

**NOBLE METROPOLITAN
HOUSING AUTHORITY
NOBLE COUNTY, OHIO**

AUDIT REPORT

**FOR THE FISCAL YEAR
ENDED MARCH 31, 2019**

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

OHIO AUDITOR OF STATE
KEITH FABER



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Members of the Board
Noble Metropolitan Housing Authority
1100 Maple Court
Cambridge, Ohio 43725

We have reviewed the *Independent Auditor's Report* of the Noble Metropolitan Housing Authority, Noble County, prepared by James G. Zupka, Inc., for the audit period April 1, 2018 through March 31, 2019. 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 Noble Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

October 16, 2019

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**NOBLE METROPOLITAN HOUSING AUTHORITY
NOBLE COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED MARCH 31, 2019**

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

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Noble Metropolitan Housing Authority
Caldwell, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Noble Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Noble Metropolitan Housing Authority as of March 31, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Statement of Modernization Cost - Completed and the Financial Data Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive style.

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

September 17, 2019

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**NOBLE METROPOLITAN HOUSING AUTHORITY
NOBLE COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2019
(UNAUDITED)**

The Noble Metropolitan Housing Authority’s (“the Authority”) Management’s Discussion and Analysis (MD&A) 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 position, and (d) identify individual fund issues of concerns.

Since the MD&A is designed to focus of the current year’s activities, resulting changes and currently known facts, please read it in conjunction with the Authority’s financial statement.

FINANCIAL HIGHLIGHTS

- The Authority’s total net position decreased by \$82,654 (or 9.47 percent) during the fiscal year ended 2019. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net position was \$790,150 and \$872,804 for 2019 and 2018, respectively.
- The Authority’s total revenue increased by \$8,796 (or 1.56 percent) during the fiscal year ended 2019, and was \$572,888 and \$564,092 for 2019 and 2018, respectively.
- The total expenses of all Authority programs increased by \$20,281 (or 3.19 percent). Total expenses were \$655,542 and \$635,261 for the fiscal years ended 2019 and 2018, respectively.

USING THIS ANNUAL REPORT

This is a different presentation of the Authority’s previous financial statements. The following graphic outlines these changes and are provided for your review:

MD & A -Management Discussion and Analysis-

Basic Financial Statements -Statement of Net Position- -Statement of Revenues, Expenses and Changes in Net Position- -Statement of Cash Flows- -Notes to Financial Statements-

The clearly preferable focus is on the Authority as a single Enterprise Fund. This format will 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.

**NOBLE METROPOLITAN HOUSING AUTHORITY
NOBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2019
(UNAUDITED)**

AUTHORITY FINANCIAL STATEMENTS

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

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The Statement is presented in the format where assets minus liabilities equal "Net Position", formerly known as net assets. 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 to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly net assets) is 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, constructions, 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 creditor (such as debt covenants), grantors, contributors, laws, regulations, etc.

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

The Authority's financial statements also include a Statement of Revenues, Expenses, and Changes in Fund Net Position (similar to an Income Statement). This Statement includes Operating Revenue, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as capital 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, a Statement of Cash Flows is included, which discloses net cash provided by or used for operating activities, non-capital financing activities, and from capital and related financing activities.

The Authority consists exclusively of 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.

**NOBLE METROPOLITAN HOUSING AUTHORITY
NOBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2019
(UNAUDITED)**

AUTHORITY PROGRAMS

Many of the programs maintained by the Authority are done so as required by the U.S. Department of Housing and Urban Development (HUD). Others are segregated to enhance accountability and control.

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

Capital Fund Program (CFP) – This is the primary funding source for physical and management improvements to the Authority's properties. Funds are allocated by a formula allocation and are based on the size and age of the properties.

Housing Choice Voucher Program (HCV) – 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 an ACC with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30 percent of household income. The Authority earns administrative fees to cover the cost of administering the program.

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

	2019	2018
<u>Assets</u>		
Current and Other Assets	\$ 82,708	\$ 81,865
Capital Assets	739,663	818,771
Total Assets	822,371	900,636
<u>Liabilities</u>		
Current Liabilities	25,917	24,218
Long-Term Liabilities	6,304	3,614
Total Liabilities and Deferred Inflow of Resources	32,221	27,832
<u>Net Position</u>		
Net Investment in Capital Assets	739,663	818,771
Restricted	5,663	20,362
Unrestricted	44,824	33,671
	790,150	872,804
Total Liabilities and Net Position	\$ 822,371	\$ 900,636

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

**NOBLE METROPOLITAN HOUSING AUTHORITY
NOBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2019
(UNAUDITED)**

Major Factors Affecting the Statement of Net Position

During 2019, current assets increased by \$843, and current liabilities increased by \$1,699. The increase in current assets is mainly due to increase in unrestricted cash and use of cash as a result of current activities. The increase in liability is due to year end vendor bills being paid at the end of the fiscal year.

Capital assets also changed, decreasing from \$818,771 to \$739,663. The \$79,108 decrease may be attributed primarily to a combination of total acquisitions of \$5,034 less current year depreciation of \$84,142.

The following table presents details on the Change in Net Position.

Table 2 - Change in Net Position

	Net Investment in Capital		
	Unrestricted	Assets	Restricted
Beginning Balance - March 31, 2018	\$ 33,671	\$ 818,771	\$ 20,362
Results of Operations	(67,955)	0	(14,699)
Adjustments:			
Current Year Depreciation Expense (1)	84,142	(84,142)	0
Capital Expenditures (2)	(5,034)	5,034	0
Ending Balance - March 31, 2019	\$ 44,824	\$ 739,663	\$ 5,663

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

(2) Capital expenditures represent an outflow of Unrestricted Net Position, but are not treated as an expense against Results of Operations and, therefore, must be deducted.

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

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged in business-type activities.

**NOBLE METROPOLITAN HOUSING AUTHORITY
NOBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2019
(UNAUDITED)**

Table 3 - Statement of Revenues, Expenses, and Changes in Net Position

	2019	2018
<u>Revenues</u>		
Total Tenant Revenues	\$ 82,325	\$ 77,586
Operating Subsidies	480,821	479,867
Capital Grants	5,034	3,135
Investment Income	58	39
Other Revenues	4,650	3,465
Total Revenues	572,888	564,092
<u>Expenses</u>		
Administrative	103,509	93,337
Tenant Services	244	31
Utilities	14,614	14,585
Maintenance	73,383	69,490
General Expenses	11,222	11,086
Housing Assistance Payments	368,428	361,776
Depreciation	84,142	84,956
Total Expenses	655,542	635,261
Net Increases (Decreases)	\$ (82,654)	\$ (71,169)

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

Operating Subsidy reflects an increase of \$954 (or .20 percent) due to increased Operating Grant Funds received from HUD. Capital grants increased by \$1,899 due to increased capital improvement projects during the year.

Total tenant revenue increased by \$4,739 (or 6.11 percent). This increase was primarily due to an increase in tenant rent revenues.

Total expenses increased \$20,281 (or 3.19 percent), due mainly to increases in housing assistance payments during the year and an increase in maintenance expenses.

CAPITAL ASSETS

As of year-end, the Authority had \$739,663 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$79,108 (or 9.66 percent) from the end of last year. This decrease was mainly due to current year depreciation expense.

**NOBLE METROPOLITAN HOUSING AUTHORITY
NOBLE COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2019
(UNAUDITED)**

Table 4 - Capital Assets at Year-End (Net of Depreciation)

	2019	2018
Land and Land Rights	\$ 84,000	\$ 84,000
Buildings	1,569,615	1,565,781
Leasehold Improvements	132,091	132,091
Equipment	349,014	347,814
Construction in Progress	0	0
Accumulated Depreciation	(1,395,057)	(1,310,915)
Total Capital Assets	\$ 739,663	\$ 818,771

Table 5 - Changes in Capital Assets

Beginning Balance - March 31, 2018	\$ 818,771
Current Year Additions	5,034
Current Year Deletions	0
Current Year Depreciation Expense	(84,142)
Eliminate Depreciation for Sold Asset	0
Ending Balance - March 31, 2019	\$ 739,663
Current Year Additions are summarized as follows:	
Building Renovations	\$ 3,834
Equipment	1,200
Total 2019 Additions	\$ 5,034

DEBT OUTSTANDING

As of March 31, 2019, the Authority had no outstanding debt.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the U.S. Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Jolinda Baranich, Executive Director of the Noble Metropolitan Housing Authority at P.O. Box 1388, Cambridge, Ohio 43725.

**NOBLE METROPOLITAN HOUSING AUTHORITY
NOBLE COUNTY, OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2019**

ASSETS

Current Assets

Cash and cash equivalents	\$	50,523
Restricted cash and cash equivalents		26,064
Receivables, net		3,126
Prepaid expenses and other assets		2,995
Total Current Assets		82,708

Noncurrent Assets

Capital assets:

Non-Depreciable capital assets		84,000
Depreciable capital assets, Net		655,663

Total Noncurrent Assets		739,663
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TOTAL ASSETS		822,371
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LIABILITIES AND NET POSITION

Liabilities

Current Liabilities

Accounts payable		13,362
Accounts payable - Other Governments		6,464
Tenant security deposits		5,310
Unearned revenue		781

Total Current Liabilities		25,917
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Noncurrent Liabilities

Noncurrent liabilities - other		6,304
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Total Current Liabilities		6,304
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Total Liabilities		32,221
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Net Position

Net Invested in capital assets		739,663
Restricted net position		5,663
Unrestricted net position		44,824

Total Net Position		790,150
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TOTAL LIABILITIES AND NET POSITION		\$ 822,371
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The accompanying notes to the financial statements are an integral part of these statements.

**NOBLE METROPOLITAN HOUSING AUTHORITY
NOBLE COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED MARCH 31, 2019**

OPERATING REVENUES

Tenant Revenue	\$ 82,325
Government operating grants	480,821
Other Revenue	4,650
Total Operating Revenues	567,796

OPERATING EXPENSES

Administrative	103,509
Tenant Services	244
Utilities	14,614
Maintenance	73,383
General	11,222
Housing assistance payment	368,428
Depreciation	84,142
Total Operating Expenses	655,542
Operating income (loss)	(87,746)

NONOPERATING REVENUES (EXPENSES)

Capital grant revenue	5,034
Interest Income	58
Total nonoperating revenues	5,092
Change in Net Position	(82,654)
 Total Net Position - Beginning	 872,804
Total Net Position - Ending	\$ 790,150

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

**NOBLE METROPOLITAN HOUSING AUTHORITY
NOBLE COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED MARCH 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Operating grants received	\$ 483,055
Receipts from tenants	81,958
Other revenue received	4,650
Cash payments for operating	(197,543)
Cash payments for HAP	(368,428)
Net Cash Provided (Used) by Operating Activities	<u>3,692</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned	58
Net Cash Provided (Used) by Investing Activities	<u>58</u>

CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES

Acquisition of capital assets	(5,034)
Capital grant received	5,034
Net Cash Provided (Used) by Capital and Related Activities	<u>0</u>
Net Increase (Decrease) in Cash	3,750
Cash and Cash Equivalents - Beginning of Year	72,837
Cash and Cash Equivalents - End of Year	<u>\$ 76,587</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Operating Income (Loss)	\$ (87,746)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating	
Depreciation	84,142
(Increase) Decreases in Accounts Receivable	3,010
(Increase) Decreases in Prepaid Assets	(103)
Increase (Decreases) in Accounts Payable	2,283
Increase (Decreases) in Payable to Other Government	559
Increase (Decreases) in Tenant Security Deposit	(1,473)
Increase (Decreases) in Unearned Revenue	330
Increase (Decreases) in Non Liabilities Other	2,690
Net Cash Provided (Used) by Operating Activities	<u>\$ 3,692</u>

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

NOBLE METROPOLITAN HOUSING AUTHORITY
NOBLE COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2019

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

Organization and Reporting Entity

The Noble Metropolitan Housing Authority (the Authority) is a political subdivision of the State of Ohio, located in Caldwell, Ohio. The Authority was created under the Ohio Revised Code Section 3735.27, to engage in the acquisition, development, leasing, and administration of low-rent housing program. 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 provision of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*, 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 of the Authority over which the Authority is financially accountable.

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

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

Basis of Presentation

The Authority's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

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

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

Measurement Focus and Basis of Accounting

The Enterprise Fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of 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 net total assets. The Statement of Cash Flows provides information about how the Authority finances and meets the cash flows needs of its enterprise activity.

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

Use of Estimates

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

Cash and Cash Equivalents

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

Investments

Investments are stated at fair value. Cost based measures of fair value were applied to nonnegotiable certificates of deposit and money market investments, with a maturity of more than three months when purchased.

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

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

Capital Assets

Capital assets are recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. Depreciation is computed on the straight line method based on the following estimated useful lives:

Buildings	40 years
Building Improvements	15 years
Land Improvements	15 years
Furniture, Equipment & Machinery	10 years

Capitalization of Interest

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

Net Position

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

Operating Revenues and Expenses

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

Budgetary Accounting

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

NOTE 2: **DEPOSITS AND INVESTMENTS**

A. **Deposits**

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

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

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

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

A. **Deposits** (Continued)

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

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

At year-end, the carrying amount of the Authority's deposits was \$76,588 and the bank balance was \$90,419.

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of year-end, deposits totaling \$90,419 were covered by Federal Depository Insurance.

B. **Investments**

HUD, State Statute, and Board resolutions authorize the Authority to invest in obligations of the U. S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records its investments at fair value. At March 31, 2019, the Authority held no investments as defined by GASB Statement No. 40.

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

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

B. **Investments** (Continued)

Custodial Credit Risk

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

Interest Rate Risk

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires those funds which are not operating reserve funds to be invested in investments with a maximum term of one year or the Authority's operating cycle. For investments of the Authority's operating reserve funds, the maximum term can be up to three years. The intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

Generally, the Authority places no limit on the amount it may invest in any one insurer. However, the investment policy limits the investment of HUD-approved mutual funds to no more than 20 percent of the Authority's available investment funds. The Authority's deposits in financial institutions represent 100 percent of its deposits.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of year-end, the Authority had no exposure to foreign currency rate risk, as regulated by HUD.

NOTE 3: **RESTRICTED ASSETS**

The Authority's assets restricted as to purpose are as follows:

Tenant Security Deposits	\$ 5,310
FSS Escrow Cash Balance	6,304
Housing Assistance Payment Funds on Hand	5,663
Tenant Council Funds	8,787
Total Restricted Cash	<u><u>\$ 26,064</u></u>

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

NOTE 4: CAPITAL ASSETS

	Balance 3/31/2018	Additions	Deletions	Balance 3/31/2019
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 84,000	\$ 0	\$ 0	\$ 84,000
Total Capital Assets Not Being Depreciated	84,000	0	0	84,000
<u>Capital Assets Being Depreciated</u>				
Buildings	1,565,781	3,834	0	1,569,615
Leasehold Improvements	132,091	0	0	132,091
Furniture, Machinery, and Equipment	347,814	1,200	0	349,014
Total Capital Assets Being Depreciated	2,045,686	5,034	0	2,050,720
<u>Accumulated Depreciation</u>				
Buildings	(979,599)	(49,124)	0	(1,028,723)
Leasehold Improvements	(104,786)	(7,152)	0	(111,938)
Furniture, Machinery, and Equipment	(226,530)	(27,866)	0	(254,396)
Total Accumulated Depreciation	(1,310,915)	(84,142)	0	(1,395,057)
Total Capital Assets Being Depreciated, Net	734,771	(79,108)	0	655,663
Total Capital Assets, Net	\$ 818,771	\$ (79,108)	\$ 0	\$ 739,663

NOTE 5: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; damage to and theft or destruction of assets; errors and omissions; injuries to employees and natural disaster. The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public officials' liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance risk pool comprised of forty (40) housing authorities in Ohio. Settled claims have not exceeded the Authority's insurance in any of the past three years.

NOTE 6: CONTINGENCIES

The Authority is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

The Authority has received federal grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

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

NOTE 7: MANAGEMENT AGREEMENT

The Noble Metropolitan Housing Authority (the Authority) entered into a housing management agreement with the Cambridge Metropolitan Housing Authority (CMHA) on March 30, 1987. Pursuant to the agreement, CMHA provides all management services to the Authority in order that the Authority shall comply with all applicable laws of the State of Ohio and of the United States Government, and with the terms of all contracts which the Authority has executed or may, from time to time, execute with HUD. As compensation for these services, the Authority transfers to CMHA the monthly administrative fees allocated to the Authority based on approved budgets. Total management fees for the fiscal year ended March 31, 2019 were \$51,444.

NOTE 8: CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2019, the Authority implemented Governmental Accounts Standards Board (GASB) Statement No. 85, Omnibus 2017. GASB No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the Authority's fiscal year 2019 financial statements; however, there was no effect on beginning net position.

NOTE 9: 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 the date on which the financial statements were available to be issued.

NOBLE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
MARCH 31, 2019

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	39,582	10,941	50,523		50,523
113 Cash - Other Restricted	8,787	11,967	20,754		20,754
114 Cash - Tenant Security Deposits	5,310	-	5,310		5,310
100 Total Cash	53,679	22,908	76,587	-	76,587
122 Accounts Receivable - HUD Other Projects	2,666	-	2,666		2,666
125 Accounts Receivable - Miscellaneous	176	-	176		176
126 Accounts Receivable - Tenants	1,128	-	1,128		1,128
126.1 Allowance for Doubtful Accounts -Tenants	-844	-	-844		-844
120 Total Receivables, Net of Allowances for Doubtful Accounts	3,126	-	3,126	-	3,126
142 Prepaid Expenses and Other Assets	2,995	-	2,995		2,995
150 Total Current Assets	59,800	22,908	82,708	-	82,708
161 Land	84,000	-	84,000		84,000
162 Buildings	1,569,615	-	1,569,615		1,569,615
163 Furniture, Equipment & Machinery - Dwellings	24,331	-	24,331		24,331
164 Furniture, Equipment & Machinery - Administration	324,683	-	324,683		324,683
165 Leasehold Improvements	132,091	-	132,091		132,091
166 Accumulated Depreciation	-1,395,057	-	-1,395,057		-1,395,057
160 Total Capital Assets, Net of Accumulated Depreciation	739,663	-	739,663	-	739,663
180 Total Non-Current Assets	739,663	-	739,663	-	739,663
200 Deferred Outflow of Resources	-	-	-		-
290 Total Assets and Deferred Outflow of Resources	799,463	22,908	822,371	-	822,371
312 Accounts Payable <= 90 Days	4,575	-	4,575		4,575
333 Accounts Payable - Other Government	6,464	-	6,464		6,464
341 Tenant Security Deposits	5,310	-	5,310		5,310

**NOBLE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
MARCH 31, 2019**

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
342 Unearned Revenue	781	-	781		781
345 Other Current Liabilities	8,787	-	8,787		8,787
310 Total Current Liabilities	25,917	-	25,917	-	25,917
353 Non-current Liabilities - Other	-	6,304	6,304		6,304
350 Total Non-Current Liabilities	-	6,304	6,304	-	6,304
300 Total Liabilities	25,917	6,304	32,221	-	32,221
400 Deferred Inflow of Resources	-	-	-		-
508.4 Net Investment in Capital Assets	739,663	-	739,663		739,663
511.4 Restricted Net Position	-	5,663	5,663		5,663
512.4 Unrestricted Net Position	33,883	10,941	44,824		44,824
513 Total Equity - Net Assets / Position	773,546	16,604	790,150	-	790,150
600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net	799,463	22,908	822,371	-	822,371

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

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	80,351	-	80,351		80,351
70400 Tenant Revenue - Other	1,974	-	1,974		1,974
70500 Total Tenant Revenue	82,325	-	82,325	-	82,325
70600 HUD PHA Operating Grants	79,947	400,874	480,821		480,821
70610 Capital Grants	5,034	-	5,034		5,034
71100 Investment Income - Unrestricted	23	35	58		58
71500 Other Revenue	569	4,081	4,650		4,650
70000 Total Revenue	167,898	404,990	572,888	-	572,888
91200 Auditing Fees	3,146	3,408	6,554		6,554
91300 Management Fee	5,880	45,564	51,444		51,444
91400 Advertising and Marketing	1,917	-	1,917		1,917
91600 Office Expenses	720	-	720		720
91700 Legal Expense	261	-	261		261
91800 Travel	233	-	233		233
91900 Other	40,034	2,346	42,380		42,380
91000 Total Operating - Administrative	52,191	51,318	103,509	-	103,509
92400 Tenant Services - Other	244	-	244		244
92500 Total Tenant Services	244	-	244	-	244
93100 Water	7,659	-	7,659		7,659
93200 Electricity	6,000	-	6,000		6,000
93300 Gas	955	-	955		955
93000 Total Utilities	14,614	-	14,614	-	14,614
94200 Ordinary Maintenance and Operations - Materials and Other	13,705	-	13,705		13,705
94300 Ordinary Maintenance and Operations Contracts	59,678	-	59,678		59,678
94000 Total Maintenance	73,383	-	73,383	-	73,383

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

	Project Total	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
96110 Property Insurance	2,009	-	2,009		2,009
96120 Liability Insurance	2,010	-	2,010		2,010
96130 Workmen's Compensation	483	-	483		483
96100 Total insurance Premiums	4,502	-	4,502	-	4,502
96300 Payments in Lieu of Taxes	6,464	-	6,464		6,464
96400 Bad debt - Tenant Rents	256	-	256		256
96000 Total Other General Expenses	6,720	-	6,720	-	6,720
96900 Total Operating Expenses	151,654	51,318	202,972	-	202,972
97000 Excess of Operating Revenue over Operating Expenses	16,244	353,672	369,916	-	369,916
97300 Housing Assistance Payments	-	364,737	364,737		364,737
97350 HAP Portability-In	-	3,691	3,691		3,691
97400 Depreciation Expense	84,142	-	84,142		84,142
90000 Total Expenses	235,796	419,746	655,542	-	655,542
10010 Operating Transfer In	21,153	-	21,153	-21,153	-
10020 Operating transfer Out	-21,153	-	-21,153	21,153	-
10100 Total Other financing Sources (Uses)	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-67,898	-14,756	-82,654	-	-82,654
11030 Beginning Equity	841,444	31,360	872,804		872,804
11170 Administrative Fee Equity	-	10,941	10,941		10,941
11180 Housing Assistance Payments Equity	-	5,663	5,663		5,663
11190 Unit Months Available	336	1,104	1,440		1,440
11210 Number of Unit Months Leased	328	1,107	1,435		1,435

**NOBLE METROPOLITAN HOUSING AUTHORITY
NOBLE COUNTY, OHIO
STATEMENT OF MODERNIZATION COSTS - COMPLETED
FOR THE FISCAL YEAR ENDED MARCH 31, 2019**

1. Actual Modernization Costs of the Project are as follows:

	OH16P069501-13
Fund Approved	\$ 28,819
Funds Expended	28,819
Excess (Deficiency) of Funds Approved	\$ 0
Funds Advanced	\$ 28,819
Funds Expended	28,819
Excess (Deficiency) of Funds Advanced	\$ 0

2. All modernization work in connection with the Projects have been completed.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

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

Certified Public Accountants

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Ohio Society of Certified Public Accountants

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

To the Members of the Board
Noble Metropolitan Housing Authority
Caldwell, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Noble Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 17, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive, flowing style.

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

September 17, 2019

**NOBLE METROPOLITAN HOUSING AUTHORITY
NOBLE COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED MARCH 31, 2019**

The audit report for the fiscal year ending March 31, 2018 contained no findings.

OHIO AUDITOR OF STATE KEITH FABER



NOBLE METROPOLITAN HOUSING AUTHORITY

NOBLE 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
NOVEMBER 7, 2019**