



OHIO AUDITOR OF STATE
KEITH FABER

HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
DECEMBER 31, 2020

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Statement of Net Position Proprietary Fund	11
Statement of Revenues, Expenses and Changes in Net Position Proprietary Fund	12
Statement of Cash Flows Proprietary Fund	13
Notes to the Financial Statements	15
Supplemental Information:	
Financial Data Schedule	23
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	27

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Highland Metropolitan Housing Authority
Highland County
121 East East Street
Washington Court House, Ohio 43160

To the Board Members:

Report on the Financial Statements

We have audited the accompanying financial statements of the Highland Metropolitan Housing Authority, Highland County, Ohio (the Authority), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority. We did not modify our opinion regarding this matter.

Also, as discussed in Note 12 to the financial statements, the 2020 financial statements have been restated to correct misstatements in funding and expenses. This restatement does not affect our opinion.

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. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

The Financial Data Schedules present additional analysis and are not a required part of the basic financial statements.

The schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We 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 in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. As stated in Note 12 of the financial statements, the Financial Data Schedules have been restated to correct misstatements in funding and expenses. This restatement did not affect our opinion on these Schedules.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2021, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio
September 22, 2021, except for Note 12 which is dated December 23, 2021

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**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(UNAUDITED)**

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- During FY 2020, the Authority’s Net Position increased by \$12,617 or 16.71%. Since the Authority engages only in business-type activities, the increase is all in the category of business-type Net Position. Net Position was \$75,522 and \$88,139 for FY 2019 and FY 2020, respectively.
- The revenue increased by \$86,247 (or 17.70%) during FY 2020 and was \$487,392 and \$573,639 for FY 2019 and FY 2020, respectively.
- The total expenses of the Authority increased by \$90,145 (or 19.14%). Total expenses were \$470,877 and \$561,022 for FY 2019 and FY 2020, respectively.

USING THIS ANNUAL REPORT

The Report includes the following sections:

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

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

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(UNAUDITED)**

Government-Wide Financial Statements

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

These Statements include a Statement of Net Position, which is like 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". 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 equity) is reported in three broad categories:

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 Government-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Position (like 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 like Net Income or Loss.

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

Fund Financial Statements

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

Business-Type Activities:

The Authority administers several programs that are consolidated into a single proprietary type-enterprise fund. The enterprise fund consists of the following programs.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(UNAUDITED)**

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 an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of adjusted household income.

Mainstream Vouchers – This Program is exactly like the HCV except it only subsidizes households where one or more family members have a disability.

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 - Condensed Statement of Net Position Compared to Prior Year

	<u>2020</u>	<u>2019</u>
Current and Other Assets	\$ 98,738	\$ 75,880
Capital Assets	<u>2,700</u>	<u>0</u>
Total Assets	<u>101,438</u>	<u>75,880</u>
Total Liabilities	\$ 13,299	\$ 358
Net Position:		
Investment in Capital Assets	2,700	0
Restricted Net Position	13,119	11,724
Unrestricted Net Position	<u>72,320</u>	<u>63,798</u>
Total Net Position	<u>88,139</u>	<u>75,522</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 101,438</u>	<u>\$ 75,880</u>

Major Factors Affecting the Statement of Net Position

Current assets increased by \$22,858 or 30.12% because of the additional funding from HUD. Liabilities increased \$12,941 due to an increase in the year-end accruals.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(UNAUDITED)**

Capital assets increased by \$2,700. Capital purchases was \$3,000 and depreciation expense was \$300. For more detail see "Capital Assets and Debt Administration" below.

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

Table 2 - Change of Net Position

	Investment in		
	Unrestricted	Capital Assets	Restricted
Beginning Balance	\$ 63,798	\$0	\$ 11,724
Results of Operation	11,222	0	1,395
Adjustments:			
Current Year Depreciation Expense	300	(300)	
Capital Expenditures	(3,000)	3,000	0
Ending Balance	<u>\$ 72,320</u>	<u>\$2,700</u>	<u>\$ 13,119</u>

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 on in Business-Type Activities.

Table 3 - Statement of Revenue, Expenses & Changes in Net Position

	<u>2020</u>	<u>2019</u>
<u>Revenues</u>		
HUD Operating Grants	\$ 537,364	\$ 456,661
Investment Income	234	170
Other Revenues	36,041	30,561
Total Revenues	<u>573,639</u>	<u>487,392</u>
<u>Expenses</u>		
Administrative	85,671	53,902
Housing Assistance Payments	475,051	416,975
Depreciation	300	0
Total Expenses	<u>561,022</u>	<u>470,877</u>
Changes in Net Position	12,617	16,515
Net Position - Beginning	75,522	59,007
Net Position - Ending	<u>\$ 88,139</u>	<u>\$ 75,522</u>

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(UNAUDITED)**

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

Total amount of HUD PHA Grants for FY 2020 increased by \$80,703 or 17.62% this includes both Administrative Fees and Housing Assistance Payments. The increase is partially because of the funding received from the CARES Act.

Leasing rate for 2020 increased to 1,271-unit months leased out of 1,605 available or 79.19%. Compared to 2019 1,188-unit months leased out of 1,230 or 96.58%.

Total revenue for 2020 reflects an increase of \$86,183. The main cause for the increase is HUD grant revenue which represents an increase of \$41,637 in the Restricted HAP funds and an increase of \$39,066 in Administrative funds.

Total expenses for 2020 reflect an increase of \$90,145. The main cause for the increase is additional housing assistance payments made during the year and CARES Act expenses incurred.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of 12/31/20, the Authority had \$2,700 invested in capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions, and depreciation).

Table 4 - Capital Assets at Year End

	<u>2020</u>	<u>2019</u>
Equipment	\$ 15,278	\$ 33,464
Accumulated Depreciation	<u>(12,578)</u>	<u>(33,464)</u>
 Total	 <u>\$ 2,700</u>	 <u>\$ 0</u>

Table 5 - Changes in Capital Assets

Beginning Balance	\$	0
Current year Additions		3,000
Current year Depreciation Expense		<u>(300)</u>
 Ending Balance	 \$	 <u>2,700</u>

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(UNAUDITED)**

Debt Outstanding

As of December 31, 2020, 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
- Unknown financial and operational impacts as well as impacts to federal programs because of the COVID-19 pandemic

FINANCIAL CONTACT

The individual to be contacted regarding this report is Nancy Reed; Executive Director for the Highland Metropolitan Housing Authority, at (740) 335-7525. Specific requests may be submitted to the Authority at 121 E. East Street, Washington Court House, OH 43160.

HIGHLAND METROPOLITAN HOUSING AUTHORITY
Statement of Net Position
December 31, 2020

ASSETS

Current assets

Cash and cash equivalents	\$	84,732
Restricted cash and cash equivalents		13,119
Receivables, net		887
Total current assets		98,738

Depreciable capital assets, net		2,700
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Total noncurrent assets		2,700
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Total assets	\$	101,438
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LIABILITIES

Current liabilities

Accounts payable	\$	264
Other current liabilities		13,035

Total current liabilities		13,299
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Total liabilities	\$	13,299
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NET POSITION

Net Invested in capital assets	\$	2,700
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Restricted net position		13,119
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Unrestricted net position		72,320
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Total net position	\$	88,139
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The notes to the basic financial statements are an integral part of the statements.

HIGHLAND METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2020

<i>OPERATING REVENUES</i>	
HUD operating grants	\$ 537,364
Other operating revenue	36,041
Total operating revenues	<u>573,405</u>
<i>OPERATING EXPENSES</i>	
Administrative	85,671
Housing assistance payment	475,051
Depreciation	300
Total operating expenses	<u>561,022</u>
Operating income (loss)	<u>12,383</u>
<i>NONOPERATING REVENUES (EXPENSES)</i>	
Interest income	234
Total nonoperating revenues (expenses)	<u>234</u>
Change in net position	12,617
Beginning net position	75,522
Total net position - ending	<u>\$ 88,139</u>

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

HIGHLAND METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows
For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating grants received	\$ 539,098
Other revenue received	36,041
Cash payments for administrative	(72,717)
Cash payments for HAP	<u>(475,051)</u>
Net cash provided (used) by operating activities	<u>27,371</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	<u>234</u>
Net cash provided (used) by investing activities	<u>234</u>
Capital purchases	<u>(3,000)</u>
Net cash provided (used) by capital and related activities	<u>(3,000)</u>
Net increase (decrease) in cash	24,605
Cash and cash equivalents - Beginning of year	<u>73,246</u>
Cash and cash equivalents - End of year	<u>\$ 97,851</u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	\$ 12,383
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	300
- (Increase) Decrease in Accounts Receivable	1,747
- Increase (Decrease) in Accounts Payable	(94)
- Increases (Decreases) in Other Current Liabilities	<u>13,035</u>
Net cash provided (used) by operating activities	<u>\$ 27,371</u>

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

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**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The basic financial statements of the Highland 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 generally 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 Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity (as amended by GASB Statement No. 61), 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 can 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.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation

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

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and 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 position. The Statement of Cash Flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Fund Accounting

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

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

Proprietary Fund Types

Proprietary funds are used to account for the Authority's ongoing activities which are like those found in the private sector. The following is the Authority's only 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.

Accounting and Reporting for Nonexchange Transactions

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

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

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

The Authority 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.

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

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

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

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.

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:

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

<u>Description</u>	<u>Estimated Useful Life – Years</u>
Furniture & Equipment	3-7
Computer Hardware & Software	3

Tenant/Fraud Receivables-net of allowance

Bad debts are provided on the allowance method based on management’s evaluation of the collectability of outstanding tenant/fraud receivable balances at the end of the year. The allowance for doubtful accounts was \$4,903 on December 31, 2020.

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Authority had restricted assets for Housing Assistance Payment equity balances of \$13,119.

Net Position

Net position represents the difference between assets and liabilities. The investment in capital assets consists of capital assets net of accumulated depreciation. As of December 31, 2020, the Authority had \$2,700 investment in capital assets.

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. The Authority had \$13,119 reported in restricted net position for HAP reserves at December 31, 2020.

Estimates

The preparation of the basic 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, deferred outflow of resources, liabilities, and deferred inflow of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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 those expenses that are expended directly for the primary activity of the proprietary fund. For the Authority, these expenses are administrative, housing assistance payments and depreciation.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

2. CASH AND CASH EQUIVALENTS

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 a non-interest-bearing checking account. Security shall be furnished for all accounts in the Authority’s name.

At fiscal year-end December 31, 2020, the carrying amount of the Authority’s deposits totaled \$97,851 and its bank balance was \$97,857. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2020, no amount was exposed to custodial risk as discussed below and the full balance was covered by the Federal Depository Insurance Corporation.

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

3. RESTRICTED CASH AND NET POSITION

Restricted cash balance of \$13,119 represents advanced from HUD to be used for Housing Assistance Payments.

4. RISK MANAGEMENT

The Authority utilizes private insurance carriers for comprehensive coverage of real property, vehicles and furnishings & equipment and health. Individual policies allow for coverage for bodily injury and property damage liabilities. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three fiscal years.

5. CAPITAL ASSETS

The following is a summary of capital assets at December 31, 2020:

	Balance at <u>1/01/20</u>	<u>Additions</u>	<u>Disposals</u>	Balance at <u>12/31/20</u>
Furniture & equipment	\$33,464	\$ 3,000	\$ (21,186)	\$15,278
Accumulated depreciation	<u>(33,464)</u>	<u>(300)</u>	<u>21,186</u>	<u>(12,578)</u>
TOTAL Capital assets, net	<u>\$ 0</u>	<u>\$ 2,700</u>	<u>\$ 0</u>	<u>\$ 2,700</u>

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

6. ECONOMIC DEPENDENCY

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

7. CONTINGENT LIABILITIES

A. Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at December 31, 2020.

B. Litigation

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

8. MANAGEMENT SERVICES CONTRACT

The Authority has contracted with Fayette Metropolitan Housing Authority for management services including management and operations of the Housing Choice Voucher Program meeting all HUD program requirements. Fayette Metropolitan Housing Authority has contracted with Fayette County Commissioners for management services. Highland Metropolitan Housing Authority has no employees and is staffed by personnel subcontracted from the Fayette County Commissioners.

9. ADMINISTRATIVE FEE

The Authority receives an 'Administrative fee' as part of the annual contributions from HUD to cover the costs (including overhead) of administering the Housing Choice Voucher Program. The fee is a percentage of a HUD – determined base rate for each unit leased at the first of each month under HAP contracts.

10. SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority. The investments of the pension and other employee benefit plan in which the Authority participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Authority's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
HIGHLAND COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 11. CARES ACT GRANT AWARD

In fiscal year 2020, HUD provided public housing agencies supplemental operating funds pursuant to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (Public 116-136), in accordance with the Annual Contributions Grant Agreement and associated laws and regulations.

The Housing Authority received CARES Act funding for the Housing Choice Voucher Program in the amount of \$25,449 effective March 27, 2020. As of December 31, 2020 the housing authority has fully expended the funding.

The Housing Authority received CARES Act funding for the Mainstream Program in the amount of \$1,886 effective March 27, 2020. As of December 31, 2020 the housing authority has fully expended the funding.

NOTE 12. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The financial statements were re-issued due to a correction of an error in previously issued financial statements. The Financial Data Schedules (FDS) were corrected to reclassify CARES Act funding in the amount of \$11,382 in the Housing Choice Voucher Program and \$20 in Mainstream Program. The financial statements and FDS were corrected to reclassify \$15,933 in Tenant Services Operating Expenses to Administrative Operating Expenses.

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Highland Metropolitan Housing Authority
Financial Data Schedule
For the Year Ended December 31, 2020

	14.MSC Mainstream CARES Act Funding	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$0	\$0	\$84,732	\$0	\$84,732	\$0	\$84,732
113 Cash - Other Restricted	\$0	\$4,997	\$8,122	\$0	\$13,119	\$0	\$13,119
100 Total Cash	\$0	\$4,997	\$92,854	\$0	\$97,851	\$0	\$97,851
125 Accounts Receivable - Miscellaneous	\$0	\$0	\$887	\$0	\$887	\$0	\$887
128 Fraud Recovery	\$0	\$0	\$4,903	\$0	\$4,903	\$0	\$4,903
128.1 Allowance for Doubtful Accounts - Fraud	\$0	\$0	-\$4,903	\$0	-\$4,903	\$0	-\$4,903
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0	\$887	\$0	\$887	\$0	\$887
150 Total Current Assets	\$0	\$4,997	\$93,741	\$0	\$98,738	\$0	\$98,738
164 Furniture, Equipment & Machinery - Administration	\$0	\$0	\$15,278	\$0	\$15,278	\$0	\$15,278
166 Accumulated Depreciation	\$0	\$0	-\$12,578	\$0	-\$12,578	\$0	-\$12,578
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$2,700	\$0	\$2,700	\$0	\$2,700
180 Total Non-Current Assets	\$0	\$0	\$2,700	\$0	\$2,700	\$0	\$2,700

Highland Metropolitan Housing Authority
Financial Data Schedule
For the Year Ended December 31, 2020

	14.MSC Mainstream CARES Act Funding	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
290 Total Assets and Deferred Outflow of Resources	\$0	\$4,997	\$96,441	\$0	\$101,438	\$0	\$101,438
331 Accounts Payable - HUD PHA Programs	\$0	\$0	\$264	\$0	\$264	\$0	\$264
346 Accrued Liabilities - Other	\$0	\$0	\$13,035	\$0	\$13,035	\$0	\$13,035
310 Total Current Liabilities	\$0	\$0	\$13,299	\$0	\$13,299	\$0	\$13,299
300 Total Liabilities	\$0	\$0	\$13,299	\$0	\$13,299	\$0	\$13,299
508.4 Net Investment in Capital Assets	\$0	\$0	\$2,700	\$0	\$2,700	\$0	\$2,700
511.4 Restricted Net Position	\$0	\$4,997	\$8,122	\$0	\$13,119	\$0	\$13,119
512.4 Unrestricted Net Position	\$0	\$0	\$72,320	\$0	\$72,320	\$0	\$72,320
513 Total Equity - Net Assets / Position	\$0	\$4,997	\$83,142	\$0	\$88,139	\$0	\$88,139
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$0	\$4,997	\$96,441	\$0	\$101,438	\$0	\$101,438

Highland Metropolitan Housing Authority
Financial Data Schedule
For the Year Ended December 31, 2020

	14.MSC Mainstream CARES Act Funding	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
70600 HUD PHA Operating Grants	\$1,886	\$60,755	\$449,274	\$25,449	\$537,364	\$0	\$537,364
71100 Investment Income - Unrestricted	\$0	\$0	\$234	\$0	\$234	\$0	\$234
71400 Fraud Recovery	\$0	\$0	\$1,574	\$0	\$1,574	\$0	\$1,574
71500 Other Revenue	\$0	\$0	\$34,467	\$0	\$34,467	\$0	\$34,467
70000 Total Revenue	\$1,886	\$60,755	\$485,549	\$25,449	\$573,639	\$0	\$573,639
91200 Auditing Fees	\$0	\$225	\$3,053	\$0	\$3,278	\$0	\$3,278
91600 Office Expenses	\$0	\$0	\$3,858	\$0	\$3,858	\$0	\$3,858
91900 Other	\$1,886	\$6,653	\$44,547	\$25,449	\$78,535	\$0	\$78,535
91000 Total Operating - Administrative	\$1,886	\$6,878	\$51,458	\$25,449	\$85,671	\$0	\$85,671
96900 Total Operating Expenses	\$1,886	\$6,878	\$51,458	\$25,449	\$85,671	\$0	\$85,671
97000 Excess of Operating Revenue over Operating Expenses	\$0	\$53,877	\$434,091	\$0	\$487,968	\$0	\$487,968

Highland Metropolitan Housing Authority
Financial Data Schedule
For the Year Ended December 31, 2020

	14.MSC Mainstream CARES Act Funding	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
97300 Housing Assistance Payments	\$0	\$56,747	\$384,854	\$0	\$441,601	\$0	\$441,601
97350 HAP Portability-In	\$0	\$0	\$33,450	\$0	\$33,450	\$0	\$33,450
97400 Depreciation Expense	\$0	\$0	\$300	\$0	\$300	\$0	\$300
90000 Total Expenses	\$1,886	\$63,625	\$470,062	\$25,449	\$561,022	\$0	\$561,022
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$0	-\$2,870	\$15,487	\$0	\$12,617	\$0	\$12,617
11030 Beginning Equity	\$0	\$7,867	\$67,655	\$0	\$75,522	\$0	\$75,522
11170 Administrative Fee Equity	\$0	\$0	\$75,020	\$0	\$75,020	\$0	\$75,020
11180 Housing Assistance Payments Equity	\$0	\$0	\$8,122	\$0	\$8,122	\$0	\$8,122
11190 Unit Months Available	0	405	1,200	0	1,605	0	1,605
11210 Number of Unit Months Leased	0	168	1,103	0	1,271	0	1,271



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

Highland Metropolitan Housing Authority
Highland County
121 East East Street
Washington Court House, Ohio 43160

To the Board Members:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Highland Metropolitan Housing Authority, Highland County, (the Authority) as of and for the year ended December 31, 2020, 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 22, 2021, except for Note 12 to the financial statements describing the restatement of previously issued financial statements which is dated December 23, 2021. We noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Authority.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio
September 22, 2021

OHIO AUDITOR OF STATE KEITH FABER



HIGHLAND METROPOLITAN HOUSING AUTHORITY

HIGHLAND COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/30/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov