

MARION METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

June 30, 2014

Together with Auditors' Report



Dave Yost • Auditor of State

Board of Trustees
Marion Metropolitan Housing Authority
P.O. Box 1029
Mansfield, Ohio 44901

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

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

December 4, 2014

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**MARION METROPOLITAN HOUSING AUTHORITY
MARION, OHIO**

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Independent Auditor's Report

Board of Trustees
Marion Metropolitan Housing Authority
Marion, Ohio

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of Marion Metropolitan Housing Authority, Marion County as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Marion Metropolitan Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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

My responsibility is to opine on these financial statements based on my audit. I 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 me 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 my judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, I consider internal control relevant to the Marion Metropolitan Housing 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 Marion Metropolitan Housing Authority's internal control. Accordingly, I 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 my evaluation of the overall financial statement presentation.

I believe the audit evidence I obtained is sufficient and appropriate to support my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Marion Metropolitan Housing Authority, Marion County, Ohio as of June 30, 2014, and the respective changes in financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

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*, 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. I 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 my inquiries, to the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not opine or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to opine or provide any other assurance.

Supplementary

My audit was conducted to opine on the Marion Metropolitan Housing Authority's basic financial statements taken as a whole. The Supplemental Financial Data Schedules present additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Awards Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Supplemental Financial Data Schedules and Schedule of Federal Award Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. I subjected these schedules to the auditing procedures I applied to the basic financial statements. I also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated October 23, 2014 on my consideration of the Marion Metropolitan Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my 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 Marion Metropolitan Housing Authority's internal control over financial reporting and compliance.

Kevin L. Penn, Inc.

October 23, 2014

Marion Metropolitan Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2014

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

This Management Discussion and Analysis is new, and will now be presented at the front of each year's financial statements.

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 10).

FINANCIAL HIGHLIGHTS

- During FY 2014, the Authority net position decreased by \$152,230 (or 35.35%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net Position was \$430,613 and \$278,383 for FY 2013 and FY 2014 respectively.
- The revenue decreased by \$327,395 (or 10.63%) during FY 2014, and was \$3,079,020 and \$2,751,625 for FY 2013 and FY 2014 respectively.
- The total expenses of the Authority decreased by \$250,564 (or 7.94%). Total expenses were \$3,154,419 and \$2,930,855 for FY 2013 and FY 2014 respectively.

The primary focus of the Authority's financial statement (summarized fund-type information) has been discarded. The new and clearly preferable focus is on both the Authority as a whole (Authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

Authority-Wide Financial Statements

The Authority-wide financial statements (see pgs 10-12) 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".

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

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

Unrestricted Net Position: Consists of Net Position that do not meet the definition of “Net Position Invested in Capital Assets, Net of Related Debt”, or “Restricted Net Position”.

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

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

Finally, Statement of Cash Flows (see page 12) is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

Fund Financial Statements

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.

Many of the funds maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Authority’s Funds

Business Type Funds

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family’s rent through a Housing Assistance Payment made to the landlord. The program is administered under and 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.

Mainstream Vouchers Program – Under the Mainstream Voucher Program, the Authority provides housing assistance payments to participating owners on behalf of eligible tenants, i.e., families having a person with disabilities.

Other Program - In addition to the major funds above, the Authority also maintains the following non-major fund. Non-major funds are defined as funds that have assets, liabilities, revenues, or expenses of at least 5% or more of the Authority's total assets, liabilities, revenues or expenses. The only other activity the Authority is involved with is listed below:

Home Investment Partnership Program – grant monies are received from local sources to administer this program in a manner similar to the Housing Choice Voucher Program.

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.

TABLE 1

STATEMENT OF NET POSITION

	FY 2014	FY 2013
Current and Other Assets	\$ 323,597	\$ 466,033
Capital Assets	<u>1,911</u>	<u>2,803</u>
Total Assets	<u>325,508</u>	<u>468,836</u>
Other Liabilities	33,313	30,954
Non-Current Liabilities	<u>11,602</u>	<u>7,269</u>
Total Liabilities	<u>44,915</u>	<u>38,223</u>
Net Position:		
Net Investment in Capital Assets	1,911	2,803
Restricted	22,950	121,967
Unrestricted	<u>253,522</u>	<u>305,843</u>
Total Net Position	<u>\$ 278,383</u>	<u>\$ 430,613</u>

For more detailed information see page 10 for the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

Current assets (primarily cash and investments) were decreased by \$142,436 or 30.56% while total liabilities were increased by \$6,692 or 17.51%. The decreases in current assets were from the HUD funding decreases, recapture on NRA funds and current year's operating loss. Liabilities increased by the increase in deferred HUD revenues and in accrued Compensated absences.

The Capital Assets had a net decrease of \$892. This is the amount of the current year's depreciation of \$892. For more detail see "Capital Assets and Debt Administration" below.

Table 2 presents details on the change in Unrestricted Net Position and Table 3 the details on the change in Restricted Net Position.

TABLE 2

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position 6/30/13		\$ 305,843
Results of Operations	(53,213)	
Adjustments:		
Depreciation (1)	892	
Adjusted Results from Operations		(52,321)
		<hr/>
Unrestricted Net Position 6/30/14		<u><u>\$ 253,522</u></u>

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

While the result of operations is 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.

TABLE 3

CHANGE OF RESTRICTED NET POSITION

Restricted Net Position 6/30/13		\$121,967
Results of Operations		
HAP reserves unspent	(100,017)	
Fraud Recovery payments net of bad debts	1,000	
Adjusted Results from Operations		(99,017)
		<hr/>
Restricted Net Position 6/30/14		<u><u>\$ 22,950</u></u>

The following table reflects the condensed Statement of Revenues, Expenses and Changes in Net Position compared to prior year.

TABLE 4**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

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

	FY 2014	FY 2013
Revenues		
HUD PHA Operating Grants	\$ 2,734,566	\$ 3,074,836
Investment Income-ALL	949	734
Other Revenues – Port Admin. Fees/HAP	7,661	1,915
Other Revenues - Service Income	6,450	400
Other Revenues – Fraud Recovery-All	1,999	1,135
Total Revenue	<u>2,751,625</u>	<u>3,079,020</u>
Expenses		
Administrative	326,681	309,401
Maintenance	4,197	5,574
General	10,521	11,202
Housing Assistance Payments	2,561,564	2,826,918
Depreciation	892	1,324
Total Expenses	<u>2,903,855</u>	<u>3,154,419</u>
Net Increase/ (Decrease)	<u>\$ (152,230)</u>	<u>\$ (75,399)</u>

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

HUD PHA Operating Grants decreased by \$340,270 or 11.07%. There were decreases in funding and decreases in leasing. Fy14 had 6,846 unit months leased compared to 7,245 in FY13. (5.5% decrease) Both had the affect of decreases in Housing Assistance Payments of \$265,354 or 9.4%.

Administrative Expenses increases continue to reflect the staffing changes during the previous and current year.

The net decrease for 2014 should be broken into HAP funds & PHA funds as follows: \$99,017 decrease from the classified “Restricted HAP” and \$53,213 decrease to the Authority’s funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION**Capital Assets**

As of 6/30/14 the Authority had \$1,911 invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation).

TABLE 5

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

	Business-Type Activities	
	FY 2013	FY 2014
Equipment – Administrative	\$ 31,466	\$ 31,466
Accumulated Depreciation	<u>(29,555)</u>	<u>(28,663)</u>
Total	<u>\$ 1,911</u>	<u>\$ 2,803</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 19 of the notes.

TABLE 6

CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance, July 1, 2013	\$ 2,803
Additions	0
Depreciation	<u>(892)</u>
Ending Balance, June 30, 2014	<u>\$ 1,911</u>

This year’s major additions are: None.

Debt Outstanding

As of 6/30/14, the Authority has no outstanding debt (bonds, notes, etc.)

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

The individual to be contacted regarding this report is Marsha K. Inscho; Finance Manager for the Marion Metropolitan Housing Authority, at (419) 526-1622 Specific requests may be submitted to the Authority at P.O. Box 1029, Marion, OH 44901.

MARION METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted (Note 2)	\$ 286,554
Restricted Cash (Note 3)	23,212
Accounts Receivable - Fraud Recovery	2,144
Allowance for Doubtful Accounts	(2,144)
Accounts Receivable - Other	7,986
Prepaid Expenses	5,845
Total Current Assets	<u>323,597</u>

Non-Current Assets

Depreciation Capital Assets - (Note 5)	<u>1,911</u>
Total Non-Current Assets	<u>1,911</u>
TOTAL ASSETS	<u><u>\$ 325,508</u></u>

LIABILITIES AND NET POSITION

Current Liabilities

Accounts Payable	\$ 29,113
Accrued Expenses	1,839
Unearned Revenue	2,210
Accrued Compensated Absences	2,361
Total Current Liabilities	<u>35,523</u>

Non-Current Liabilities

Accrued Compensated Absences	<u>11,602</u>
Total Non-Current Liabilities	<u>11,602</u>
Total Liabilities	<u><u>\$ 47,125</u></u>

Net Position

Net Investment in Capital Assets	\$ 1,911
Restricted	22,950
Unrestricted	253,522
Total Net Position	<u><u>\$ 278,383</u></u>

The accompanying notes are an integral part of the financial statements.

MARION METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

Operating Revenue:

HUD Operating Subsidies and Grants	\$ 2,734,566
Fraud Recovery	1,999
Other Revenue	14,111
Total Operating Revenue	<u>2,750,676</u>

Operating Expenses:

Housing Assistance Payments	2,561,564
Other Administrative Expense	329,612
Material and Labor - Maintenance	4,197
Depreciation Expense	892
General Expenses	7,590
Total Operating Expenses	<u>2,903,855</u>

Operating Income (Loss)	(153,179)
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Non-Operating Revenues (Expenses)

Investment Income - Unrestricted	909
Investment Income - Restricted	40
Total Non-Operating Revenues (Expenses)	<u>949</u>

Change in Net Position	(152,230)
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Net Position - Beginning of Year	<u>430,613</u>
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Net Position - End of Year	<u>\$ 278,383</u>
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The accompanying notes are an integral part of the financial statements.

MARION METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

Cash Flows From Operating Activities:	
Cash Received from HUD	\$ 2,734,566
Cash Received from Other Income	17,059
Cash Payments for Housing assistance payments	(2,561,564)
Cash Payments for Administrative	(329,611)
Cash Payments for Other Operating Expenses	(10,853)
Net Cash Provided (Used) by Operating Activities	<u>(150,403)</u>
Cash Flows From Capital and Related Financing Activities:	
	<u>0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	0
Cash Flows From Investing Activities:	
Investment Income	<u>949</u>
Net Cash Provided (Used) by Investing Activities	949
Increase (Decrease) in Cash and Cash Equivalents	(149,454)
Cash and Cash Equivalents - Beginning of Year	<u>459,220</u>
Cash and Cash Equivalents - End of Year	<u>\$ 309,766</u>
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:	
Operating Income (Loss)	\$ (153,179)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:	
Depreciation	892
(Increase) decrease in:	
Accounts Receivable	(6,830)
Prepaid Expenses	(188)
Increase (decrease) in:	
Accounts Payable	25,497
Compensated Absences	2,361
Unearned Revenue	(18,863)
Accrued Expenses	(93)
Net cash used in operating activities	<u>\$ (150,403)</u>

The accompanying notes are an integral part of the financial statements.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The basic financial statements of the Marion 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, 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable. Based on the above criteria, the Authority has no component units.

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 grant 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 proprietary fund type:

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

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

Measurement Focus/Basis of Accounting

The Authority has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America. The Authority follows the business-type activities reporting requirements of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. In accordance with GASB Statement No. 34, the accompanying basic financial statements are reported on an Authority-wide basis. GASB Statement No. 34 (as amended by GASB Statement No. 63) requires the following, which collectively make up the Authority's basic financial statements:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounting and Reporting for Nonexchange Transactions

Nonexchange 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 nonexchange 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 nonexchange revenues: result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (i.e. property taxes and fines).

Government-mandated nonexchange 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 nonexchange 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 nonexchange transactions.

GASB 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

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 nonexchange 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 nonexchange 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 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounting and Reporting for Nonexchange Transactions (continued)

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.

The PHA receives government-mandated or voluntary nonexchange transactions, which do not specify time requirements. Upon award, the entire subsidy should be recognized as a receivable and revenue in the period when applicable eligibility requirements have been met.

Capital Assets

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

Estimated Useful Description Lives - Years

Furniture	7
Equipment	7
Computer hardware	3
Computer software	3
Vehicles	5

Total depreciation expense for the 2014 fiscal year was \$892.

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.

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. 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated Absences (continued)

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 current liability.

Net Position

Net Position represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets net of accumulated depreciation. Net assets are 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 are available, the Authority first applies restricted Net Position. Net Position restricted by HUD was \$22,950.

Estimates

The preparation of the 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 and liabilities 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.

Prepaid Items

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

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as a receivable or revenue, or unearned revenue of the current fiscal period.

Accounts Receivable

Management considers all accounts receivable (excluding the fraud recovery receivable) to be collected in full.

2. CASH, 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 interest bearing accounts. Security shall be furnished for all accounts in the Authority's name. Cash and cash equivalents included in the Authority's cash position at June 30, 2014 are as follows:

Demand Deposits:	Checking	Savings	Total
Bank Balance	\$ 34,878	\$281,191	\$ 316,069
Reconciling Items	<u>(6,328)</u>	<u> </u>	<u>(6,328)</u>
Carrying Balance	<u>\$ 28,550</u>	<u>\$281,191</u>	<u>\$ 309,741</u>

In addition, the Authority maintains \$25 in petty cash funds. Of the fiscal year-end cash balance, \$250,000 was covered by federal deposit insurance, and \$66,069 was secured by pledges securities held by a third party trustee.

Based on the Authority having only demand deposits at June 30, 2014, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

3. RESTRICTED CASH

Restricted cash balance as of June 30, 2014 of \$23,212 represents unspent HAP funding provided for the Housing Choice Voucher program.

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

4. 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 2010, the Authority purchased commercial insurance for vehicle, health, generally liability, building contents, and real property insurance.

Vehicle insurance carries a \$100 comprehensive deductible and \$250 collision deductible. Property insurance carries a \$250 deductible. The deductible for general liability and electronic data processing insurance are \$250 each. The deductible for public officials' liability insurance is \$2,500.

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 year.

5. CAPITAL ASSETS

The following is a summary of capital assets at June 30, 2014:

	<u>6/30/2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>6/30/2014</u>
Governmental Activities – Cost				
Vehicles	\$ 9,060			\$ 9,060
Furniture, Equipment, and Machinery	<u>26,365</u>	<u>0</u>	<u>0</u>	<u>26,365</u>
Total at Cost	35,425	0	0	35,425
Accumulated Depreciation:				
Vehicles	(8,561)			(8,561)
Furniture, Equipment and Machinery	<u>(24,061)</u>	<u>(892)</u>	<u>0</u>	<u>(24,953)</u>
Total Accumulated Depreciation	<u>(32,622)</u>	<u>(892)</u>	<u>(0)</u>	<u>(33,514)</u>
Total Capital Assets, Net	<u>\$ 2,803</u>	<u>\$(892)</u>	<u>\$ 0</u>	<u>\$ 1,911</u>

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

6. DEFINED BENEFIT PENSION PLANS

Plan Description - All employees of the Authority are eligible to participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

The Traditional Pension Plan - a cost sharing, multiple-employer defined pension plan.

The Member-Directed Plan - 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-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

The Combined Plan — a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-retirement health care coverage. The authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available comprehensive annual financial report which includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222- 7377.

Funding Policy - The Authority and covered employees contribute at actuarially determined rates for fiscal year 2014, 14% and 10%, respectively, of covered employee payroll to OPERS. The Authority's contributions to OPERS for the years ended June 30, 2014, 2013, and 2012 were \$13,473; \$13,017 and \$12,937 respectively. Required contributions are equal to 100% of the dollar amount billed for all three years. The Board of the Authority has elected to pay the employees' portion of OPERS which totaled \$9,631 for fiscal year 2014.

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.

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

6. DEFINED BENEFIT PENSION PLANS - CONTINUED

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 Retirement Board 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 was 4.23% for 2014 and 2013. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Employer contributions are advance-funded on an actuarially determined basis and are determined by state statute. The Traditional Pension and Combined Plans had 357,584 active contributing participants as of December 31, 2011. The number of active contributing participants for both plans used in the December 31, 2011 actuarial valuation was 356,388.

Employer contributions made to fund post-employment benefits were approximately \$4,071. The assumptions and calculations used below were based on the System's latest Actuarial Review performed as of December 31, 2011 (latest actuarial review). An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actual gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2013 was 6.5 percent.

OPERS (assuming the number of active employees remains constant) assumes an annual increase of 4.00% compounded annually for the base portion of an individual's pay increase. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.3%.

Health care costs were assumed to increase at a projected wage inflation rate plus an additional factor ranging from .50% to 4% for the next 7 years. In subsequent years (8 and beyond), health care costs were assumed to increase 4% (the projected wage inflation rate).

As of December 31, 2011, the audited estimated Net Position available for OPEB were \$10.7 billion. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were \$29.6 billion and \$18.9 billion, respectively.

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

6. DEFINED BENEFIT PENSION PLANS - CONTINUED

The Health Care Preservation Fund (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007.

7. COMPENSATED ABSENCES

The following is a summary of compensated absences at June 30, 2014:

	<u>Balance at 6/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/14</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 11,602	\$ 12,292	\$(9,931)	\$ 13,963	\$ 2,361

8. CONTINGENT LIABILITIES

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts could have a material adverse effect on the overall financial position of the Authority at June 30, 2014.

Litigation

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

9. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Marion Metropolitan Housing Authority and is presented on the accrued basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

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

10. SUBSEQUENT EVENTS

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through October 23, 2014, the date on which the financial statements were available to be issued.

11. CHANGE IN ACCOUNTING PRINCIPLES

For the 2014 fiscal year, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 61, The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34.

The objective of GASB Statement No. 61, The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 34, is to improve financial reporting for a governmental financial reporting entity.

GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,” Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 65, “Items Previously Reported as Assets and Liabilities,” and Statement No. 66, “Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62.”

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the Authority’s financial statements.

GASB Statement No. 63 provides for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related note disclosures. The changes were incorporated in the Authority’s fiscal year 2014 financial statements, however, there was no effect on beginning net position.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The implementation of this statement did not result in any change in the Authority’s financial statements.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the Authority’s financial statements.

Marion Metropolitan Housing Authority
Statement of Net Position
June 30, 2014

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Housing Choice Voucher	Supportive Housing for Persons with Disabilities	HOME Investment Partnership	State & Local	TOTALS
111	Cash - Unrestricted	\$ 255,235	\$ 29,109	\$ 2,210	\$ -	\$286,554
113	Cash - Other Restricted		22,950			22,950
115	Cash - Restricted for Payment of Current Liab.	262				262
100	Total Cash	<u>255,497</u>	<u>52,059</u>	<u>2,210</u>	<u>-</u>	<u>309,766</u>
122	Acct Rec-HUD Other Project	7,256				7,256
125	Acct Rec-Misc.	730				730
128	Fraud Recovery	2,144				2,144
128.1	Allow Doubtful Accounts	(2,144)				(2,144)
120	Net Total Receivables	<u>7,986</u>				<u>7,986</u>
142	Prepaid Expenses	5,845				5,845
150	Total Current Assets	<u>269,328</u>	<u>52,059</u>	<u>2,210</u>	<u>-</u>	<u>323,597</u>
164	F/E/M Admin.	31,466				31,466
166	Accum Depreciation	(29,555)				(29,555)
160	Net Fixed Assets	<u>1,911</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,911</u>
190	TOTAL ASSETS	<u>\$ 271,239</u>	<u>\$ 52,059</u>	<u>\$ 2,210</u>	<u>\$ -</u>	<u>\$325,508</u>
312	A/P <= 90 days	\$ 7,324			\$ -	\$ 7,324
321	Accrued Wage/Taxes Payable	1,839				1,839
322	Accrued Comp Abs - current	2,361				2,361
331	Accounts Payable - HD PHA Programs	262	\$ 21,527			21,789
342	Unearned Revenue			\$ 2,210		2,210
310	Total Current Liabilities	<u>11,786</u>	<u>21,527</u>	<u>2,210</u>	<u>-</u>	<u>35,523</u>
354	Accrued Comp Abs. - Noncurrent	11,602				11,602
	Total Liabilities	<u>23,388</u>	<u>21,527</u>	<u>2,210</u>	<u>-</u>	<u>47,125</u>
508.1	Invested in Capital Assets Net	1,911				1,911
511.1	Restricted Net Position		22,950			22,950
512.1	Unrestricted Net Position	245,940	7,582			253,522
513	Total Equity/Net Position	<u>247,851</u>	<u>30,532</u>	<u>-</u>	<u>-</u>	<u>278,383</u>
600	TOTAL LIAB. & EQUITY	<u>\$ 271,239</u>	<u>\$ 52,059</u>	<u>\$ 2,210</u>	<u>\$ -</u>	<u>\$ 325,508</u>

Marion Metropolitan Housing Authority
Statement of Revenue and Expenses
June 30, 2014

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Housing Choice Voucher	Supportive Housing for Persons with Disabilities	HOME Investment Partnership	State & Local	TOTALS
706-01	Housing Assistance Payment Revenue	\$ 2,195,149	\$ 301,458	\$ 1,973		\$ 2,498,580
706-02	Administrative Fee Revenues	235,986				235,986
711	Investment Income - PHA	865	44			909
714	Fraud Recovery - PHA	1,999				1,999
715	Other Revenue	7,661			6,450	14,111
720	Investment Income - Restricted		40			40
700	TOTAL REVENUE	2,441,660	301,542	1,973	6,450	2,751,625
911	Admin. Salaries	77,418	18,797	90		96,305
912	Audit	3,707	550			4,257
914	Advertisement & Marketing	294				294
915	Employee Benefits	64,144	12,866	39		77,049
916	Office Expenses	82,771	9,086	50		91,907
917	Legal Expense	814				814
918	Travel	4,905				4,905
919	Other	36,958	7,742		6,450	51,150
	Total Operating - Admin.	271,011	49,041	179	6,450	326,681
942	Ordinary Maint.	4,197				4,197
	Total Maint.	4,197	-	-	-	4,197
952	Protective Services - Other Contract Costs	570				570
	Total Protective Services	570	-	-	-	570
961.2	Insurance - Liab Insurance	5,892				5,892
961.3	Workmen's Compensation	1,698				1,698
	Total Insurance	7,590	-	-	-	7,590
962.1	Comp Abs	2,361				2,361
	TOTAL OPERATING EXPENSES	285,729	49,041	179	6,450	341,399
970	Excess Oper. Rev. over Exp.	2,155,931	252,501	1,794	-	2,410,226
973	HAP	2,295,166	257,785	1,794		2,554,745
973.5	HAP Portability-In	6,819				6,819
974	Depreciation Exp	892				892
900	TOTAL EXPENSES	2,588,606	306,826	1,973	6,450	2,903,855
1000	NET INCOME (LOSS)	\$ (146,946)	\$ (5,284)	\$ -	\$ -	\$ (152,230)

Marion Metropolitan Housing Authority
 Additional Information Required by HUD
 June 30, 2014

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Housing Choice Voucher	Supportive Housing for Persons with Disabilities	HOME Investment Partnership
11030	Beginning Equity	\$ 394,797	\$ 35,816	\$ -
11170	Administrative Fee Equity	\$ 247,851	\$ -	\$ -
11190	Unit Months Available	6588	900	6
11210	Number of Unit Months Leased	5940	900	6

MARION METROPOLITAN HOUSING AUTHORITY
 Schedule of Expenditures of Federal Award
 For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Direct Program:			
Section 8 Housing Choice Voucher	14.871	N/A	\$2,431,135
Supportive Housing for Persons with Disabilities	14.181	N/A	301,458
HOME Investment Partnerships Program	14.239	N/A	<u>1,973</u>
Total Expenditures of Federal Awards			<u><u>\$2,734,566</u></u>

The accompanying notes are an integral part of the financial statements.



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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

Board of Trustees
Marion Metropolitan Housing Authority
Marion, Ohio

I 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 Marion Metropolitan Housing Authority, Marion County, Ohio as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued my report thereon dated October 23, 2014.

Internal Control Over Financial Reporting

As part of my financial statement audit, I considered the Marion Metropolitan Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support my opinion(s) on the financial statements, but not to the extent necessary to opine on the effectiveness of the Marion Metropolitan Housing Authority's internal control. Accordingly, I 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 Marion Metropolitan Housing 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.

My 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, I did not identify any deficiencies in internal control that I consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Marion Metropolitan Housing 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 my audit and accordingly, I do not express an opinion. The results of my tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

I noted certain matters that I reported to management of Marion Metropolitan Housing Authority's in a separate letter dated October 23, 2014.

Purpose of this Report

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

Kevin L. Penn, Inc.

October 23, 2014



Kevin L.
Penn, Inc.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees
Marion Metropolitan Housing Authority
Marion, Ohio

Report on Compliance for Each Major Federal Program

I have audited the Marion Metropolitan Housing Authority compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Marion Metropolitan Housing Authority's major federal programs for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Marion Metropolitan Housing Authority's major federal programs.

Management's Responsibility

The Marion Metropolitan Housing Authority's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program(s).

Auditor's Responsibility

My responsibility is to opine on the Marion Metropolitan Housing Authority's compliance for each of the Marion Metropolitan Housing Authority's major federal program[s] based on my audit of the applicable compliance requirements referred to above. My 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require me 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 Marion Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my compliance opinion on the Marion Metropolitan Housing Authority's major program(s). However, my audit does not provide a legal determination of the Marion Metropolitan Housing Authority's compliance.

Opinion on Each the Major Federal Program

In my opinion, the Marion Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal program(s) for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The Marion Metropolitan Housing 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 my compliance audit, I considered the Marion Metropolitan Housing Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine my 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 OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, I have not opined on the effectiveness of the Marion Metropolitan Housing 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.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of my internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Kevin L. Penn, Inc.

October 23, 2014

Marion Metropolitan Housing Authority
 Schedule of Findings
 June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over compliance:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified not considered to be material weaknesses?	None Reported

Type of auditor's report issued on compliance for major program:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
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Identification of major programs:	
14.871	Housing Choice Vouchers
14.181	Supportive Housing for Persons with Disabilities

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000 (Type A)
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Auditee qualified as low-risk auditee?	Yes
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Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings

No matters were reported.

Marion Metropolitan Housing Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

There were no audit findings, during the 2013 fiscal year.



Dave Yost • Auditor of State

MARION METROPOLITAN HOUSING AUTHORITY

MARION 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
DECEMBER 16, 2014**