

MORROW METROPOLITAN HOUSING AUTHORITY

MORROW COUNTY

REGULAR AUDIT

OCTOBER 1, 2016 – SEPTEMBER 30, 2017



WILSON, SHANNON & SNOW
INC.
CPAs & ADVISORS



Dave Yost • Auditor of State

Board of Trustees
Morrow Metropolitan Housing Authority
619 West Marion Road
Mount Gilead, Ohio 43338

We have reviewed the *Independent Auditor's Report* of the Morrow Metropolitan Housing Authority, Morrow County, prepared by Wilson, Shannon & Snow, Inc., for the audit period October 1, 2016 through September 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

April 12, 2018

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**MORROW METROPOLITAN HOUSING AUTHORITY
MORROW COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Morrow Metropolitan Housing Authority
Morrow County
619 West Marion Road, Suite 107
Mount Gilead, Ohio 43338

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Morrow Metropolitan Housing Authority
Morrow County
Independent Auditor's Report

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report March 14, 2018, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
March 14, 2018

**MORROW METROPOLITAN HOUSING AUTHORITY
MORROW COUNTY**

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

The Morrow Metropolitan Housing Authority, Morrow County, (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, 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 (beginning on page 11).

FINANCIAL HIGHLIGHTS

- During fiscal year 2017, the Authority’s net position decreased by \$10,257 (or 58%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net position for fiscal year 2016 was \$17,759 and \$7,502 for fiscal year 2017.
- Revenues decreased by \$72,450 (or 12%) during fiscal year 2017, and were \$613,896 and \$541,446 for fiscal year 2016 and fiscal year 2017, respectively.
- Expenses decreased by \$48,120 (or 8%) during fiscal year 2017. Total expenses were \$599,823 and \$551,703 for fiscal year 2016 and fiscal year 2017, respectively.

USING THIS ANNUAL REPORT

The following is a graphic outlining the major sections of the report.

| |
|--|
| MD&A ~ Management’s Discussion and Analysis ~ |
| Basic Financial Statements ~ Statement of Net Position ~ ~ Statement of Revenues, Expenses and Changes in Net Position ~ ~ Statement of Cash Flows ~ ~ Notes to the Basic Financial Statements ~ |
| Other Required Supplementary Information ~ Required Supplementary Information (Pension Schedules) ~ |
| Supplementary and Other Information ~ Financial Data Schedules ~ |

**MORROW METROPOLITAN HOUSING AUTHORITY
MORROW COUNTY**

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

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

Government-Wide Financial Statements

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

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

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

Investment in Capital Assets: This component of Net Position consists of all Capital Assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Authority has no debt.

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 assets that do not meet the definition of "Investment in Capital Assets", or "Restricted".

The Government-wide 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 grant revenue, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, Non-Operating Revenue, such as interest revenue.

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

**MORROW METROPOLITAN HOUSING AUTHORITY
MORROW COUNTY**

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

THE AUTHORITY’S FUND

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

Business-Type Activities:

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

Family Self-Sufficiency Program – represents HUD resources to enable participating families to increase earned income ad financial literacy, reduce or eliminate the need for welfare assistance, and make progress toward economic independence ad self- sufficiency.

Statement of Net Position

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

STATEMENT OF NET POSITION

| | <u>2017</u> | <u>2016</u> |
|-------------------------------------|-----------------|------------------|
| Current and Other Noncurrent Assets | \$ 78,002 | \$ 65,217 |
| Capital Assets | <u>291</u> | <u>583</u> |
| Total Assets | <u>78,293</u> | <u>65,800</u> |
| Deferred Outflows of Resources | <u>21,979</u> | <u>17,430</u> |
| Current Liabilities | 4,396 | 3,999 |
| Non-Current Liabilities | <u>88,019</u> | <u>60,558</u> |
| Total Liabilities | <u>92,415</u> | <u>64,557</u> |
| Deferred Inflows of Resources | <u>355</u> | <u>914</u> |
| Net Position | | |
| Investment in Capital Assets | 291 | 583 |
| Restricted | 9,709 | 11,748 |
| Unrestricted | <u>(2,498)</u> | <u>5,428</u> |
| Total Net Position | <u>\$ 7,502</u> | <u>\$ 17,759</u> |

**MORROW METROPOLITAN HOUSING AUTHORITY
MORROW COUNTY**

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

For more detailed information see page 11 for the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

Current and other non-current assets (primarily cash and cash equivalents) increased \$12,785 due to higher cash balances at fiscal year end. Deferred outflows of resources increased based on increased amounts reported by the pension system; the amount reflects the Authority's proportionate share of the total pension amount. Total liabilities increased \$27,858 primarily based on changes in family self-sufficiency payable and net pension liability at fiscal year ends.

Capital assets had a decrease of \$292 which represents the current fiscal year's depreciation. For more detail see "Capital Assets and Debt Administration" on page 8.

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

CHANGE OF UNRESTRICTED NET POSITION

| | | |
|--|------------|-------------------|
| Unrestricted Net Position September 30, 2016 | | \$ 5,428 |
| Results of Operations: | \$ (8,218) | |
| Adjustments: | | |
| Depreciation (1) | <u>292</u> | |
| Adjusted Results from Operations | | <u>(7,926)</u> |
| Unrestricted Net Position September 30, 2017 | | \$ <u>(2,498)</u> |

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

CHANGE OF RESTRICTED NET POSITION

| | | |
|--|--------------|-----------------|
| Restricted Net Position September 30, 2016 | | \$ 11,748 |
| Results of Operations: | | |
| HAP Reserves Surplus | \$ (8,633) | |
| Other Revenues | <u>6,594</u> | |
| Adjusted Results from Operations | | <u>(2,039)</u> |
| Restricted Net Position September 30, 2017 | | \$ <u>9,709</u> |

**MORROW METROPOLITAN HOUSING AUTHORITY
MORROW COUNTY**

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

| | <u>2017</u> | <u>2016</u> |
|------------------------------|-----------------|------------------|
| Revenues | | |
| Operating Grants | \$ 533,879 | \$ 609,885 |
| Interest | 1 | 2 |
| Other Revenues | <u>7,566</u> | <u>4,009</u> |
| Total Revenue | <u>541,446</u> | <u>613,896</u> |
| Expenses | | |
| Administrative | 103,981 | 96,780 |
| General | 1,415 | 3,524 |
| Housing Assistance Payments | 446,015 | 499,046 |
| Depreciation | <u>292</u> | <u>473</u> |
| Total Expenses | <u>551,703</u> | <u>599,823</u> |
| Change in Net Position | (10,257) | 14,073 |
| Net Position at October 1 | <u>17,759</u> | <u>3,686</u> |
| Net Position at September 30 | <u>\$ 7,502</u> | <u>\$ 17,759</u> |

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

Operating Grants decreased by \$76,006 (or 12%) due to HUD funding changes and changes in grant programs awarded to the Authority through direct awards and through local sources during fiscal year 2017. In the same regard, Housing Assistance Payments decreased \$53,031 (or 11%) during fiscal year 2017 which is expected based on funding decreases.

Administrative expenses include salaries and related benefits, along with other administrative expenses such as audit fees and office expenses. The increase primarily relates to increases in office expenses; salaries and benefits remained fairly consistent among fiscal years.

Most other expenses fluctuated moderately due to inflation and current fiscal year needs.

**MORROW METROPOLITAN HOUSING AUTHORITY
MORROW COUNTY**

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

CAPTIAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2017, the Authority had \$291 invested in Capital Assets as reflected in the following schedule, which represents a decrease based on depreciation expense.

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

| | Business-type Activities | |
|------------------------------------|-----------------------------|---------------|
| | <u>2017</u> | <u>2016</u> |
| Furniture, Fixtures, and Equipment | \$ 18,557 | \$ 18,557 |
| Accumulated Depreciation | (18,266) | (17,974) |
| Total | \$ <u>291</u> | \$ <u>583</u> |

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in Note 3 of the notes to the basic financial statements.

CHANGE IN CAPITAL ASSETS

| | Business-type Activities |
|-------------------|-----------------------------|
| Beginning Balance | \$ 583 |
| Depreciation | <u>(292)</u> |
| Ending Balance | \$ <u>291</u> |

The Authority had no additions or disposals for fiscal year 2017.

Debt Outstanding

The Authority has no debt.

**MORROW METROPOLITAN HOUSING AUTHORITY
MORROW COUNTY**

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

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

The individual to be contacted regarding this report is Jennifer Ebeling, Executive Director for the Morrow Metropolitan Housing Authority, at (419) 946-5789. Specific requests may be submitted to the Authority at 619 West Marion Road, Suite 107, Mount Gilead, Ohio 43338.

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**MORROW METROPOLITAN HOUSING AUTHORITY
MORROW COUNTY**

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

Assets

Current Assets:

| | | |
|---------------------------|----|--------|
| Cash and Cash Equivalents | \$ | 38,569 |
| Prepaid Items | | 1,162 |
| Total Current Assets | | 39,731 |

Non-Current Assets:

| | | |
|--------------------------------------|--|----------|
| Restricted Cash and Cash Equivalents | | 38,271 |
| Capital Assets: | | |
| Depreciable Capital Assets | | 18,557 |
| Accumulated Depreciation | | (18,266) |
| Total Capital Assets | | 291 |
| Total Non-Current Assets | | 38,562 |

Total Assets 78,293

Deferred Outflows of Resources 21,979

Liabilities

Current Liabilities:

| | | |
|---------------------------------|--|-------|
| Accrued Wages and Payroll Taxes | | 1,205 |
| Accrued Compensated Absences | | 3,191 |
| Total Current Liabilities | | 4,396 |

Non-Current Liabilities:

| | | |
|--|--|--------|
| Family Self-Sufficiency Deposits Payable | | 28,562 |
| Net Pension Liability | | 59,457 |
| Total Non-Current Liabilities | | 88,019 |

Total Liabilities 92,415

Deferred Inflows of Resources 355

Net Position

| | | |
|------------------------------|--|---------|
| Investment in Capital Assets | | 291 |
| Restricted | | 9,709 |
| Unrestricted | | (2,498) |
| | | (2,498) |

Total Net Position \$ 7,502

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

**MORROW METROPOLITAN HOUSING AUTHORITY
MORROW COUNTY**

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

| | | |
|---|-----------|----------------------------|
| Operating Revenues | | |
| Operating Grants | \$ | 533,879 |
| Fraud Recovery | | 1,953 |
| Other Revenues | | <u>5,613</u> |
| Total Operating Revenues | | <u>541,445</u> |
| Operating Expenses | | |
| Housing Assistance Payments | \$ | 446,015 |
| Salaries | | 33,986 |
| Employee Benefits | | 19,172 |
| Other Administrative Expense | | 50,823 |
| General | | 1,415 |
| Depreciation | | <u>292</u> |
| Total Operating Expenses | | <u>551,703</u> |
| Operating Loss | | <u>(10,258)</u> |
| Nonoperating Revenues | | |
| Interest Revenue | | <u>1</u> |
| Total Nonoperating Revenues | | <u>1</u> |
| Change in Net Position | | (10,257) |
| Net Position at October 1, 2016 | | <u>17,759</u> |
| Net Position at September 30, 2017 | \$ | <u><u>7,502</u></u> |

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

**MORROW METROPOLITAN HOUSING AUTHORITY
MORROW COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Cash flows from operating activities:

| | | |
|--|----|-----------|
| Cash received from HUD and local grant sources | \$ | 533,477 |
| Cash received from other sources | | 7,566 |
| Cash payments to employees for services | | (39,235) |
| Cash payments for good or services - HUD | | (446,015) |
| Cash payments for goods or services | | (44,171) |
| | | (44,171) |

| | | |
|---|--|--------|
| Net cash provided by operating activities | | 11,622 |
|---|--|--------|

Cash flows from investing activities:

| | | |
|----------|--|---|
| Interest | | 1 |
|----------|--|---|

| | | |
|---|--|---|
| Net cash provided by investing activities | | 1 |
|---|--|---|

| | | |
|---|--|--------|
| Net change in cash and cash equivalents | | 11,623 |
|---|--|--------|

| | | |
|--|--|--------|
| Cash and cash equivalents at October 1, 2016 | | 65,217 |
|--|--|--------|

| | | |
|--|-----------|---------------|
| Cash and cash equivalents at September 30, 2017 | \$ | 76,840 |
|--|-----------|---------------|

Reconciliation of operating loss to net cash provided by operating activities:

| | | |
|--|----|----------|
| Operating loss | \$ | (10,258) |
| Adjustments to reconcile operating loss to net cash provided by operating activities | | |
| Depreciation | | 292 |
| Changes in: | | |
| Prepaid items | | (1,162) |
| Family self-sufficiency liability | | 15,292 |
| Net pension liability | | 12,169 |
| Other liabilities | | 397 |
| Deferred outflow of resources | | (4,549) |
| Deferred inflow of resources | | (559) |
| | | (559) |

| | | |
|--|-----------|---------------|
| Net cash provided by operating activities | \$ | 11,622 |
|--|-----------|---------------|

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Morrow Metropolitan Housing Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the 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 over which the Authority is financially accountable. Based on the above criteria, the Authority has no component units.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting

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

Proprietary Fund Type:

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

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

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

Accounting and Reporting for Nonexchange Transactions

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

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

Estimates

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Authority had restricted assets for Family Self-Sufficiency Deposits of \$28,562 and Housing Assistance Payment equity balance of \$9,709. See Note 4 for additional information concerning Family Self-Sufficiency restricted assets.

Capital Assets

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

| <u>Description</u> | <u>Estimated Useful Lives - Years</u> |
|------------------------------|---|
| Equipment and Furniture | 7 |
| Computer Hardware & Software | 3 |

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as these benefits are earned and used within the fiscal year; unused balances are carried over however no benefits are paid out upon termination of employment. 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 and sick leave policies are established by the Board of Trustees based on local and state laws. Employees are entitled to 8 days of annual vacation leave after completing twelve months of consecutive employment, 12 days after six years of service, 16 days after 12 years of service, and 20 days after 22 years of service. Sick pay is accumulated at the rate of 4.5 hours for each completed 72 hours of pay to a maximum of 960 hours. Employees are allowed to accumulate a maximum of three weeks for vacation leave at the end of each calendar year. In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a current liability.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Pensions – Deferred Inflow/Outflow of Resources

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

Net Position

Net position represents the difference between assets and deferred outflow of resources, and liabilities and deferred inflow of resources. Investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount reported as restricted net position at fiscal year end represents the amounts restricted by HUD for future Housing Assistance Payments. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. The Authority did not have net position restricted by enabling legislature at September 30, 2017.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are for Housing and Urban Development Grants and other revenues. Operating expenses are necessary costs to provide goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenues.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS – CONTINUED

Cash and cash equivalents included in the Authority's cash position at September 30, 2017 are as follows:

| | <u>Checking</u> | <u>Savings</u> | <u>Total</u> |
|------------------|------------------|------------------|------------------|
| Demand Deposits: | | | |
| Bank balance | \$ 48,432 | \$ 28,562 | \$ 76,994 |
| Items-in-transit | <u>(154)</u> | <u>-</u> | <u>(154)</u> |
| Carrying balance | <u>\$ 48,278</u> | <u>\$ 28,562</u> | <u>\$ 76,840</u> |

Of the fiscal year-end bank balance, \$76,994 of deposits of the total checking and saving account balances were covered by federal deposit insurance.

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

3. CAPITAL ASSETS

The following is a summary of capital assets at September 30, 2017:

| | <u>Balance 9/30/2016</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance 9/30/2017</u> |
|---|------------------------------|-----------------|-----------------|------------------------------|
| Capital Assets Depreciated | | | | |
| Furniture and Equipment | \$ 18,557 | \$ - | \$ - | \$ 18,557 |
| Total Capital Assets Depreciated | <u>18,557</u> | <u>-</u> | <u>-</u> | <u>18,557</u> |
| Accumulated Depreciation | | | | |
| Furniture and Equipment | <u>(17,974)</u> | <u>(292)</u> | <u>-</u> | <u>(18,266)</u> |
| Total Accumulated Depreciation | <u>(17,974)</u> | <u>(292)</u> | <u>-</u> | <u>(18,266)</u> |
| Total Capital Assets, Net | <u>\$ 583</u> | <u>\$ (292)</u> | <u>\$ -</u> | <u>\$ 291</u> |

4. FSS ESCROW PAYABLE

The Authority is involved in the Family Self-Sufficiency program through the Housing Choice Vouchers Program. Each month contributions are deposited into the Authority's savings account on behalf of the program participants. Participants are limited to a five year contract (with a two year extension option) at which time, they either meet their program goals and may withdraw their money earned from the savings account, or they fail to meet their goals and forfeit their money. If a forfeiture occurs, the money earned is used by the Authority to reinvest into the Housing Choice Voucher Program.

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

5. 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 the fiscal year 2017, the Authority purchased commercial insurance for public officials and employment practices liability for general insurance, property, crime, electronic equipment, and automobile insurance.

Public officials' liability and employment practices liability insurance each carries a \$2,500 deductible. Property and electronic equipment insurance each carries a \$500 deductible. Vehicle carries a \$250 deductible for comprehensive damages and \$500 deductible for collision.

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

6. DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

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

6. DEFINED BENEFIT PENSION PLANS - CONTINUED

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 fiscal year is included in *accrued wages and payroll taxes* on the accrual basis of accounting.

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

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS’ CAFR referenced above for additional information):

| Group A | Group B | Group C |
|---|---|---|
| Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Members not in other Groups and members hired on or after January 7, 2013 |
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

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

6. DEFINED BENEFIT PENSION PLANS – CONTINUED

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

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

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

| | <u>State and Local</u> |
|--|----------------------------|
| 2016 & 2017 Statutory Maximum Contribution Rates: | |
| Employer | 14.0% |
| Employee | 10.0% |
| 2016 Actual Contribution Rates: | |
| Employer: | |
| Pension | 12.0% |
| Post-employment Health Care Benefits | <u>2.0%</u> |
| Total Employer | <u>14.0%</u> |
| 2017 Actual Contribution Rates: | |
| Employer: | |
| Pension | 13.0% |
| Post-employment Health Care Benefits | <u>1.0%</u> |
| Total Employer | <u>14.0%</u> |
| Employee | <u>10.0%</u> |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority’s contractually required contribution to OPERS was \$4,758 for fiscal year 2017. Of this amount \$0 is reported within accrued wages and payroll taxes.

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

The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority’s proportion of the net pension liability was based on the Authority’s share of the contributions to the pension plan relative to the contributions of all participating entities. The Authority’s pension expense for fiscal year 2017 was \$4,758. Following is information related to the proportionate share:

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

6. DEFINED BENEFIT PENSION PLANS - CONTINUED

| | |
|--|-------------------------------|
| | <u>OPERS Traditional Plan</u> |
| Proportionate Share of the Net Pension Liability | \$59,457 |
| Proportion of the Net Pension Liability | 0.0002630% |
| Change in Proportion from Prior Measurement Date | (0.0000100)% |

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

| | |
|---|-----------------------------------|
| | Total Deferred <u>Outflows</u> |
| Net difference between projected and actual investment earnings on pension plan investments | \$ 8,894 |
| Change in assumptions | 9,473 |
| Difference between expected and actual experience | 81 |
| Authority contributions subsequent to the measurement date | <u>3,531</u> |
| Total Deferred Outflow of Resources | <u>\$ 21,979</u> |
| | Total Deferred <u>Inflows</u> |
| Difference between expected and actual experience | \$ 355 |

The \$3,531 reported as deferred outflow of resources resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or increase in net pension asset) in the fiscal year ending September 30, 2018. 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 September 30: | |
| 2018 | \$ 4,760 |
| 2019 | 4,760 |
| 2020 | 4,760 |
| 2021 | 2,035 |
| 2022 | <u>1,778</u> |
| Total | <u>\$18,093</u> |

Actuarial Assumptions

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

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

6. DEFINED BENEFIT PENSION PLANS - CONTINUED

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|---|
| Future Salary Increases, including inflation | 3.25 - 10.75 percent, including wage inflation of 3.25% |
| COLA or Ad Hoc COLA | Pre 1/7/2013 retirees: 3 percent, simple; Post 1/7/2013 retirees: 3 percent simple through 2018, then 2.8 percent, simple |
| Investment Rate of Return | 7.5 percent |
| Actuarial Cost Method | Individual entry age |

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

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

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

6. DEFINED BENEFIT PENSION PLANS - CONTINUED

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return.

| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|----------------------|---|
| Fixed Income | 23.00 % | 2.75 % |
| Domestic Equities | 20.70 | 6.34 |
| Real Estate | 10.00 | 4.75 |
| Private Equity | 10.00 | 8.97 |
| International Equities | 18.30 | 7.95 |
| Other investments | 18.00 | 4.92 |
| Total | 100.00 % | 5.66 % |

Discount Rate: The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Authority’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|-----------------------|---------------------------------|-----------------------|
| Authority’s proportionate share of the net pension liability | | | |
| Traditional Plan | \$91,240 | \$59,457 | \$33,459 |

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

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

6. DEFINED BENEFIT PENSION PLANS - CONTINUED

Other Post Retirement Benefits – In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have ten 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-Retirement Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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 benefits.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members of the Traditional Plan and Combined Plan was 2% during calendar year 2016. Effective January 1, 2017, the portion of employer contributions allocated to healthcare will decrease to 1% for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. Employer contributions made to fund post-employment benefits were approximately \$700.

The portion of actual Authority contributions for the years ended September 30, 2017, 2016 and 2015, which were used to fund post-employment benefits, were \$428, \$695, and \$1,699, respectively.

7. COMPENSATED ABSENCES

Employees earn annual vacation leave per anniversary year, based on years of service. Employees are allowed to accumulate a maximum of three weeks for vacation leave at the end of each calendar year. Sick leave is accumulated each month at the rate of 4.5 hours for each completed 72 hours of pay to a maximum of 960 hours. As of September 30, 2017, the accrual for compensated absences totaled \$3,191 and has been included in the accompanying Statement of Net Position. The Authority considers the entire liability balance to be due in one year.

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

8. LONG-TERM LIABILITIES

The following is a summary of changes in long-term debt and compensated absence for the fiscal year ended September 30, 2017:

| <u>Description</u> | <u>Balance</u> <u>09/30/16</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>09/30/17</u> | <u>Due Within</u> <u>One Year</u> |
|---------------------------------|-----------------------------------|-------------------------|-------------------------|-----------------------------------|--------------------------------------|
| Net Pension Liability | \$47,288 | \$ 12,169 | \$ - | \$59,457 | \$ - |
| Family Self-Sufficiency Payable | 13,270 | 22,223 | (6,931) | 28,562 | - |
| Compensated Absence Payable | <u>2,792</u> | <u>2,339</u> | <u>(1,940)</u> | <u>3,191</u> | <u>3,191</u> |
| Total | <u>\$63,350</u> | <u>\$ 36,731</u> | <u>\$(8,871)</u> | <u>\$91,210</u> | <u>\$ 3,191</u> |

See Note 6 for information on the Authority's net pension liability and Note 4 for information on the Authority's family self-sufficiency payable.

9. CONTINGENT LIABILITIES

A. Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any such disallowed claims could have a material adverse effect on the overall financial position of the Authority at September 30, 2017.

B. Litigation

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

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**MORROW METROPOLITAN HOUSING AUTHORITY
MORROW COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY
LAST FOUR FISCAL YEARS**

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|
| Authority's Proportion of the Net Pension Liability – Traditional Plan | 0.0002630% | 0.0002730% | 0.0002770% | 0.0002770% |
| Authority's Proportionate Share of the Net Pension Liability – Traditional Plan | \$ 59,457 | \$ 47,288 | \$ 33,410 | \$ 32,655 |
| Authority's Covered Employee Payroll | \$ 33,986 | \$ 33,986 | \$ 33,986 | \$ 33,986 |
| Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll | 174.95% | 136.13% | 98.31% | 96.08% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability Traditional Plan | 77.25% | 81.08% | 86.45% | 86.36% |

(1) Information prior to 2014 is not available.

(2) The amounts presented for each fiscal year were determined as of the calendar year-ended that occurred within the fiscal year.

**MORROW METROPOLITAN HOUSING AUTHORITY
MORROW COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
LAST TEN FISCAL YEARS**

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required employer contribution | \$ 4,758 | \$ 4,758 | \$ 4,758 | \$ 4,758 | \$ 4,758 | \$ 6,491 | \$ 6,588 | \$ 9,810 | \$ 8,875 | \$ 5,996 |
| Contributions in Relation to the Contractually Required Contribution | <u>(4,758)</u> | <u>(4,758)</u> | <u>(4,758)</u> | <u>(4,758)</u> | <u>(4,758)</u> | <u>(6,491)</u> | <u>(6,588)</u> | <u>(9,810)</u> | <u>(8,875)</u> | <u>(5,996)</u> |
| Contribution Deficiency (Excess) | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| Authority Covered-Employee Payroll | \$33,986 | \$33,986 | \$33,986 | \$33,986 | \$33,986 | \$46,364 | \$47,057 | \$70,071 | \$63,393 | \$43,075 |
| Contributions as a Percentage of Covered-Employee Payroll | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 13.92% |

(1) Total contributions reported include any amounts contributed to other post employment benefits in additional to the Traditional plan.

**MORROW METROPOLITAN HOUSING AUTHORITY
MORROW COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

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 the fiscal years presented.

Changes in assumptions: In 2016, actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions with most notable being a reduction in the actuarially assumed rate of return from 8.0% to 7.5% for the defined benefits investments. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**MORROW METROPOLITAN HOUSING AUTHORITY
MORROW COUNTY**

**ENTITY WIDE BALANCE SHEET SUMMARY
FDS SCHEDULE SUBMITTED TO HUD
SEPTEMBER 30, 2017**

| FDS Line Item No. | Account Description | 14.871 Housing Choice Vouchers | 14.896 Family Self- Sufficiency Program | Total |
|----------------------------|---|-----------------------------------|---|------------|
| | Current Assets | | | |
| | Cash | | | |
| 111 | Cash - Unrestricted | \$ 38,569 | \$ - | \$ 38,569 |
| 113 | Cash - Other Restricted | 9,709 | 28,562 | 38,271 |
| 100 | Total Cash | 48,278 | 28,562 | 76,840 |
| | Accounts Receivable | | | |
| 128 | Fraud Recovery | 540 | - | 540 |
| 128.1 | Allowance for Doubtful Accounts | (540) | - | (540) |
| 120 | Total Receivables, Net of Allowance for Doubtful Accounts | - | - | - |
| | Other Assets | | | |
| 142 | Prepaid Items | 1,162 | - | 1,162 |
| 150 | Total Current Assets | 49,440 | 28,562 | 78,002 |
| | Noncurrent Assets | | | |
| | Capital Assets | | | |
| 164 | Furniture and Equipment - Administration | 18,557 | - | 18,557 |
| 166 | Accumulated Depreciation | (18,266) | - | (18,266) |
| 160 | Total Capital Assets net of accumulated depreciation | 291 | - | 291 |
| 180 | Total Noncurrent Assets | 291 | - | 291 |
| 190 | Total Assets | 49,731 | 28,562 | 78,293 |
| 200 | Deferred Outflow of Resources | 21,979 | - | 21,979 |
| 290 | Total Assets and Deferred Outflow of Resources | \$ 71,710 | \$ 28,562 | \$ 100,272 |
| | Current Liabilities | | | |
| 321 | Accrued Wages and Payroll Taxes | \$ 1,205 | \$ - | \$ 1,205 |
| 322 | Accrued Compensated Absences - Current | 3,191 | - | 3,191 |
| 310 | Total Current Liabilities | 4,396 | - | 4,396 |
| | Non-Current Liabilities | | | |
| 353 | Non-Current Liabilities - Other | - | 28,562 | 28,562 |
| 357 | Accrued Pension and OPEB Liabilities | 59,457 | - | 59,457 |
| 350 | Total Non-Current Liabilities | 59,457 | 28,562 | 88,019 |
| 300 | Total Liabilities | 63,853 | 28,562 | 92,415 |
| 400 | Deferred Inflow of Resources | 355 | - | 355 |
| | Net Position | | | |
| 508.1 | Net Investment in Capital Assets | 291 | - | 291 |
| 511.1 | Restricted Net Position | 9,709 | - | 9,709 |
| 512.1 | Unrestricted Net Position | (2,498) | - | (2,498) |
| | Total Net Position | 7,502 | - | 7,502 |
| 600 | Total Liabilities, Deferred Inflow of Resources, and Net Position | \$ 71,710 | \$ 28,562 | \$ 100,272 |

NOTE FOR REAC REPORTING: The accompanying schedules have been prepared in accordance with the format as required for HUD's electronic filing REAC system. The format and classifications of various line items may differ from those used in the preparation of the financial statements presented in accordance with accounting principles generally accepted in the United States of America.

**MORROW METROPOLITAN HOUSING AUTHORITY
MORROW COUNTY**

**ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FDS SCHEDULE SUBMITTED TO HUD
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

| FDS Line Item No. | Account Description | 14.871 Housing Choice Vouchers | 14.896 Family Self-Sufficiency Program | Total |
|-------------------------|--|--------------------------------------|--|-----------------|
| | Revenue | | | |
| 70600 | HUD PHA Operating Grants | \$ 496,291 | \$ 37,588 | \$ 533,879 |
| 71100 | Investment Income - Unrestricted | 1 | - | 1 |
| 71400 | Fraud Recovery | 1,953 | - | 1,953 |
| 71500 | Other Revenue | 5,613 | - | 5,613 |
| 70000 | Total Revenue | <u>503,858</u> | <u>37,588</u> | <u>541,446</u> |
| | Expenses | | | |
| 91100 | Administrative Salaries | - | 33,986 | 33,986 |
| 91200 | Auditing Fees | 3,731 | - | 3,731 |
| 91300 | Management Fee | 35,400 | - | 35,400 |
| 91500 | Employee Benefit Contribution - Administrative | 15,171 | 3,602 | 18,773 |
| 91600 | Office Expenses | 11,692 | - | 11,692 |
| 91000 | Total Operating - Administrative | <u>65,994</u> | <u>37,588</u> | <u>103,582</u> |
| 96120 | Liability Insurance | 1,383 | - | 1,383 |
| 96130 | Workmen's Compensation | 32 | - | 32 |
| 96100 | Total Insurance Premiums | <u>1,415</u> | <u>-</u> | <u>1,415</u> |
| 96210 | Compensated Absences | 399 | - | 399 |
| 96000 | Total Other General Expenses | <u>399</u> | <u>-</u> | <u>399</u> |
| 96900 | Total Operating Expenses | <u>67,808</u> | <u>37,588</u> | <u>105,396</u> |
| 97000 | Excess Operating Revenue Over Operating Expenses | <u>436,050</u> | <u>-</u> | <u>436,050</u> |
| | Other Expenses | | | |
| 97300 | Housing Assistance Payments | 446,015 | - | 446,015 |
| 97400 | Depreciation Expense | 292 | - | 292 |
| | Total Other Expenses | <u>446,307</u> | <u>-</u> | <u>446,307</u> |
| 90000 | Total Expenses | <u>514,115</u> | <u>37,588</u> | <u>551,703</u> |
| 10000 | Excess of Revenues under Expenses | (10,257) | - | (10,257) |
| 11030 | Beginning Net Position | 17,759 | - | 17,759 |
| 11170 | Administrative Fee Equity | (2,207) | - | (2,207) |
| 11180 | Housing Assistance Payment Equity | 9,709 | - | 9,709 |
| | Total Ending Net Position | <u>\$ 7,502</u> | <u>\$ -</u> | <u>\$ 7,502</u> |

**MORROW METROPOLITAN HOUSING AUTHORITY
MORROW COUNTY**

**STATEMENT OF CHANGES IN EQUITY BALANCES
FDS SCHEDULE SUBMITTED TO HUD
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

| FDS Line Item No. | Account Description | 14,871 Housing Choice Vouchers | |
|------------------------------|--|---------------------------------------|-------------------|
| 11170-001 | Administrative Fee Equity - Beginning Balance | | \$ 6,011 |
| 11170-010 | Administrative Fee Revenue | \$ 58,909 | |
| 11170-045 | Fraud Recovery Revenue | 973 | |
| 11170-060 | Total Administrative Fee Revenues | | 59,882 |
| 11170-080 | Total Operating Expenses | 67,808 | |
| 11170-090 | Depreciation | 292 | |
| 11170-110 | Total Expenses | | 68,100 |
| 11170-002 | Net Administrative Fee | | (8,218) |
| 11170-003 | Administrative Fee Equity - Ending Balance | | (2,207) |
| 11170 | Administrative Fee Equity | | <u>\$ (2,207)</u> |
| 11180-001 | Housing Assistance Payments Equity - Beginning Balance | | \$ 11,748 |
| 11180-010 | Housing Assistance Payment Revenues | 437,382 | |
| 11180-015 | Fraud Recovery Revenue | 980 | |
| 11180-025 | Investment Income | 1 | |
| 11180-020 | Other Revenue | 5,613 | |
| 11180-021 | Comment for Other Revenue - FSS forfeitures offset | | |
| 11180-030 | Total Housing Assistance Payments Revenues | | 443,976 |
| 11180-080 | Housing Assistance Payments | 446,015 | |
| 11180-100 | Total Housing Assistance Payments Expenses | | 446,015 |
| 11180-002 | Net Housing Assistance Payments | | (2,039) |
| 11180-003 | Housing Assistance Payments Equity - Ending Balance | | 9,709 |
| 11180 | Housing Assistance Payments Equity | | <u>\$ 9,709</u> |

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

Morrow Metropolitan Housing Authority
Morrow County
619 West Marion Road, Suite 107
Mount Gilead, Ohio 43338

To the Board of Trustees:

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 Morrow Metropolitan Housing Authority, Morrow County, (the Authority) as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 14, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
March 14, 2018



Dave Yost • Auditor of State

MORROW COUNTY METROPOLITAN HOUSING AUTHORITY

MORROW 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
APRIL 24, 2018**