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**HOCKING METROPOLITAN HOUSING AUTHORITY
HOCKING COUNTY
Single Audit
For the Year Ended December 31, 2015**

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...“bringing more to the table”

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Board of Commissioners
Hocking Metropolitan Housing Authority
33601 Pine Ridge Drive
Logan, Ohio 43138

We have reviewed the *Independent Auditor's Report* of the Hocking Metropolitan Housing Authority, Hocking County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2015 through December 31, 2015. 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 Hocking 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

October 3, 2016

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HOCKING METROPOLITAN HOUSING AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

July 31, 2016

Hocking Metropolitan Housing Authority
Hocking County
33601 Pine Ridge Drive
Logan, Ohio 43138

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Hocking Metropolitan Housing Authority**, Hocking County, Ohio (the Authority), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hocking Metropolitan Housing Authority, Hocking County as of December 31, 2015, and the changes in its financial position and its 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 2 to the financial statements, during the year ended December 31, 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

The actual modernization cost certificate presented on page 39 and the supplemental financial data schedule presented on pages 40 through 43 is presented for additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2016, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**HOCKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015
(UNAUDITED)**

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

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

FINANCIAL HIGHLIGHTS

- Net position was \$4,113,016 and \$4,113,082 (restated) for 2015 and 2014, respectively. The Authority-wide statements reflect a decrease in total net position of \$66 (or 0.0%), during 2015. This decrease is reflective of the year’s activities.
- The revenues increased by \$116,744, (or 3.9%) during 2015, and were \$3,111,570 and \$2,994,826 for 2015 and 2014, respectively.
- The total expenses of all Authority programs increased by \$30,596 (or 0.9%) during 2015. Total expenses were \$3,111,636 and \$3,081,040 for 2015 and 2014, respectively.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

MD&A ~ Management Discussion and Analysis ~
Basic Financial Statements ~ Statement of Net Position ~ ~ Statement of Revenues, Expenses and Changes in Net Position ~ ~ Statement of Cash Flows ~ ~ Notes to the Financial Statements ~

Authority-Wide Financial Statements

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

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

**HOCKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015
(UNAUDITED)**

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

Net 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 those assets.

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

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

The basic financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (similar to an Income Statement). This statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, 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.

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

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

The Department of Housing and Urban Development requires the programs be maintained by the Authority.

The Authority's Programs

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

The Authority is a partner in a mixed income public housing project. 15 units of the 72 unit apartment project are subject to the public housing program rules. Project receives no operating subsidy, but does receive maintenance and operating funding through the Capital Grant Program.

The Authority entered into and financed a \$1.4 million dollar Energy Performance Contract. The project will provide energy retrofits to all of the public housing units. The financing closed in October of 2013, and substantial completion was obtained in 2014. The resulting savings in energy costs are being used to pay the financing costs.

HOCKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015
(UNAUDITED)

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on size and age of your units.

The Authority has an approved CFFP program which provided Capital Grant funding to the mixed finance Public Housing Project. CFFP will provide payment of debt service for a maximum period of 20 years.

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

Shelter Plus Care Program – Hocking Metropolitan Housing Authority was awarded a Shelter Plus Care Grant in June of 2006. The Shelter Plus Care Program provides rental assistance to disabled individuals that have been identified as homeless. HMHA provides housing services in cooperation with other community service agencies that provide case management services. HUD changed the format of this program to a one-year annual contract. In December of 2015, HMHA was given preliminary authority to expand the program to serve an 8 county area including Pike, Perry, Athens, Hocking, Vinton, Gallia, Meigs, and Jackson counties. The first expanded rental assistance was issued in Pike County for a homeless former service member in January, 2016.

Other Business (HMHA Rentals) – Hocking Metropolitan Housing Authority operates several other business activities not related to the major federal housing programs. At present the Authority owns 29 open market apartments. Five of these units have preferences for individuals with mental health issues. These units were purchased and rehabilitated with matching funds from ODMA and a tax-exempt mortgage. Some of the units are rented to voucher holders. The Authority also provides lead inspection and clearance services to other PHA's and non-profit organizations. The Authority also performs property management and maintenance services to other community agencies servicing special needs populations. Properties developed under this program are developed to be available to low and moderate-income families. The rent does not exceed 30% of income for families at 50% of median income for Hocking County.

The Authority retained a receivable from Hocking Housing Management, Inc. This was for funding advanced for the American Dream program operating by HHM. Hocking Metropolitan Housing is accruing interest on this account. As the contractor that owed the original note to Hocking Housing Management has successfully filed for bankruptcy, it has become doubtful that HHM will be able to repay this debt. HMHA began to write off this debt as uncollectible in 2010 and the remainder was written off in 2013.

Hocking County Development Disabilities Board - The Authority entered into contract to serve as the Hocking County Disability Housing Provider. This project included the maintenance and property management of the six homes in Hocking County that serve as housing for Developmentally Disabled Adults. The project includes all aspects of housing management and maintenance. It is funded from rent collection and subsidy received from the Hocking Development Disabilities Board. HMHA first entered into a maintenance services contract starting in January of 2013, and this was converted to a full property management contract in July 2013. The six properties in the project are owned by Vinton Count Metropolitan Housing Authority.

**HOCKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015
(UNAUDITED)**

Fairfield County Development Disability Board – The Authority entered into a contract to serve as the Fairfield County Development Disability Board's housing provider in April of 2013 and completed the transfer of responsibilities in November of 2013. As part of this transition, the Authority purchased 10 homes from Fairfield Affordable housing as part of a 17 property acquisition for \$738,000. The Authority began billing and receiving payments under this contract in December of 2013. The annual revenue for this contract is estimated at \$130,000 per year.

Our House – Recovery House – Hocking MHA, in partnership with Hopewell Behavioral Health Services, and the Athens, Hocking, Perry 317 Board, was awarded \$262,000 from the Ohio Department Mental Health and Addiction Services and the 317 Board to purchase and rehabilitate a home to create a men's recovery house in Logan, Ohio. HMHA purchased 155 Market Street in April of 2016, rehab work was completed and Our House opened June 1, 2016 with its resident manager in place. Hocking MHA owns the building and is responsible for leasing and property management while Hopewell Behavioral Health is responsible for the day-to-day program operations and oversight.

During 2015, the Authority adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

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

HOCKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015
(UNAUDITED)

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

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

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

As a result of implementing GASB 68, the Authority is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$4,460,682 to \$4,113,082.

**HOCKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015
(UNAUDITED)**

AUTHORITY-WIDE STATEMENT

Statement of Net Position

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

STATEMENT OF NET POSITION

	2015	Restated 2014
Current Assets and Other	\$ 464,797	\$ 707,548
Capital Assets, Net	5,840,975	5,796,508
Notes, Loans & Mortgages Receivable - Non-Current	1,843,313	1,778,913
Deferred Outflow of Resources	18,547	-
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	8,167,632	8,282,969
Current Liabilities	612,675	531,512
Non-Current Liabilities	3,435,924	3,638,375
Deferred Inflow of Resources	6,017	-
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	4,054,616	4,169,887
Net Position:		
Net Investment in Capital Assets	3,382,440	3,345,765
Restricted	13,628	1,084
Unrestricted	716,948	766,233
TOTAL NET POSITION	\$ 4,113,016	\$ 4,113,082

Major Factors Affecting the Statement of Net Position

The change in the Capital Assets, Net is detailed later in the MDA discussion and the additions and depreciation expense are the factors that represent the change during the fiscal year. Deferred outflow and inflow of \$18,547 and \$6,017 were not present in the prior fiscal year total based on GASB 68 being implemented for the fiscal year 2015 financial statements. The non-current liabilities include the new pension liability, but the prior fiscal year was restated so the fiscal year figures are comparable.

Significant events that effected the net position included the sale of 50 Vine Street at a loss, the expenses associated with the purchase and rehabilitation of 55 Market Street, and the need to carry six months of Shelter Plus Care rental assistance expenses prior to receiving funding from HUD.

**HOCKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015
(UNAUDITED)**

CHANGE OF NET POSITION

Table 2 presents details on the change in Net Position:

	Unrestricted	Restricted	Net Investment in Capital Assets
Beginning Balance - January 1, 2015 - Restated	\$ 766,233	\$ 1,084	\$ 3,345,765
Results of Operation	(66)	-	-
Adjustments:			
Current year depreciation expense	311,821	-	(311,821)
Capital expenditures and CIP	(354,513)	-	354,513
Deferred inflow of resources	6,017	-	(6,017)
Transfer to restricted HAP	(12,544)	12,544	-
Ending Balance - December 31, 2015	\$ 716,948	\$ 13,628	\$ 3,382,440

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

HOCKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015
(UNAUDITED)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

	<u>2015</u>	<u>2014</u>
Revenues		
Tenant revenue - rents and other	\$ 745,180	\$ 715,983
Operating subsidies and grants	1,961,054	1,988,364
Capital grants	-	23,352
Investment income/other revenues	405,336	267,127
TOTAL REVENUE	<u>3,111,570</u>	<u>2,994,826</u>
Expenses		
Administration	536,307	544,065
Tenant services	1,084	2,029
Utilities	201,726	211,430
Maintenance	554,909	479,443
General/PILOT/Insurance	123,465	124,060
Housing assistance payment	1,253,870	1,323,601
Depreciation	311,821	278,732
Interest expense/loss on sale	128,454	117,680
TOTAL EXPENSES	<u>3,111,636</u>	<u>3,081,040</u>
CHANGES IN NET POSITION	(66)	(86,214)
NET POSITION - BEGINNING OF YEAR - RESTATED*	<u>4,113,082</u>	<u>N/A</u>
NET POSITION - END OF YEAR	<u>\$ 4,113,016</u>	<u>\$ 4,113,082</u>

* See Note 2

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

During 2015, delays in the issuing of contracts from HUD to HMHA for the costs of providing rental subsidies in the Shelter Plus Care program required HMHA to use other resources to pay landlords. These funds were received in January of 2016, six months after the start of the program. Additionally, HMHA sold a property for a loss, and also purchased a property for which debt was taken on and reimbursement for costs covered by a grant have not been received. Finally, HMHA incurred unreimbursed pre-development costs relating to applying for Low Income Housing Tax Credits. The project was not funded. However, these costs may be partially recouped if the project is funded in 2016.

**HOCKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015
(UNAUDITED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had \$5,840,975 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation) of \$44,467, from the end of last year.

CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

The following reconciliation summarizes the change in capital assets:

	<u>2015</u>	<u>2014</u>
Land and land rights	\$ 1,193,148	\$ 1,157,304
Buildings	11,503,561	11,251,548
Equipment	217,173	166,079
Leasehold improvements	1,469,351	1,469,351
Construction in progress	32,460	16,896
Accumulated depreciation	(8,574,719)	(8,264,670)
TOTAL	<u><u>\$ 5,840,974</u></u>	<u><u>\$ 5,796,508</u></u>

Debt Administration

The following is the debt activity during 2015:

Beginning balance - January 1, 2015	\$ 3,413,131
Current year loan additions	150,000
Current year loan retirements	<u>(179,954)</u>
Ending balance - December 31, 2015	<u><u>\$ 3,383,177</u></u>

**HOCKING METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2015
(UNAUDITED)**

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, 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

IN CONCLUSION

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

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Nathan Blatchley, Executive Director of the Hocking Metropolitan Housing Authority at (740) 385-3883.

HOCKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2015

ASSETS

Current assets

Cash and cash equivalents	\$	133,341
Cash and cash equivalents - restricted		46,756
Investments		50,871
Receivables, net		173,391
Inventories, net		15,797
Prepaid expenses and other assets		44,641
TOTAL CURRENT ASSETS		<u>464,797</u>

Noncurrent assets

Capital assets:		
Land and construction in progress		1,225,608
Building and equipment - net of accumulated depreciation		4,615,366
Other noncurrent assets		1,843,314
TOTAL NONCURRENT ASSETS		<u>7,684,288</u>

Deferred outflow of resources		<u>18,547</u>
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TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$	<u>8,167,632</u>
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LIABILITIES

Current liabilities

Accounts payable	\$	67,475
Accrued liabilities		48,776
Accrued compensated absences		20,246
Intergovernmental payables		56,938
Tenant security deposits		47,355
Unearned revenue		62,075
Bonds, notes, and loans payable		309,810
TOTAL CURRENT LIABILITIES		<u>612,675</u>

Noncurrent liabilities

Bonds, notes and loans payable		3,073,367
Accrued compensated absences non-current		7,142
Net Pension Liability		355,415
TOTAL NONCURRENT LIABILITIES		<u>3,435,924</u>

Deferred inflow of resources		<u>6,017</u>
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TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES		<u>4,054,616</u>
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NET POSITION

Net Investment in capital assets		3,382,440
Restricted net position		13,628
Unrestricted net position		716,948
TOTAL NET POSITION	\$	<u><u>4,113,016</u></u>

See accompanying notes to the financial statements.

HOCKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

OPERATING REVENUES

Tenant revenue	\$ 745,180
Government operating grants	1,961,054
Other revenue	338,774
TOTAL OPERATING REVENUES	3,045,008

OPERATING EXPENSES

Administrative	536,307
Tenant services	1,084
Utilities	201,726
Maintenance	554,909
Insurance	42,869
General	80,596
Housing assistance payment	1,253,870
Depreciation	311,821
TOTAL OPERATING EXPENSES	2,983,182

OPERATING INCOME/(LOSS) 61,826

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	66,562
Gain (loss) on sale of capital assets	(5,671)
Interest expense	(122,783)
TOTAL NON-OPERATING REVENUE (EXPENSE)	(61,892)

CHANGE IN NET POSITION (66)

TOTAL NET POSITION - BEGINNING (RESTATED - SEE NOTE 2) 4,113,082

TOTAL NET POSITION - ENDING \$ 4,113,016

See accompanying notes to the financial statements.

**HOCKING METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating grants received	\$ 1,961,054
Tenant revenue received	724,997
Other revenue received	223,782
General and administrative expenses paid	(1,385,246)
Housing assistance payments	<u>(1,253,870)</u>
Net cash provided by operating activities	<u>270,717</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned received	<u>2,162</u>
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES	
Property and equipment purchased	(394,553)
Proceeds from sale of house	31,727
Principal proceeds	150,000
Principal payment on debt	(179,954)
Interest payment	<u>(129,818)</u>
NET CASH (USED) BY CAPITAL AND RELATED ACTIVITIES	<u>(522,598)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(249,719)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>429,816</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 180,097</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net operating income	\$ 61,826
Adjustment to reconcile operating income to net cash used by operating activities	
- Depreciation	311,821
- Loss on sale of assets	5,671
(Increases) decreases in:	
- Accounts receivables, net of allowance	(20,183)
- Inventory, net of allowance	4,437
- Prepaid assets	8,778
- Deferred outflow of resources	(18,547)
Increases (decreases) in:	
- Accounts payable	19,864
- Accrued liabilities	10,268
- Intergovernmental payable	4,966
- Tenant security deposits	(1,210)
- Accrued compensated absence payable	3,153
- Deferred revenue	(114,992)
- Accrued pension and OPEB liabilities	7,815
- Noncurrent liabilities other (FSS escrow payable)	(18,967)
- Deferred inflow of resources	<u>6,017</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 270,717</u></u>

See accompanying notes to the financial statements.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

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

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

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

Basis of Presentation

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

The Authority uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Measurement Focus

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

Fund Accounting

The Authority uses the enterprise fund to report on its financial position and results of its operations for the HUD programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The enterprise fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise Fund

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

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

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

Projects (PH & CF) – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for the Authority's physical and management improvement. Funds are allocated by a formula allocation and based on size and age of the Authority's units.

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

Business Activities (OBA) – Hocking Metropolitan Housing Authority operates several other business activities not related to the major federal housing programs. At present the Authority owns 15 open market apartments. Some of the units are rented to voucher holders. The Authority also provides lead inspection and clearance services to other PHA's and non-profit organizations. The Authority also performs property management services to other community agencies servicing special needs populations. Properties developed under this program are developed to be available to low and

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

moderate-income families. The rent does not exceed 30% of income for families at 50% of median income for Hocking County. The Authority homeownership and home development for sale is also included in this activity.

Shelter Plus Care Program

Hocking Metropolitan Housing Authority was awarded a Shelter Plus Care Grant in June of 2006. The Shelter Plus Care Program provides rental assistance to disabled individuals that have been identified as homeless. The Authority provides housing services in cooperation with other community service agencies that provide case management services.

State/Local (Ohio Housing Finance Agency)

The Authority was awarded a grant from the Ohio Housing Finance Agency to provide homeownership counseling and down payment assistance using Individual Development Accounts. Initial grant is for 3-year period in the amount of \$85,000. The Authority has assisted several households with this program. The Authority has billed OHFA for administrative services for managing the homeownership cases. The Authority has a small amount of funds on hand held in a segregated account at Century Bank for this program. Due to the changing real estate market and changes of staff, the Authority does not expect to full utilize the total grant funds available.

Youth Build

The Authority partnered with Sojourners Care Network of Vinton County to operate a Youth Build program. The purpose of the program is to assist high school drop-outs between the ages of 16 and 26 complete their GED and learn construction trades. Sojourners Care Network was responsible for all training aspects of the project. They received their funding from HUD. The Authority was responsible for obtaining the land, providing all of the construction materials and marketing the home upon its completion. The Authority obtained a 2-year interest only construction loan from Chase Bank. Construction began on the home in June of 2011. The home was completed in September of 2012.

Other (Help Me Grow)

The Authority has sought other resources in order to provide social services to their residents. The Authority has assumed administrative responsibility for the Help Me Grow program. Help Me Grow is a State of Ohio program targeted to coordinate services for families with at risk children under the age of 3. Program is funded from TANF, Medicaid Part C and State of Ohio General Revenue Funds. This program is to be the springboard for the development of a complete social service program for all of the Authority's clients.

Accounting and Reporting for Non-exchange Transactions

Non-exchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of non-exchange transactions as follows:

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

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

PHA grants and subsidies will be defined as government-mandated or voluntary non-exchange transactions. GASB 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

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

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

Receivables – net of allowance

Total receivable as December 31, 2015 is \$173,391. This amount is net from the allowance of doubtful account of \$27,799. Bad debts are provided on the allowance method based on management's evaluation of the probability of collecting the outstanding tenant receivable balances at the end of the year.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

Property and Equipment

Property and equipment is 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. The capitalization policy amount is \$5,000.

Useful Lives:	Buildings	27.5 – 40 years
	Buildings and Leasehold Improvements	15
	Furniture and Equipment	7
	Autos	5
	Computers	3

Depreciation is recorded on the straight-line method.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2015 totaled \$66,562.

Net Position

Net positions represent the difference between assets and liabilities. Net investments 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 positions are recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

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. Operating expenses are those expenses that are generated from the primary activity of the proprietary fund.

Capital Contributions

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

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 a budget resolution.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Inventories

The Authority's inventory is comprised of maintenance materials and supplies. Inventories are stated at 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 expense when used. The allowance for obsolete inventory was \$1,650 at December 31, 2015.

Compensated Absences

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

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 absence liability:

	Beginning Balance 12/31/14	Earned	Used	Ending Balance 12/31/15	Due in One Year
Compensated absences payable	\$ 26,466	\$ 16,870	\$ (15,948)	\$ 27,388	\$ 20,246

Unearned Revenue

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

Classifications

Some items in the financial statements have been classified differently than the FDS Schedules in the supplementary financial data.

Pensions – Deferred inflow/outflow of Resources

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

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

For fiscal year 2015, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68."

The objective of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, is to improve accounting and financial reporting by state and local governments for pensions. The provisions of this Statement are effective for periods beginning after June 15, 2014, and have been implemented by the Authority.

The objective of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement should be applied simultaneously with the provision of Statement No. 68, and have been implemented by the Authority.

2. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

A net position restatement is required in order to implement GASB Statement No. 68 and 71 as follows:

Net position December 31, 2014	\$	4,460,682
Adjustments:		
Less: Net Pension Liability		(347,600)
Restated Net Position December 31, 2014	\$	4,113,082

There were no employer contributions subsequent to the measurement date, the Authority made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

3. DEPOSITS AND INVESTMENTS

Deposits

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

- A. Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
- B. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit 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.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

3. DEPOSITS AND INVESTMENTS – CONTINUED

- C. 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's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) by eligible securities pledged by the financial institution as security for repayment, but surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The carrying amount of the Authority's deposits was \$230,968, including \$100 petty cash, at December 31, 2015. The corresponding bank balances were \$269,971. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure," as of December 31, 2015, \$269,971 was covered by federal depository insurance, while \$-0- was exposed to custodial risk.

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% 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 banks 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 regulations, 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 or return is based 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.

Credit Risk – HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. The Authority's depository agreement and investment policy specifically requires compliance with HUD requirements.

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.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

3. DEPOSITS AND INVESTMENTS - CONTINUED

The Authority's non-negotiable certificates of deposit are classified as investments on the balance sheet but are considered as deposits for GASB Statement No. 3 purposes. Therefore, the categories described above do not apply.

4. RESTRICTED CASH

Restricted cash balances as of December 31, 2015 of \$46,756 are entirely made up of tenant security deposits.

5. CAPITAL ASSETS

A summary of capital assets at December 31, 2015, is as follows:

	<u>Balance 12/31/14</u>	<u>Additions</u>	<u>Disposals/ Reclassifications</u>	<u>Balance 12/31/15</u>
CAPITAL ASSETS, NOT BEING DEPRECIATED				
Land	\$ 1,157,304	\$ 43,344	\$ (7,500)	\$ 1,193,148
Construction in progress	\$ 16,896	\$ 15,564	\$ -	\$ 32,460
Total	\$ 1,174,200	\$ 58,908	\$ (7,500)	\$ 1,225,608
CAPITAL ASSETS, BEING DEPRECIATED				
Buildings and improvements	11,251,548	284,551	(32,538)	11,503,561
Furniture and equipment	166,079	51,094	-	217,173
Leasehold improvements	1,469,351	-	-	1,469,351
Total	12,886,978	335,645	(32,538)	13,190,085
ACCUMULATED DEPRECIATION				
Buildings and improvements	(6,724,405)	(279,538)	1,775	(7,002,168)
Furniture and equipment	(132,518)	(19,164)	-	(151,682)
Leasehold improvements	(1,407,747)	(13,122)	-	(1,420,869)
Total	(8,264,670)	(311,824)	1,775	(8,574,719)
TOTAL CAPITAL ASSETS, NET	\$ 5,796,508	\$ 82,729	\$ (38,263)	\$ 5,840,974

6. LONG-TERM DEBT

Hocking Metropolitan Housing Authority has several outstanding mortgages as of December 31, 2015. These loans were obtained to purchase property with the Board Funds and also to obtain an interest in the Pine Ridge Development to lease some of the units to public housing tenants.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

6. LONG-TERM DEBT - CONTINUED

	<u>Original Balance</u>	<u>Interest Rate</u>	<u>Life of loan</u>	<u>12/31/2015 Balance</u>
Chase:				
O'Neal Loan	\$ 140,000	3.25%	15 years	\$ 24,174
Pine Ridge Loan	900,000	6.86%	20 years	636,642
Walnut Street Property	121,890	4.60%	20 years	93,297
Mental Health Property	100,000	0.00%	40 years	100,000
Olds McCarthur Property	31,128	7.75%	5 years	25,672
PNC:				
Orchard Street Property	40,000	7.74%	20 years	28,290
4 th Street Property	40,000	7.74%	20 years	28,290
FCN:				
Energy Performance	1,416,383	4.69%	15 years	1,322,888
Vinton County Bank:				
Youthbuild, HMHA Rentals	728,000	2.75%	20 years	637,928
Our House, Market Street	150,000	0.00%	1 year	150,000
Hocking Valley Bank:				
3rd Street Property	60000	5.00%	1 year	47,996
Pine Ridge	\$ 288,000	0.00%	15 years	288,000
Total Outstanding Mortgages:				<u>3,383,177</u>
Less: Current Portion				<u>309,810</u>
Total Non-Current Mortgage Payable				<u><u>\$ 3,073,367</u></u>

The following is a summary of changes in long-term debt for the year ended December 31, 2015:

<u>Description</u>	<u>Balance 12/31/14</u>	<u>Addition</u>	<u>Retired</u>	<u>Balance 12/31/15</u>	<u>Due Within One Year</u>
Loan Payable	\$ 3,413,131	\$ 150,000	\$ 179,954	\$ 3,383,177	\$ 309,810

Maturities of the debt are as follows:

<u>Years</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 309,810	\$ 83,080	\$ 392,890
2017	168,382	122,409	290,791
2018	173,842	114,343	288,185
2019	181,298	106,108	287,406
2020	193,852	82,921	276,773
2021-2025	1,483,223	285,407	1,768,630
2026-2030	687,430	39,753	727,183
2031-2035	85,340	2,267	87,607
2036-2040	-	-	-
2041-2045	-	-	-
2046-2050	100,000	-	100,000
Total	<u>\$ 3,383,177</u>	<u>\$ 836,288</u>	<u>\$ 4,219,465</u>

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

8. DEFINED BENEFIT PENSION PLAN

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.

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 Statement No. 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)

The Authority participates in OPERS, a cost-sharing multiple-employer public employee retirement system that provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position. That report can be obtained by writing to OPERS, 277 E Town St., Columbus, OH 43215-4642 by calling (800) 222-7377, or by visiting the OPERS website at www.opers.org.

OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan (TP) – defined benefit plan;

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

8. DEFINED BENEFIT PENSION PLAN – CONTINUED

2. The Member-Direct Plan (MD) – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% 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 (CO) – A cost-sharing, multiple -employer defined 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.

Pension Benefits – All benefits of the System, and any benefit increases, are established by the legislature pursuant to Ohio Revised Code Chapter 145. The Board, pursuant to ORC Chapter 145, has elected to maintain funds to provide health care coverage to eligible Traditional Pension and Combined plan retirees and survivors of members. Health care coverage does not vest and is not required under ORC Chapter 145. As a result, coverage may be reduced or eliminated at the discretion of the Board.

Age-and-Service Defined Benefits – Benefits in the Traditional Pension Plan are calculated on the basis of age, final average salary (FAS), and service credit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026. Members who retire before meeting the age and years of service credit requirement for unreduced benefit 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 annual cost-of-living adjustment.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Defined Contribution Benefits – Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment.

Traditional Pension and Combined plans. Members participating in the Member-Directed Plan are not eligible for disability benefits.

Survivor Benefits – Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may qualify for survivor benefits.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

8. DEFINED BENEFIT PENSION PLAN - CONTINUED

Other Benefits – Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit. Members retiring under the Combined Plan receive a 3% cost-of-living adjustment on the defined benefit portion of their benefit. A death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional Pension Plan and Combined Plan. Death benefits are not available to beneficiaries of Member-Directed Plan participants.

Contributions - The OPERS funding policy provides for periodic employee and employer contributions to all three plans (Traditional Pension, Combined and Member- Directed) at rates established by the Board, subject to limits set in statute. The rates established for member and employer contribution rates were approved based upon the recommendations of the System's external actuary. All contribution rates were within the limits authorized by the Ohio Revised Code.

Member and employer contributions rates, as a percent of covered payroll, were the same for each covered group across all three plans for fiscal year ended December 31, 2015. Within the Traditional Pension Plan and Combined Plan, member and employer contributions (employer contributions only for the Combined Plan) and an actuarially determined rate of return are adequate to accumulate sufficient assets to pay defined benefits when due. Employee contributions within the Combined Plan are not used to fund the defined benefit retirement allowance. Employer contribution rates as a level percent of payroll dollars are determined using the entry age actuarial funding method. This formula determined the amount of contributions necessary to fund: (1) the current service cost, representing the estimated amount necessary to pay for defined benefits earned by the employees during the current service year; and (2) the prior service cost for service cost for service earned prior to the current year and subsequent benefit increases. These contributions represent the amount necessary to fund accrued liabilities for retirement allowances and survivor benefits over a period of time.

Plan members were required to contribute 10 percent of their annual covered salary. The Authority was required to contribute 14 percent, a portion of which is set aside for funding post-retirement health care coverage. The Authority's contractually required contributions to OPERS for fiscal year 2015 was \$43,299 for the Traditional Plan. The full amount was contributed during the fiscal year.

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

At December 31, 2015, the Authority reported a liability of \$355,415 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation for December 31, 2014 and estimates for 2015.

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.

For the year ended December 31, 2015, the Authority recognized pension expense of \$38,980. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

8. DEFINED BENEFIT PENSION PLAN - CONTINUED

	Total Deferred Outflows
Differences between expected and actual results	\$ 18,547
	Total Deferred Inflows
Net difference between projected and actual earnings on pension plan investments	\$ 6,017

Other amounts reported as deferred outflows of resources and deferred inflows of resources related will be recognized in pension expense as follows:

Fiscal Year Ending December 31:	
2016	\$ 4,177
2017	4,177
2018	4,176
Total	\$ 12,530

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation plus estimates for 2015 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Price Inflation	3.00 percent
Investment Rate of Return	8.00 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Special tables are used for the period after disability retirement and post-retirement mortality.

The long-term return expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

8. DEFINED BENEFIT PENSION PLAN - CONTINUED

<u>Asset Class</u>	<u>Target Allocation for 2014</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Fixed income	23.00%	2.31%
Domestic equities	19.90%	5.84%
Real estate	10.00%	4.25%
Private equity	10.00%	9.25%
International equities	19.10%	7.40%
Other investments	18.00%	4.59%
TOTAL	100.00%	5.28%

Discount Rate The total pension liability was calculated using the discount rate of 8 percent. The projection of cash flows used to determine the discount rate assumed the employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on 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 Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8 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 1-percentage-point lower (7 percent) or 1-percentage-point higher (8 percent) than the current rate:

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
Authority's proportionate share of the net pension liability	<u>\$ 639,482</u>	<u>\$ 355,415</u>	<u>\$ 101,763</u>

Plan Fiduciary Net Position Detailed information about the Plan's fiduciary net position is available in the separately issued OPERS's financial report.

9. POST EMPLOYMENT BENEFITS

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.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

9. POST EMPLOYMENT BENEFITS - CONTINUED

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including 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 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers 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.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund 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 the post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2.0 percent during calendar year 2015. 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 provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the years ended December 31, 2015, 2014 and 2013, which were used to fund post-employment benefits, were \$7,216, \$7,239 and \$3,485 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 passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.0% of the employer contributions toward the health care fund after the end of the transition period.

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2015

10. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended December 31, 2015, the Authority electronically submitted an unaudited balance sheet summary, revenue and expense summary, and other data to HUD as required on the GAAP basis.

11. ECONOMIC DEPENDENCY

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

12. INSURANCE AND 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 December 31, 2015 the Authority maintains comprehensive insurance coverage with private carriers for health, real 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.

13. CONTINGENCIES

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the Federal government. Grantors may require refunding any disallowed cost 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 recapture amounts would not have a material adverse effect on the overall financial position at December 31, 2015.

**HOCKING METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
Year Ended December 31, 2015**

	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.002882%	0.002882%
Authority's Proportionate Share of the Net Pension Liability	\$355,415	\$347,600
Authority's Covered Employee Payroll	\$361,951	\$348,500
Authority's Proportionate Share of the Net Pension Liability As a Percentage of its Covered Employee Payroll	98.19%	99.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	89.19%

(1) Information prior to 2013 is not available

**HOCKING METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S OHIO PUBLIC
EMPLOYEES RETIREMENT SYSTEM CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required employer contribution	\$43,299	\$43,434	\$45,305	\$32,637	\$36,600	\$35,224	\$39,119	\$37,462	\$41,214	\$45,210
Contributions in Relation to the Contractually Required Contribution	(43,299)	(43,434)	(45,305)	(32,637)	(36,600)	(35,224)	(39,119)	(37,462)	(41,214)	(45,210)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
Authority Covered-Employee Payroll	\$360,824	\$361,951	\$348,500	\$326,370	\$366,000	\$391,375	\$460,221	\$535,178	\$530,425	\$500,111
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%	8.50%	7.00%	7.77%	9.04%

HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Year Ended December 31, 2015

Ohio Public Employees' Retirement System

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2015 and 2014.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2015 and 2014. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**HOCKING METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>FEDERAL GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>2014 FEDERAL EXPENDITURES</u>
<i><u>DIRECT FROM U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u></i>		
Shelter Plus Care	14.238	\$ 155,422
Public and Indian Housing	14.850	375,841
Section 8 Housing Choice Vouchers	14.871	1,266,370
Public Housing Capital Fund	14.872	<u>163,421</u>
Total U.S. Department of Housing and Urban Development		<u>1,961,054</u>
TOTAL - FEDERAL AWARDS EXPENDITURES		<u>\$ 1,961,054</u>

The accompanying notes to this schedule are an integral part of this schedule.

**HOCKING METROPOLITAN HOUSING AUTHORITY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures, the “schedule,” is a summary of the activity of the Authority’s federal award programs. The schedule has been prepared on the accrual basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

**HOCKING METROPOLITAN HOUSING AUTHORITY
ACTUAL MODERNIZATION COST CERTIFICATE
FOR THE YEAR ENDED DECEMBER 31, 2015**

Modernization Project Number : OH-16-P032-501-13

1 The Program Costs are as Follows:

Funds Approved	\$ 176,903
Funds Expended	<u>176,903</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -</u></u>
Funds Advanced	\$ 176,903
Funds Expended	<u>176,903</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -</u></u>

2 All costs have been paid and there are no outstanding obligations.

3 The Final Financial Status Report was signed and Filed.

4 The final costs on the certification agree to the Authority's records.

HOCKING METROPOLITAN HOUSING AUTHORITY
FDS SCHEDULE
DECEMBER 31, 2015

	Project Total	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	State/Local	Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$88,476	\$64,337	\$0	\$0	\$17,636	\$50,673	\$221,122	\$0	\$221,122
114 Cash - Tenant Security Deposits	\$35,263	\$0	\$0	\$0	\$11,493		\$46,756	\$0	\$46,756
100 Total Cash	\$123,739	\$64,337	\$0	\$0	\$29,129	\$50,673	\$267,878	\$0	\$267,878
122 Accounts Receivable - HUD Other Projects	\$0	\$0	\$65,908	\$0	\$0	\$0	\$65,908	\$0	\$65,908
124 Accounts Receivable - Other Government	\$0	\$598	\$0	\$5,826	\$11,011	\$2,066	\$19,501	\$0	\$19,501
125 Accounts Receivable - Miscellaneous	\$0	\$0	\$0	\$0	\$77,730	\$0	\$77,730	\$0	\$77,730
126 Accounts Receivable - Tenants	\$9,962	\$0	\$0	\$0	\$2,021	\$0	\$11,983	\$0	\$11,983
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,731	\$0	\$0	\$0	\$0	\$0	-\$1,731	\$0	-\$1,731
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128 Fraud Recovery	\$0	\$25,793	\$275	\$0	\$0	\$0	\$26,068	\$0	\$26,068
128.1 Allowance for Doubtful Accounts - Fraud	\$0	-\$25,793	-\$275	\$0	\$0	\$0	-\$26,068	\$0	-\$26,068
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$8,231	\$598	\$65,908	\$5,826	\$90,762	\$2,066	\$173,391	\$0	\$173,391
131 Investments - Unrestricted	\$10,000	\$0	\$0	\$0	\$15,000	\$15,871	\$40,871	\$0	\$40,871
132 Investments - Restricted	\$10,000	\$0	\$0	\$0	\$0	\$0	\$10,000	\$0	\$10,000
142 Prepaid Expenses and Other Assets	\$23,838	\$912	\$0	\$0	\$16,875	\$3,016	\$44,641	\$0	\$44,641
143 Inventories	\$17,447	\$0	\$0	\$0	\$0	\$0	\$17,447	\$0	\$17,447
143.1 Allowance for Obsolete Inventories	-\$1,650	\$0	\$0	\$0	\$0	\$0	-\$1,650	\$0	-\$1,650
144 Inter Program Due From	\$208,576	\$0	\$0	\$0	\$127,960	\$134,549	\$471,085	\$0	\$471,085
150 Total Current Assets	\$400,181	\$65,847	\$65,908	\$5,826	\$279,726	\$206,175	\$1,023,663	\$0	\$1,023,663
161 Land	\$973,519	\$0	\$0	\$0	\$219,629	\$0	\$1,193,148	\$0	\$1,193,148
162 Buildings	\$10,148,745	\$0	\$0	\$0	\$1,335,141	\$19,674	\$11,503,560	\$0	\$11,503,560
163 Furniture, Equipment & Machinery - Dwellings	\$49,455	\$0	\$0	\$0	\$46,832	\$6,715	\$103,002	\$0	\$103,002
164 Furniture, Equipment & Machinery - Administration	\$27,792	\$20,378	\$0	\$0	\$0	\$66,000	\$114,170	\$0	\$114,170
165 Leasehold Improvements	\$1,459,634	\$0	\$0	\$0	\$9,717	\$0	\$1,469,351	\$0	\$1,469,351
166 Accumulated Depreciation	-\$8,152,368	-\$14,030	\$0	\$0	-\$336,262	-\$72,056	-\$8,574,716	\$0	-\$8,574,716
167 Construction in Progress	\$0	\$0	\$0	\$0	\$0	\$32,460	\$32,460	\$0	\$32,460
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,506,777	\$6,348	\$0	\$0	\$1,275,057	\$52,793	\$5,840,975	\$0	\$5,840,975
171 Notes, Loans and Mortgages Receivable - Non-Current	\$1,843,313	\$0	\$0	\$0	\$0	\$0	\$1,843,313	\$0	\$1,843,313
180 Total Non-Current Assets	\$6,350,090	\$6,348	\$0	\$0	\$1,275,057	\$52,793	\$7,684,288	\$0	\$7,684,288
200 Deferred Outflow of Resources	\$7,419	\$2,040	\$0	\$0	\$1,484	\$7,604	\$18,547	\$0	\$18,547
290 Total Assets and Deferred Outflow of Resources	\$6,757,690	\$74,235	\$65,908	\$5,826	\$1,556,267	\$266,572	\$8,726,498	\$0	\$8,726,498

HOCKING METROPOLITAN HOUSING AUTHORITY
FDS SCHEDULE
DECEMBER 31, 2015

	Project Total	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	State/Local	Business Activities	COCC	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	\$44,954	\$3,582	\$0	\$0	\$13,885	\$5,054	\$67,475	\$0	\$67,475
313 Accounts Payable >90 Days Past Due	\$0	\$0	\$65,281	\$5,125	\$17,375	\$0	\$87,781	\$0	\$87,781
321 Accrued Wage/Payroll Taxes Payable	\$4,273	\$365	\$0	\$0	\$0	\$8,650	\$13,288	\$0	\$13,288
322 Accrued Compensated Absences - Current Portion	\$7,038	\$1,364	\$627	\$0	\$2,750	\$8,467	\$20,246	\$0	\$20,246
333 Accounts Payable - Other Government	\$56,938	\$0	\$0	\$0	\$0	\$0	\$56,938	\$0	\$56,938
341 Tenant Security Deposits	\$35,263	\$0	\$0	\$0	\$12,092	\$0	\$47,355	\$0	\$47,355
342 Unearned Revenue	\$26,445	\$0	\$0	\$701	\$34,929	\$0	\$62,075	\$0	\$62,075
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$63,721	\$0	\$0	\$0	\$205,706	\$0	\$269,427	\$0	\$269,427
344 Current Portion of Long-term Debt - Operating Borrowings	\$40,383	\$0	\$0	\$0	\$0	\$0	\$40,383	\$0	\$40,383
345 Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
346 Accrued Liabilities - Other	\$14,598	\$0	\$0	\$0	\$0	\$20,890	\$35,488	\$0	\$35,488
347 Inter Program - Due To	\$109,199	\$0	\$0	\$0	\$146,243	\$215,643	\$471,085	\$0	\$471,085
348 Loan Liability - Current	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
310 Total Current Liabilities	\$402,812	\$5,311	\$65,908	\$5,826	\$432,980	\$258,704	\$1,171,541	\$0	\$1,171,541
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$1,259,167	\$0	\$0	\$0	\$929,941	\$0	\$2,189,108	\$0	\$2,189,108
352 Long-term Debt, Net of Current - Operating Borrowings	\$884,259	\$0	\$0	\$0	\$0	\$0	\$884,259	\$0	\$884,259
354 Accrued Compensated Absences - Non Current	\$7,142	\$0	\$0	\$0	\$0	\$0	\$7,142	\$0	\$7,142
357 Accrued Pension and OPEB Liabilities	\$142,167	\$39,096	\$0	\$0	\$28,432	\$145,720	\$355,415	\$0	\$355,415
350 Total Non-Current Liabilities	\$2,292,735	\$39,096	\$0	\$0	\$958,373	\$145,720	\$3,435,924	\$0	\$3,435,924
300 Total Liabilities	\$2,695,547	\$44,407	\$65,908	\$5,826	\$1,391,353	\$404,424	\$4,607,465	\$0	\$4,607,465
400 Deferred Inflow of Resources	\$2,406	\$662	\$0	\$0	\$482	\$2,467	\$6,017	\$0	\$6,017
508.4 Net Investment in Capital Assets	\$3,183,889	\$6,348	\$0	\$0	\$139,410	\$52,793	\$3,382,440	\$0	\$3,382,440
511.4 Restricted Net Position	\$0	\$13,628	\$0	\$0	\$0	\$0	\$13,628	\$0	\$13,628
512.4 Unrestricted Net Position	\$875,848	\$9,190	\$0	\$0	\$25,022	-\$193,112	\$716,948	\$0	\$716,948
513 Total Equity - Net Assets / Position	\$4,059,737	\$29,166	\$0	\$0	\$164,432	-\$140,319	\$4,113,016	\$0	\$4,113,016
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$6,757,690	\$74,235	\$65,908	\$5,826	\$1,556,267	\$266,572	\$8,726,498	\$0	\$8,726,498
70300 Net Tenant Rental Revenue	\$401,891	\$0	\$0	\$0	\$298,929	\$0	\$700,820	\$0	\$700,820
70400 Tenant Revenue - Other	\$34,182	\$0	\$0	\$0	\$10,178	\$0	\$44,360	\$0	\$44,360
70500 Total Tenant Revenue	\$436,073	\$0	\$0	\$0	\$309,107	\$0	\$745,180	\$0	\$745,180
70600 HUD PHA Operating Grants	\$539,262	\$1,266,370	\$155,422	\$0	\$0	\$0	\$1,961,054	\$0	\$1,961,054
70710 Management Fee	\$0	\$0	\$0	\$0	\$0	\$161,166	\$161,166	-\$161,166	\$0
70720 Asset Management Fee	\$0	\$0	\$0	\$0	\$0	\$24,600	\$24,600	-\$24,600	\$0
70730 Book Keeping Fee	\$0	\$0	\$0	\$0	\$0	\$38,445	\$38,445	-\$38,445	\$0
70700 Total Fee Revenue	\$0	\$0	\$0	\$0	\$0	\$224,211	\$224,211	-\$224,211	\$0
70800 Other Government Grants	\$0	\$0	\$4,523	\$2,500	\$302,293	\$4,421	\$313,737	\$0	\$313,737
71100 Investment Income - Unrestricted	\$64,591	\$1,521	\$0	\$0	\$386	\$64	\$66,562	\$0	\$66,562
71400 Fraud Recovery	\$0	\$4,805	\$435	\$0	\$0	\$0	\$5,240	\$0	\$5,240
71500 Other Revenue	\$31,431	\$598	\$0	\$0	\$12,086	\$12,922	\$57,037	-\$37,240	\$19,797
71600 Gain or Loss on Sale of Capital Assets	\$0	\$0	\$0	\$0	-\$5,671	\$0	-\$5,671	\$0	-\$5,671
70000 Total Revenue	\$1,071,357	\$1,273,294	\$160,380	\$2,500	\$618,201	\$241,618	\$3,367,350	-\$261,451	\$3,105,899

HOCKING METROPOLITAN HOUSING AUTHORITY

FDS SCHEDULE

DECEMBER 31, 2015

	Project Total	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	State/Local	Business Activities	COCC	Subtotal	ELIM	Total
91100 Administrative Salaries	\$38,373	\$28,980	\$7,767	\$530	\$57,269	\$132,368	\$265,287	\$0	\$265,287
91200 Auditing Fees	\$2,879	\$4,171	\$0	\$0	\$1,015	\$1,195	\$9,260	\$0	\$9,260
91300 Management Fee	\$98,790	\$25,081	\$0	\$0	\$37,295	\$0	\$161,166	-\$161,166	\$0
91310 Book-keeping Fee	\$14,483	\$16,720	\$1,774	\$0	\$5,468	\$0	\$38,445	-\$38,445	\$0
91400 Advertising and Marketing	\$719	\$1,043	\$0	\$0	\$57	\$0	\$1,819	\$0	\$1,819
91500 Employee Benefit contributions - Administrative	\$13,006	\$7,648	\$1,165	\$193	\$17,059	\$40,206	\$79,277	\$0	\$79,277
91600 Office Expenses	\$36,557	\$10,324	\$249	\$0	\$9,721	\$12,777	\$69,628	\$0	\$69,628
91700 Legal Expense	\$8,605	\$1,333	\$180	\$0	\$2,417	\$307	\$12,842	\$0	\$12,842
91800 Travel	\$2,021	\$0	\$0	\$0	\$647	\$585	\$3,253	\$0	\$3,253
91900 Other	\$54,511	\$14,473	\$0	\$0	\$12,623	\$13,334	\$94,941	\$0	\$94,941
91000 Total Operating - Administrative	\$269,944	\$109,773	\$11,135	\$723	\$143,571	\$200,772	\$735,918	-\$199,611	\$536,307
92000 Asset Management Fee	\$24,600	\$0	\$0	\$0	\$0	\$0	\$24,600	-\$24,600	\$0
92400 Tenant Services - Other	\$975	\$0	\$0	\$0	\$0	\$109	\$1,084	\$0	\$1,084
92500 Total Tenant Services	\$975	\$0	\$0	\$0	\$0	\$109	\$1,084	\$0	\$1,084
93100 Water	\$21,568	\$0	\$0	\$0	\$13,689	\$844	\$36,101	\$0	\$36,101
93200 Electricity	\$94,062	\$0	\$0	\$0	\$44,313	\$4,499	\$142,874	\$0	\$142,874
93300 Gas	\$6,121	\$0	\$0	\$0	\$12,814	\$84	\$19,019	\$0	\$19,019
93600 Sewer	\$2,964	\$0	\$0	\$0	\$0	\$0	\$2,964	\$0	\$2,964
93800 Other Utilities Expense	\$337	\$0	\$0	\$0	\$431	\$0	\$768	\$0	\$768
93000 Total Utilities	\$125,052	\$0	\$0	\$0	\$71,247	\$5,427	\$201,726	\$0	\$201,726
94100 Ordinary Maintenance and Operations - Labor	\$93,269	\$0	\$0	\$0	\$3,080	\$15,724	\$112,073	\$0	\$112,073
94200 Ordinary Maintenance and Operations - Materials and Other	\$84,709	\$647	\$0	\$0	\$9,064	\$2,118	\$96,538	\$0	\$96,538
94300 Ordinary Maintenance and Operations Contracts	\$203,334	\$18,383	\$201	\$0	\$111,904	\$11,428	\$345,250	-\$37,240	\$308,010
94500 Employee Benefit Contributions - Ordinary Maintenance	\$38,288	\$0	\$0	\$0	\$0	\$0	\$38,288	\$0	\$38,288
94000 Total Maintenance	\$419,600	\$19,030	\$201	\$0	\$124,048	\$29,270	\$592,149	-\$37,240	\$554,909
96110 Property Insurance	\$27,283	\$0	\$0	\$0	\$7,731	\$2,630	\$37,644	\$0	\$37,644
96130 Workmen's Compensation	\$341	\$343	\$123	\$20	\$771	\$2,202	\$3,800	\$0	\$3,800
96140 All Other Insurance	\$0	\$1,425	\$0	\$0	\$0	\$0	\$1,425	\$0	\$1,425
96100 Total insurance Premiums	\$27,624	\$1,768	\$123	\$20	\$8,502	\$4,832	\$42,869	\$0	\$42,869
96200 Other General Expenses	\$94	\$0	\$4,523	\$436	\$7,141	\$0	\$12,194	\$0	\$12,194
96210 Compensated Absences	\$8,573	\$198	\$49	\$10	\$814	\$6,304	\$15,948	\$0	\$15,948
96300 Payments in Lieu of Taxes	\$31,136	\$0	\$0	\$0	\$0	\$0	\$31,136	\$0	\$31,136
96400 Bad debt - Tenant Rents	\$8,946	\$0	\$0	\$0	\$12,372	\$0	\$21,318	\$0	\$21,318
96000 Total Other General Expenses	\$48,749	\$198	\$4,572	\$446	\$20,327	\$6,304	\$80,596	\$0	\$80,596
96710 Interest of Mortgage (or Bonds) Payable	\$91,095	\$0	\$0	\$0	\$31,688	\$0	\$122,783	\$0	\$122,783
96700 Total Interest Expense and Amortization Cost	\$91,095	\$0	\$0	\$0	\$31,688	\$0	\$122,783	\$0	\$122,783
96900 Total Operating Expenses	\$1,007,639	\$130,769	\$16,031	\$1,189	\$399,383	\$246,714	\$1,801,725	-\$261,451	\$1,540,274
97000 Excess of Operating Revenue over Operating Expenses	\$63,718	\$1,142,525	\$144,349	\$1,311	\$218,818	-\$5,096	\$1,565,625	\$0	\$1,565,625
97300 Housing Assistance Payments	\$0	\$1,107,647	\$144,349	\$1,311	\$0	\$0	\$1,253,307	\$0	\$1,253,307
97350 HAP Portability-In	\$0	\$563	\$0	\$0	\$0	\$0	\$563	\$0	\$563
97400 Depreciation Expense	\$255,446	\$2,775	\$0	\$0	\$49,282	\$4,318	\$311,821	\$0	\$311,821
90000 Total Expenses	\$1,263,085	\$1,241,754	\$160,380	\$2,500	\$448,665	\$251,032	\$3,367,416	-\$261,451	\$3,105,965

HOCKING METROPOLITAN HOUSING AUTHORITY
FDS SCHEDULE
DECEMBER 31, 2015

	Project Total	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	State/Local	Business Activities	COCC	Subtotal	ELIM	Total
10010 Operating Transfer In	\$0	\$0	\$0	\$0	\$0	\$29,416	\$29,416	-\$29,416	\$0
10020 Operating transfer Out	-\$29,416	\$0	\$0	\$0	\$0	\$0	-\$29,416	\$29,416	\$0
10093 Transfers between Program and Project - In	\$134,005	\$0	\$0	\$0	\$0	\$0	\$134,005	-\$134,005	\$0
10094 Transfers between Project and Program - Out	-\$134,005	\$0	\$0	\$0	\$0	\$0	-\$134,005	\$134,005	\$0
10100 Total Other financing Sources (Uses)	-\$29,416	\$0	\$0	\$0	\$0	\$29,416	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$221,144	\$31,540	\$0	\$0	\$169,536	\$20,002	-\$66	\$0	-\$66
11020 Required Annual Debt Principal Payments	\$40,383	\$0	\$0	\$0	\$0	\$0	\$40,383	\$0	\$40,383
11030 Beginning Equity	\$4,419,921	\$35,862	\$0	\$0	\$22,704	-\$17,805	\$4,460,682	\$0	\$4,460,682
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$139,040	-\$38,236	\$0	\$0	-\$27,808	-\$142,516	-\$347,600	\$0	-\$347,600
11170 Administrative Fee Equity	\$0	\$15,538	\$0	\$0	\$0	\$0	\$15,538	\$0	\$15,538
11180 Housing Assistance Payments Equity	\$0	\$13,628	\$0	\$0	\$0	\$0	\$13,628	\$0	\$13,628
11190 Unit Months Available	1968	3672	360	\$0	336	0	6336	\$0	6336
11210 Number of Unit Months Leased	1961	3352	360	\$0	336	0	6009	\$0	6009
11270 Excess Cash	-\$130,366	\$0	\$0	\$0	\$0	\$0	-\$130,366	\$0	-\$130,366



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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**

July 31, 2016

Hocking Metropolitan Housing Authority
Hocking County
33601 Pine Ridge Drive
Logan, Ohio 43138

To the Board of Commissioners:

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 **Hocking Metropolitan Housing Authority**, Hocking County, (the Authority) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated July 31, 2016, wherein we noted the Authority adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

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



...“bringing more to the table”

Tax- Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
• Association of Certified Anti - Money Laundering Specialists •



Compliance and Other Matters

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

Purpose of this Report

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio



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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**

July 31, 2016

Hocking Metropolitan Housing Authority
3526 Lake Avenue
Hocking, Ohio 44004

To the Board of Commissioners:

Report on Compliance for the Major Federal Program

We have audited **Hocking Metropolitan Housing Authority's**, (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Authority's major federal program for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Authority's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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



...“bringing more to the table”

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
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• Association of Certified Anti - Money Laundering Specialists •



Opinion on the Major Federal Program

In our opinion, the 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, 2015.

Report on Internal Control Over Compliance

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

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

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

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**HOCKING METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
FOR THE YEAR ENDED DECEMBER 31, 2015**

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):	CFDA # 14.871 Housing Choice Vouchers
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

HOCKING METROPOLITAN HOUSING AUTHORITY

HOCKING 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
OCTOBER 18, 2016**