proceeds were used for the Zanesville Carey Metro Childcare, Inc. building payable in monthly installments of \$5,689.93. During 2014, the Authority refinanced this loan, the refinanced amount was \$460,000 on March 18, 2014 and the new monthly installment of \$2,801.99, which began April 18, 2014.

Current Year Debt Activities are as follows:

Outstanding Principal Balance as of June 30, 2013	\$ 479,123
Less:	
Principal Payments Made During the Year	(22,840)
Principal Paid-Off Old Loan Refinanced	(460,000)
New Loan Proceeds	<u>460,000</u>
Outstanding Principal Balance as of June 30, 2014	<u>\$ 456,283</u>

Economic Factors

The economic outlook for the Zanesville Metropolitan Housing Authority is uncertain at this time. According to the most current information available on changes pending at the U.S. Department of Housing and Urban Development, Public Housing will continue to offset the PHAs operating reserves. To determine an individual PHA's allocation adjustment, HUD identified the amount of reserves equivalent to four months. If a PHA's allocation adjustment exceeds the Operating Subsidy eligibility, the allocation adjustment is capped to 12 months of their eligibility. At this time there is no further inflationary adjustments forecasted. Locally, we are being impacted by negative employment factors such as stagnant job growth and a sluggish market.

Request for Information

The annual financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to Teresa Ayers, Financial Director, and Zanesville Metropolitan Housing Authority.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
JUNE 30, 2014

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 3,458,776
Restricted Cash and Cash Equivalents	467,731
Investments	909,837
Receivables, Net of Allowance	188,343
Inventory, Net of Allowance	176,888
Prepaid Expenses and Other Assets	<u>117,588</u>
Total Current Assets	<u>5,319,163</u>

Property and Equipment

Non-Depreciable Capital Assets	1,160,622
Depreciable Capital Assets, Net	<u>9,272,744</u>
Total Property and Equipment	<u>10,453,366</u>

TOTAL ASSETS

\$ 15,772,529

LIABILITIES

Current Liabilities

Accounts Payable	\$ 12,762
Accrued Liabilities	119,871
Accrued Compensated Absences - Current	132,594
Tenant Security Deposits	250,202
Unearned Revenue	6,122
Current Portion of Long-Term Debt	<u>15,751</u>
Total Current Liabilities	<u>537,302</u>

Noncurrent Liabilities

Accrued Compensated Absences - Noncurrent	201,805
Noncurrent Liabilities - Other	83,340
Long-Term Debt - Net of Current Portion	<u>440,532</u>
Total Noncurrent Liabilities	<u>725,677</u>
Total Liabilities	<u>1,262,979</u>

NET POSITION

Net Investment in Capital Assets	9,997,083
Restricted Net Position	134,189
Unrestricted Net Position	<u>4,378,278</u>
Total Net Position	<u>14,509,550</u>

TOTAL LIABILITIES AND NET POSITION

\$ 15,772,529

See accompanying notes to the basic financial statements

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Operating Revenues</u>	
Government Grants	\$ 6,086,937
Tenant Revenue	1,548,625
Other Revenue	<u>245,555</u>
Total Operating Revenues	<u>7,881,117</u>
<u>Operating Expenses</u>	
Administrative	1,730,551
Tenant Services	193,966
Utilities	799,966
Maintenance	1,388,618
General	381,501
Housing Assistance Payments	3,352,852
Depreciation	<u>872,265</u>
Total Operating Expenses	<u>8,719,719</u>
Operation Income (Loss)	<u>(838,602)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest and Investment Revenue	6,535
Interest Expense	(30,986)
Gain (Loss) on Sale of Capital Assets	<u>2,784</u>
Total Non-Operating Revenues (Expenses)	<u>(21,667)</u>
Income (Loss) Before Capital Grants	<u>(860,269)</u>
Capital Grants	<u>178,735</u>
Change in Net Position	<u>(681,534)</u>
Total Net Position, Beginning of Year	<u>15,191,084</u>
Net Position, End of Year	<u>\$ 14,509,550</u>

See accompanying notes to the basic financial statements.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<u>Cash Flows from Operating Activities</u>	
Cash Received from HUD/Other Governments	\$ 6,067,105
Cash Received From Tenants	1,552,739
Cash Payments for Housing Assistance	(3,352,852)
Cash Payments for Administrative Expenses	(1,715,577)
Cash Payments for Other Operating Expenses	(2,757,686)
Cash Received - Other	<u>216,551</u>
Net Cash Provided by Operating Activities	<u>10,280</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Cash from Asset Sale	3,416
Acquisition of Capital Assets	(217,555)
Capital Grants Received	178,735
Debt Proceeds	460,000
Principal and Interest Payments	<u>(513,826)</u>
Net Cash (Used for) Capital and Other Related Financing Activities	<u>(89,230)</u>
<u>Cash Flows from Investing Activities</u>	
Interest and Investment Income Received	6,535
Investment Purchases	<u>(1,502)</u>
Net Cash Provided from Investing Activities	<u>5,033</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(73,917)
Cash and Cash Equivalents, Beginning	<u>4,000,424</u>
Cash and Cash Equivalents, Ending	<u>\$ 3,926,507</u>
<u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u>	
Net Operating Income (Loss)	\$ (838,602)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by Operating Activities:	
Depreciation	872,265
(Increase) Decrease in:	
Accounts Receivable - HUD	(19,832)
Accounts Receivable - Other	(27,851)
Prepaid Expenses	4,381
Inventory	50,234
Increase (Decrease) in:	
Accounts Payable	(11,573)
Accrued Compensated Absences	(10,909)
Tenant Security Deposits	2,961
Accrued Wages and Payroll Taxes	25,883
Noncurrent Liabilities	10,736
Unearned Revenue	<u>(47,413)</u>
Net Cash Used by Operating Activities	<u>\$ 10,280</u>

See accompanying notes to the basic financial statements.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1: **REPORTING ENTITY**

Introduction

The Zanesville Metropolitan Housing Authority (the Authority), was established for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives. The United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make grants to assist the local housing authorities in financing the acquisition, construction and/or leasing of housing units and to make annual contributions (subsidies) to the local housing authorities for the purpose of maintaining the low-rent character of the local housing program.

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

As required by GAAP, the basic financial statements of the reporting entity include those of the Authority and any component units. Component units are separate legal entities that: elected officials of a primary government are financially accountable for the entity or the nature and significance of the relationship between the entity and primary government are such that to exclude the entity from the financial reporting entity would render the basic financial statements misleading or incomplete. Based upon the application of these criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the operating entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria. A summary of each program administered by the Authority included in the financial statements is provided to assist the reader in interpreting the basic financial statements. These programs constitute all programs subsidized by HUD and operated by the Authority.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 1: **REPORTING ENTITY** (Continued)

Description of Programs

The following are the various programs which are included in the single enterprise fund:

A. Public Housing Program

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

B. Capital Fund Program

The capital fund program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development housing.

C. Housing Choice Voucher Program

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

D. Shelter Plus Care

The Shelter Plus Care program is designed to link rental assistance to supportive services for hard to serve homeless persons with disabilities.

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

E. Resident Opportunity and Supportive Services

A grant funded by the Department of Housing and Urban Development that is intended to enable public housing residents to obtain self-sufficiency and economic independence and move from welfare to work.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 1: **REPORTING ENTITY** (Continued)

F. State, Local and Other Federal Programs

The Authority administered a contract with Muskingum County Department of Job and Family Services to provide a Youth Employment Service Program to resident youths. Also, the Authority administers a wellness program through a contract with the Muskingum County Board of Health and home maintenance program through a contract with the City of Zanesville.

G. Business Activity

The Business Activity Fund was set-up to separate the HUD funded program from non-HUD activities. This fund is mainly used to account for the rental income received from the daycare facility known as Careytown Day Care Center and the expenses of the maintenance and utilities of the building, and repayment of the construction loan.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

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

Fund Accounting

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

Proprietary Fund Types

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

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Proprietary Fund Types (Continued)

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

Measurement Focus/Basis of Accounting

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

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments such as CDs, regardless of maturity. The Authority places its temporary cash investments with high credit quality financial institutions. Amounts in excess of FDIC insurance limits are fully collateralized.

Inventory

The Authority's inventory is comprised of maintenance materials and supplies. Inventory is valued at cost and the Authority uses the first-in, first-out (FIFO) flow assumption in determining cost.

The consumption method is used to record inventory. Under this method, the acquisition of materials and supplies is recorded initially in inventory accounts and charged as expenditures when used.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Investments

The provisions of the HUD regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending June 30, 2014 totaled \$6,535.

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$500 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Buildings and Improvements	15-40 years
Furniture, Fixtures and Equipment	3-10 years
Vehicles	5 years

Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

Net Position

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

Income Taxes

No provision for income taxes is recorded as the Authority is a non-profit, tax exempt entity under the Internal Revenue Code.

Operating Revenues and Expenses

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

Capital Contributions

This represents contributions made available by HUD with respect to all federally aided projects under an annual contributions contract.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Compensated Absences

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

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

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

The following is a summary of changes in compensated absences for the year ended June 30, 2014:

<u>Description</u>	<u>Balance</u> <u>at 6/30/13</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>at 6/30/14</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absence	\$ 343,308	\$ 202,040	\$ 210,949	\$ 334,399	\$ 132,594

Budgets and Budgetary Accounting

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

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 3: DEPOSIT AND INVESTMENTS

State statutes classify monies held by the Zanesville Metropolitan Housing Authority into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Authority's treasury, in commercial accounts payable or withdrawn on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit, maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

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

Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*", as of June 30, 2010, the Authority was not exposed to custodial risk as discussed below because all of the funds on deposit were covered by federal depository insurance or by collateral held by the Authority's agent. Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits.

At fiscal year end June 30, 2014, the carrying amount of the Authority's deposits totaled \$4,836,344 and its bank balance was \$4,927,293. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*", as of June 30, 2014, \$3,712,119 was exposed to custodial risk as discussed below, while \$1,215,174 was covered by the Federal Depository Insurance Corporation.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 3: **DEPOSIT AND INVESTMENTS** (Continued)

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

Investments

In accordance with the Ohio Revised Code and HUD investment policy, the Authority is permitted to invest in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, obligations of certain political subdivisions of Ohio and the United States government and its agencies, and repurchase agreements with any eligible depository or any eligible dealers. Public depositories must give security for all public funds on deposit. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based.

The Authority is prohibited from investing in any financial instruments, contracts, or obligations whose value of return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse purchase agreements.

Interest Rate Risk - The Authority does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the Authority practice to limit its investments to less than 5 years.

Credit Risk - HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. The Authority depository agreements specifically requires compliance with HUD requirement.

Concentration of Credit Risk - The Authority places no limit on the amount that may be invested with any one issuer. However, it is the Authority's practice to do business with more than one depository.

The Authority had no investments of June 30, 2014.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 3: DEPOSIT AND INVESTMENTS (Continued)

A reconciliation of cash and investments as shown on the Statement of Net Position at June 30, 2014 to the deposits and investments included in this note is as follows:

Cash and Cash Equivalents	\$3,458,776
Cash - Restricted	467,731
Investments - Unrestricted	<u>909,837</u>
Total	<u>\$4,836,344</u>
Carrying Amount of Deposits	\$4,836,344
Carrying Amount of Investments	<u>0</u>
Total	<u>\$4,836,344</u>

NOTE 4: TENANT ACCOUNT RECEIVABLES

As of June 30, 2014, tenant account receivable was \$15,385, with an allowance for doubtful accounts of \$8,700.

NOTE 5: DEFINED BENEFIT PENSION PLAN

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan - A cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Direct Plan - A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
3. The Combined Plan - A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Direct Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377, or by using the OPERS website at www.opers.org.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014 and 2013, member and employer rates were consistent across all three plans. The 2014 and 2013 member contribution rates were 10.0 percent for members and 14.0 percent for employers of covered payroll. The Authority's contribution for the years ended June 30, 2014, 2013, and 2012 amounted to \$237,281, \$240,627, and \$250,063. These costs have been charged to the employee fringe benefit account. One hundred percent has been contributed for 2014. All required contributions for the two previous years have been paid.

NOTE 6: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description**

The Public Employees Retirement System of Ohio (OPERS) administers three separate pension plans: The Traditional Pension Plan - a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 6: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description** (Continued)

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, by calling 614-222-5601 or 1-800-222-7377, or by using the OPERS website of www.opers.org.

B. **Funding Policy**

The Ohio Revised Code provides the statutory authority requiring public employer to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year 2014, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0 percent during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to health care was increased to 2.0 percent, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended June 30, 2014, 2013 and 2012, which were used to fund post-employment benefits, were \$25,423, \$43,298, and \$98,745, respectively.

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

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 7: CAPITAL ASSETS

The following is a summary of changes in capital assets:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<u>Capital Assets Not Depreciated</u>				
Land	\$ 1,160,622	\$ 0	\$ 0	\$ 1,160,622
Total Capital Assets Not Depreciated	<u>1,160,622</u>	<u>0</u>	<u>0</u>	<u>1,160,622</u>
<u>Capital Assets Being Depreciated</u>				
Buildings and Building Improvements	33,964,903	178,736	0	34,43,639
Furniture, Equipment, and Machinery	<u>1,450,099</u>	<u>38,819</u>	<u>(19,219)</u>	<u>1,469,699</u>
Total Capital Assets Being Depreciated	<u>35,415,002</u>	<u>217,555</u>	<u>(19,219)</u>	<u>35,613,338</u>
<u>Accumulated Depreciation</u>				
Buildings and Improvements	(24,149,929)	(833,568)	0	(24,983,497)
Furniture and Equipment	<u>(1,316,987)</u>	<u>(38,697)</u>	<u>18,587</u>	<u>(1,337,097)</u>
Total Accumulated Depreciation	<u>(25,466,916)</u>	<u>(872,265)</u>	<u>18,587</u>	<u>(26,320,594)</u>
Depreciable Assets, Net	<u>9,948,086</u>	<u>(654,710)</u>	<u>(632)</u>	<u>9,292,744</u>
Total Capital Assets, Net	<u>\$ 11,108,708</u>	<u>\$ (654,710)</u>	<u>\$ (632)</u>	<u>\$ 10,453,366</u>

NOTE 8: LONG-TERM DEBT

Loan Payable - Century National Bank

The Authority has an outstanding note payable with Century National Bank of \$456,283, as of June 30, 2014. The original note was for \$843,000 dated June 1, 2002, to be used for construction of a daycare facility known as Careytown Day Care Center. The note contains an interest rate of 4 percent fixed rate for five years with a variable rate thereafter. The loan is amortized over a 20 year period.

	Balance at 6/30/2013	Issued	Retired	Balance at 6/30/2014	Due Within One Year
<u>Long-Term Debt</u>					
Loan Payable	\$ 479,123	\$ 460,000	\$ 482,840	\$ 456,283	\$ 15,751
Total Long-Term Debt Obligation	<u>\$ 479,123</u>	<u>\$ 460,000</u>	<u>\$ 482,840</u>	<u>\$ 456,283</u>	<u>\$ 15,751</u>

Year Ended June 30	Principal	Interest	Total
2015	\$ 15,751	\$ 17,873	\$ 33,624
2016	15,990	17,634	33,624
2017	16,699	16,925	33,624
2018	17,389	16,235	33,624
2019	18,108	15,516	33,624
2020-2024	102,320	65,799	168,119
2025-2029	125,336	42,783	168,119
2030-2039	144,690	15,024	159,714
Totals	<u>\$ 456,283</u>	<u>\$ 207,789</u>	<u>\$ 664,072</u>

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 9: ECONOMIC DEPENDANCY

Both the PHA Low Rent Public Housing Program and the Voucher Program are economically dependent on annual contributions and grants from HUD. Both programs operate at a loss prior to receiving the contributions and grants.

NOTE 10: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year ending June 30, 2014, the Authority maintained comprehensive insurance coverage with private carriers for health, real estate property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

NOTE 11: SCHEDULE OF EXPENDITURE OF FEDERAL AWARD

The accompanying Schedule of Expenditures of Federal Award is a summary of the activity of the Authority's federal programs. This Schedule has been prepared on the accrual basis of accounting.

NOTE 12: SUBSEQUENT EVENTS

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through December 30, 2014, the date on which the financial statements were available to be issued.

NOTE 13: GASB STATEMENT IMPLEMENTATION

For 2014, the Authority implemented GASB Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*, GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(CONTINUED)

NOTE 13: **GASB STATEMENT IMPLEMENTATION** (Continued)

The objective of GASB Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*, is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012, and the implementation of this Statement did not result in any change in the Authority's financial statements.

The objective of GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, is to improve financial reporting by state and local governmental pension plans. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013, and did not result in any change in the Authority's financial statements.

The objective of GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantee*, is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013, and did not result in any change in the Authority's financial statements.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
JUNE 30, 2014**

	Project Total	17,259 WIA Youth Activities	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,238 Shelter Plus Care	State/ Local	Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	1,929,488			317,634			401,669	809,985	3,458,776		3,458,776
113 Cash - Other Restricted	4,065			213,464					217,529		217,529
114 Cash - Tenant Security Deposits	250,202						401,669	809,985	250,202		250,202
100 Total Cash	2,183,755	-	-	531,098	-	-	401,669	809,985	3,926,507	-	3,926,507
122 Accounts Receivable - HUD Other Projects	28,095		20,158		40,927			294	89,474		89,474
124 Accounts Receivable - Other Government		17,584							17,584		17,584
125 Accounts Receivable - Miscellaneous							68,934		68,934		68,934
126 Accounts Receivable - Tenants	15,385								15,385		15,385
126.1 Allowance for Doubtful Accounts - Tenants	-8,700								-8,700		-8,700
128 Fraud Recovery				18,889					18,889		18,889
128.1 Allowance for Doubtful Accounts - Fraud				-13,223					-13,223		-13,223
120 Total Receivables, Net of Allowances for Doubtful Accounts	34,780	17,584	20,158	5,666	40,927	-	68,934	294	188,343	-	188,343
131 Investments - Unrestricted	909,837								909,837		909,837
142 Prepaid Expenses and Other Assets	44,197	3,077						70,314	117,588		117,588
143 Inventories								196,888	196,888		196,888
143.1 Allowance for Obsolete Inventories								-20,000	-20,000		-20,000
144 Inter Program Due From				40,927				49,135	90,062	-90,062	-
150 Total Current Assets	3,172,569	17,584	20,158	580,768	40,927	-	470,603	1,106,616	5,409,225	-90,062	5,319,163
161 Land	1,140,622							20,000	1,160,622		1,160,622
162 Buildings	27,637,178							1,033,508	28,670,686		28,670,686
163 Furniture, Equipment & Machinery - Dwellings	440,667						26,601	206,905	674,173		674,173
164 Furniture, Equipment & Machinery - Administration	92,942			30,166				672,418	795,526		795,526
165 Leasehold Improvements	5,460,503							12,450	5,472,953		5,472,953
166 Accumulated Depreciation	-24,967,545			-30,166			-26,601	-1,296,282	-26,320,594		-26,320,594
160 Total Capital Assets, Net of Accumulated Depreciation	9,804,367	-	-	-	-	-	-	648,999	10,453,366	-	10,453,366
180 Total Non-Current Assets	9,804,367							648,999	10,453,366		10,453,366
190 Total Assets	12,976,936	17,584	20,158	580,768	40,927		470,603	1,755,615	15,862,591	-90,062	15,772,529
200 Deferred Outflow of Resources											
290 Total Assets and Deferred Outflow of Resources	12,976,936	17,584	20,158	580,768	40,927	-	470,603	1,755,615	15,862,591	-90,062	15,772,529

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
JUNE 30, 2014**

	Project Total	17,259 WIA Youth Activities	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,238 Shelter Plus Care	State/ Local	Business Activities	COC	Subtotal	ELM	Total
312 Accounts Payable <= 90 Days	10,751	158	203	218			41	1,391	12,762		12,762
321 Accrued Wage/Payroll Taxes Payable	15,508	1,595	5,259	10,061				40,672	73,095		73,095
322 Accrued Compensated Absences - Current Portion	26,786			25,630				80,178	132,594		132,594
341 Tenant Security Deposits	250,202								250,202		250,202
342 Defensed Revenues	6,122							-	6,122		6,122
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	15,751								15,751		15,751
345 Other Current Liabilities				500					500		500
346 Accrued Liabilities - Other	45,476							800	46,276		46,276
347 Inter Program - Due To	18,608	15,831	14,696		40,927				90,062	-90,062	
310 Total Current Liabilities	389,204	17,584	20,158	36,409	40,927	-	41	123,041	627,364	-90,062	537,302
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	440,532								440,532		440,532
353 Non-current Liabilities - Other	4,065			79,275					83,340		83,340
354 Accrued Compensated Absences - Non Current	37,407			49,733				114,665	201,805		201,805
350 Total Non-Current Liabilities	482,004	-	-	129,008	-	-	-	114,665	725,677	-	725,677
300 Total Liabilities	871,208	17,584	20,158	165,417	40,927	-	41	237,706	1,353,041	-90,062	1,262,979
400 Defensed Inflow of Resources									-		-
508.4 Net Investment in Capital Assets	9,348,084							648,999	9,997,083		9,997,083
511.4 Restricted Net Position				134,189					134,189		134,189
512.4 Unrestricted Net Position	2,757,644	-	-	281,162	-	-	470,562	868,910	4,378,278		4,378,278
513 Total Equity - Net Assets / Position	12,105,728	-	-	415,351	-	-	470,562	1,517,909	14,509,550	-	14,509,550
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	12,976,936	17,584	20,158	580,768	40,927	-	470,603	1,755,615	15,862,591	-90,062	15,772,529

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Project Total	17,259 WIA Youth Activities	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	14,238 Shelter Plus Care	State/Local	Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	1,548,625								1,548,625		1,548,625
70500 Total Tenant Revenue	1,548,625								1,548,625		1,548,625
70600 HUD PHA Operating Grants	2,080,953		134,879	3,724,160	40,927				5,980,919		5,980,919
70610 Capital Grants	178,735							633,697	178,735	-633,697	178,735
70710 Management Fee								134,505	633,697	-633,697	-
70730 Book-Keeping Fee								986,889	134,505	-134,505	-
70740 Front Line Service Fee								1,755,091	986,889	-986,889	-
70700 Total Fee Revenue	-	-	-	-	-	-	-	1,755,091	1,755,091	-1,755,091	-
70800 Other Government Grants		106,018							106,018		106,018
71100 Investment Income - Unrestricted	2,951			1,039		2,645			6,535		6,535
71400 Fraud Recovery				13,098					13,098		13,098
71500 Other Revenue	80,834			19,801			55,822	76,000	232,457		232,457
71600 Gain or Loss on Sale of Capital Assets								2,784	2,784		2,784
70000 Total Revenue	3,891,998	106,018	134,879	3,758,098	40,927	2,645	55,822	1,833,875	9,824,262	-1,755,091	8,069,171
91100 Administrative Salaries	363,524	52,927	91,799	92,513	2,000			317,376	920,139		920,139
91200 Auditing Fees	6,344			13,227					19,571		19,571
91300 Management Fee	514,561			119,136					633,697	-633,697	-
91310 Book-keeping Fee	60,045			74,460					134,505	-134,505	-
91500 Employee Benefit contributions - Administrative	217,599	27,132	40,464	61,709	987			206,468	554,359		554,359
91600 Office Expenses	50,613	22,310		46,805				5,966	125,694		125,694
91700 Legal Expense	15,373							142	15,515		15,515
91800 Travel	3,268			2,468				17,862	23,598		23,598
91900 Other	14,003			12,016				13,002	71,675		71,675
91000 Total Operating - Administrative	1,245,330	102,369	132,263	422,334	2,987	-	32,654	560,816	2,498,753	-768,202	1,730,551
92100 Tenant Services - Salaries				114,311					114,311		114,311
92300 Employee Benefit Contributions - Tenant Services				60,326					60,326		60,326
92400 Tenant Services - Other	16,484					2,645			19,129		19,129
92500 Total Tenant Services	16,484	-	-	174,837	-	2,645	-	-	193,966	-	193,966

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
 SUPPLEMENTAL FINANCIAL DATA SCHEDULE
 ENTITY WIDE REVENUE AND EXPENSE SUMMARY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Project Total	17 259 WIA Youth Activities	14 870 Resident Opportunity and Supportive Services	14 871 Housing Choice Vouchers	14 238 Shelter Plus Care	State/Local	Business Activities	OCCC	Subtotal	ELIM	Total
93100 Water	67,334			546				513	68,393		68,393
93200 Electricity	285,299			1,463				9,476	296,238		296,238
93300 Gas	191,311			290				8,949	200,550		200,550
93600 Sewer	227,333			1,890				1,588	230,811		230,811
93800 Other Utilities Expense				3,974					3,974		3,974
93000 Total Utilities	771,277	-	-	8,163	-	-	-	20,526	799,966	-	799,966
94100 Ordinary Maintenance and Operations - Labor											
94200 Ordinary Maintenance and Operations - Materials and Other	243,083							547,404	547,404		547,404
94300 Ordinary Maintenance and Operations Contracts	1,142,035							60,490	303,573		303,573
94500 Employee Benefit Contributions - Ordinary Maintenance								10,326	1,152,361	-986,889	165,472
94000 Total Maintenance	1,385,118	-	-	-	-	-	-	990,389	2,375,307	-986,889	1,388,618
96110 Property Insurance	74,723							3,088	77,761		77,761
96120 Liability Insurance	32,411			6,235					38,646		38,646
96130 Workmen's Compensation	3,801			2,956				12,248	19,005		19,005
96140 All Other Insurance	24,833			2,031			350	2,368	29,582		29,582
96100 Total Insurance Premiums	135,768	-	-	11,222	-	-	350	17,654	164,994	-	164,994
96200 Other General Expenses	4,017			3,649				1,514	9,180		9,180
96210 Compensated Absences	35,915	3,649		27,882				116,225	183,671		183,671
96300 Payments in Lieu of Taxes			2,616						2,616		2,616
96400 Bad debt - Tenant Rents	16,940			4,100					16,940		16,940
96600 Bad debt - Other									4,100		4,100
96000 Total Other General Expenses	56,872	3,649	2,616	35,631	-	-	-	117,739	216,507	-	216,507
96710 Interest of Mortgage (or Bonds) Payable	30,986								30,986		30,986
96700 Total Interest Expense and Amortization Cost	30,986	-	-	-	-	-	-	-	30,986	-	30,986
96900 Total Operating Expenses	3,641,835	106,018	134,879	652,187	2,987	2,645	33,004	1,707,124	6,280,679	-1,755,091	4,525,588

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
 SUPPLEMENTAL FINANCIAL DATA SCHEDULE
 ENTITY WIDE REVENUE AND EXPENSE SUMMARY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Project Total	17259 WIA Youth Activities	14870 Resident Opportunity and Supportive Services	14871 Housing Choice Vouchers	14238 Shelter Plus Care	State/Local	Business Activities	COCC	Subtotal	ELIM	Total
97000 Excess of Operating Revenue over Operating Expenses	250,163	-	-	3,105,911	37,940	-	22,818	126,751	3,543,583	-	3,543,583
97300 Housing Assistance Payments				3,314,912	37,940				3,352,852		3,352,852
97400 Depreciation Expense	826,811			1,382			3,046	41,026	872,265		872,265
90000 Total Expenses	4,468,646	106,018	134,879	3,968,481	40,927	2,645	36,050	1,748,150	10,505,796	-1,755,091	8,750,705
10010 Operating Transfer In	168,798								168,798	-168,798	-
10020 Operating transfer Out	-168,798								-168,798	168,798	-
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-576,648	-	-	-210,383	-	-	19,772	85,725	-681,534	-	-681,534
11020 Required Annual Debt Principal Payments	15,751								15,751		15,751
11030 Beginning Equity	12,682,376			625,734			450,790	1,432,184	15,191,084		15,191,084
11170 Administrative Fee Equity				281,162					281,162		281,162
11180 Housing Assistance Payments Equity				134,189					134,189		134,189
11190 Unit Months Available	8,088			11,268	1,152				20,508		20,508
11210 Number of Unit Months Leased	8,006			9,931	1,152				19,089		19,089

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Funds Expended
<u>U.S. Department of Housing and Urban Development</u>		
<u>Direct Programs</u>		
Public and Indian Housing Operating Subsidy	14.850	\$ 1,636,998
Resident Opportunity and Support Services	14.870	134,879
Shelter Plus Care	14.238	40,927
Capital Fund Program	14.872	622,690
Housing Choice Voucher	14.871	<u>3,724,160</u>
Total U.S. Department of Housing and Urban Development		<u>6,159,654</u>
TOTAL ALL PROGRAMS		<u>\$ 6,159,654</u>

This schedule is prepared on the accrual basis of accounting.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
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Garfield Hts., Ohio 44125

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

Board of Directors
Zanesville Metropolitan Housing Authority
Zanesville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Zanesville Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated January 16, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

James G. Zupka,
CPA, President

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2015.01.28 14:07:06 -05'00'

James G. Zupka, CPA, Inc.
Certified Public Accountants

January 16, 2015

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

Board of Directors
Zanesville Metropolitan Housing Authority
Zanesville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Zanesville Metropolitan Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2014. The Authority's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Zanesville Metropolitan Housing Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.


Report on Internal Control Over Compliance

Management of the Zanesville Metropolitan Housing Authority, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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 material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James G. Zupka,  Digitally signed by James G. Zupka, CPA, President
CPA, President
James G. Zupka, CPA, Inc.
Certified Public Accountants

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Date: 2015.01.28 14:07:34 -0500

January 16, 2015

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR’S RESULTS

2014(i)	Type of Financial Statement Opinion	Unmodified
2014(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2014(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2014(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2014(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2014(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2014(v)	Type of Major Programs’ Compliance Opinion	Unmodified
2014(vi)	Are there any reportable findings under .510(a)?	No
2014(vii)	Major Programs (list): Housing Choice Vouchers - CFDA# 14.871	
2014(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: > all others
2014(ix)	Low Risk Auditee?	Yes

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.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The audit report for the fiscal year ending June 30, 2013 contained no audit findings.

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Dave Yost • Auditor of State

ZANESVILLE METROPOLITAN HOUSING AUTHORITY

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 12, 2015**