



**ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY
SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2019**

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Board of Commissioners
Ashtabula Metropolitan Housing Authority
3526 Lake Avenue
P. O. Box 2350
Ashtabula, Ohio 44004

We have reviewed the *Independent Auditor's Report* of Ashtabula Metropolitan Housing Authority, Ashtabula County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2019 through December 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery Repaid Under Audit – Public Property Converted or Misappropriated Ashtabula MHA Fiscal Policy Part 15: Credit Card Policy indicates in part, review of all credit card bills and compliance with this policy are to be conducted monthly by the Executive Director and Director of Operations. Additionally, the purpose of using Authority credit cards is restricted to travel, training, and Authority business.

James Noyes was the Executive Director responsible for overseeing the daily fiscal operations of the Authority, including oversight of all credit card expenditures. Prior to Noyes using the credit card, a requisition form was both completed and approved by Mr. Noyes, with no independent review over requisitions and expenditures, including review by the Director of Operations specified in Authority policy (see above). The accounting department would ensure the information on the requisition agreed to the credit card bills prior to making the payment, but there was no indication that the credit card bills were reviewed for compliance with the credit card policy.

During the period of review which covered July 1, 2014 through December 31, 2017, we identified 84 purchases, 83 of which were credit card purchases, totaling \$21,483 transacted by former Executive Director, James Noyes, in which the expenditures were not for a proper public purpose of the Authority in accordance with the credit card policy.

On January 6, 2021, Mr. Noyes pled guilty to one count of Attempted Theft in Office, Ohio Rev. Code § 2923.02, and one count of Falsification in a Theft Offense, Ohio Rev. Code § 2921.13(A)(9) and (F)(2), both felonies of the fourth degree in the Ashtabula County Court of Common Pleas, Case No. 2020 CR 00645. He was ordered to pay restitution in the amount of \$20,879. The court received full restitution via check on behalf of the Authority in the amount of \$20,879 on January 6, 2021.

Board of Commissioners
Ashtabula Metropolitan Housing Authority
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In accordance with the foregoing facts and pursuant to **Ohio Rev. Code § 117.28**, a Finding for Recovery for public property converted or misappropriated was proposed against James Noyes for the remaining unpaid amount of \$604, and in favor of Ashtabula Metropolitan Housing Authority's General Fund.

On March 8, 2021, the Authority received payment in full in the amount of \$604 from James Noyes.

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. Ashtabula Metropolitan Housing Authority is responsible for compliance with these laws and regulations.



Keith Faber
Auditor of State
Columbus, Ohio

April 30, 2021

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

March 24, 2021

Ashtabula Metropolitan Housing Authority
Ashtabula County
3526 Lake Avenue
Ashtabula, Ohio 44004

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Ashtabula Metropolitan Housing Authority**, Ashtabula County, Ohio (the Authority), as of and for the year ended December 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 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.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ashtabula Metropolitan Housing Authority, Ashtabula County as of December 31, 2019, 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 13 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions, as 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 Schedule presented on pages 43 through 47 is presented for additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedules are management's responsibility and 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 schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 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 "Perry & Associates CPAs A.C." in a cursive script.

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

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
Unaudited**

As management of Ashtabula Metropolitan Housing Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Special Conditions and Economic Factors

Management is not aware of any facts, decisions, or conditions that would have a significant effect on the future operation of the Authority.

Overview of the Financial Statements

During 2015, the Authority adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions*, which significantly revises accounting for pension costs and liabilities, most notably employers are now required to report a net pension liability or asset, along with deferred outflows and inflows. Many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

There is no repayment schedule for the net pension liability. Changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

The financial statements included in this annual audit report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

The Statement of Net Position

This statement reports all financial and capital resources for the Authority. The statement is presented in the format where assets minus liabilities, equals "Net Position", formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as "Current" (convertible into cash within one year), and "Non-current".

Net Investment in Capital Assets:

This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
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Restricted:

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

Unrestricted:

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

Statement of Revenue, Expenses, and Change in Net Position

Reports the Authority's operating and non-operating revenue, by major sources, along with operating and non-operating expenses and capital contributions.

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.

Statement of Cash Flows

Presents information on the effects changes in assets and liabilities have on cash during the course of the Fiscal Year.

Notes to the Financial Statements

Provide additional information that is essential to a full understanding of the data provided in the Authority-wide financial statements.

Analysis of the Housing Activity

Our overall analysis of the Authority as a whole begins on the following pages. The most important question asked about the Authorities finances is "Is the Authority as a whole better or worse off as a result of the year's activities?"

The attached analysis of net position, revenues, and expenses are provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

Our analysis also presents the Authority's net position and changes in them. One can think of the Authority's net position as the difference between what the Authority owns (assets) to what the Authority owes (liabilities).

The change in net position analysis will assist the reader with measuring the health or financial position of the Authority. Over time, significant changes in the Authorities net position are an indicator of whether its financial health is improving or deteriorating.

To fully assess the financial health of any Authority the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authorities capital assets.

To fully understand the financial statements of the Housing Authority, one must start with an understanding of what the Authority actual does.

The following is a brief description of the programs and services that the Authority provides for the residents of Ashtabula County, Ohio:

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
Unaudited**

Analysis of the Housing Activity (Continued)

Housing Authority Programs

Low Income Public Housing (LIPH)

The Housing Authority has 555 units in its Public Housing inventory. The Authority is responsible for the management, maintenance, and utilities costs for all units. The units must be maintained in accordance with HUD established housing quality standards. An annual inspection of each unit must be performed by the Housing Authority to assure that they meet or exceed these standards.

Each Housing Authority Public Housing building, and the units that comprise those buildings, are subject to random third-party inspections as directed by HUD. In addition, the Housing Authority must annually recertify each of the tenants' family composition and their respective household income.

On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has a Project Expense Level (PEL). The PEL reflects estimated allowable operating expenditures and is calculated by HUD in accordance with the results of the Harvard Cost Study which was performed for HUD.

HUD funds the difference between these allowable costs incurred for all units leased units and the actual tenant revenue generated. Tenant rent is based on 30% of their adjusted household income. Actual funding received from HUD is made by the results of this formula calculation, subject to pro-ration in accordance with total funds actually appropriated by Congress. Actual funding is made by HUD, by formula, in accordance with total funds appropriated by Congress.

Section 8 Housing Choice Vouchers (HCV)

HUD has contracted with the Housing Authority to provide support for the Housing Choice Voucher Program. The Authority pays a Housing Assistance Payments to Landlords for Low Income tenants.

The Housing Assistance Payment matches the difference between the total rent that the Landlord can charge, at or below a fair market rent amount supplied by HUD, and the amount that the tenant can pay based on 30% of their respective adjusted income.

For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Housing Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program, however, they are responsible for annually inspecting the units to assure that they meet or exceed HUD established Housing quality standards.

Rural Housing and Economic Development Program

This program consists of grants that are meant to meet rural communities' housing and economic development needs. Recent appropriations acts have provided funding for this program, which is used to encourage new and innovative approaches to serving the housing and economic development needs of the nation's rural communities.

Business Activities

This Housing Authority assists the local mental health group in administering a Shelter Plus Care program. This program provides rental assistance for homeless people with disabilities, primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and acquired immune deficiency syndrome (AIDS), and related diseases. Rental assistance must be matched by an equal value in cash or in-kind provided by the grantee from federal or private sources to be used for supportive services.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Unaudited**

Capital Fund Program

Tenant Revenues generated by the Housing Authority are supplemented by operating subsidy from HUD. These two amounts combined are intended to cover only day to day routine expenses. This leaves the Housing Authority with little funding for modernizing of the structures and/or for the completion of non-routine maintenance.

The purpose of the Capital Fund grants is to give funds to the Housing Authority for improvement of the sites, to complete non-routine maintenance, and to assist with the improvement of the management of the Authority.

This grant program is awarded by HUD, by formula allocation, on an annual basis. The Housing Authority generally has two years to obligate the funds from these capital fund grants, and three to years to fully expend them. As formal contracts are awarded from this program, funds are requisitioned from HUD to pay periodic requests from the contractors.

Work completed under this grant program is temporarily charged to construction in process. When all of the funds allocated to a specific grant have been fully expended, approved by HUD, and audited, the work items are moved from construction in process and placed into the Capital Assets. Depreciation begins at this point.

Supportive Housing Program

Grants offered through a competitive process for new construction, acquisition, rehabilitation, or leasing of buildings to provide transitional or permanent housing, as well as supportive services to homeless individuals and families; grants to fund a portion of annual operating costs; and grants for technical assistance.

Condensed Comparative Financial Statements

Analysis of Net Position (Statement of Net Position)

Total Net Position for FY 2019 was \$8,311,992 and for FY 2018 the amount was \$8,849,964. This represents an overall net decrease of \$537,972, or 6.1%

Cash and Cash Equivalents (Including Investments) increased to \$2,488,849 in FY 2019 from \$1,939,131 in FY 2018, or by \$549,718, or 28.3%. The change in the authority's cash balance is primarily due to an increase in HUD operating grants and tenant revenues.

Receivables increased to \$89,278 in FY 2019 from \$85,792 in FY 2018. This represents an increase of \$3,486, or 4.1%. This change was the result of an increase in tenant accounts receivable.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Unaudited**

Analysis of Net Position (Statement of Net Position) (Continued)

Other Current Assets decreased to \$229,145 in FY 2019 from \$229,279 in FY 2018, or by \$134, or 0.1%. This change was primarily due to a decrease in pre-paid expenses.

Capital Assets decreased to \$9,446,543 in FY 2019 from \$10,095,348 in FY 2018, or by \$648,805, or 6.4%. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities increased to \$334,971 in FY 2019 from \$323,484 in FY 2018, or by \$11,487, or 3.6%. This change is primarily the result of an increase in accounts payable.

Non-Current Liabilities increased to \$4,358,583 in FY 2019 from \$3,059,215 in FY 2018, or by \$1,299,368, or 42.5%. This change was a result of the Net Pension Liability.

The table below illustrates the changes in net position between December 31, 2019 and 2018 for the Authority as a whole:

	2019	2018	Net Change	Percent Variance
Assets				
Cash & Cash Equivalents	\$ 2,488,849	\$ 1,939,131	\$ 549,718	28.3%
Receivables	89,278	85,792	3,486	4.1%
Other Current Assets	229,145	229,279	(134)	-0.1%
Capital Assets	9,446,543	10,095,348	(648,805)	-6.4%
Total Assets	12,253,815	12,349,550	(95,735)	-0.8%
Deferred Outflows	945,069	512,256	432,813	84.5%
Total Assets & Deferred Outflows	13,198,884	12,861,806	337,078	2.6%
Liabilities				
Current Liabilities	334,971	323,484	11,487	3.6%
Non Current Liabilities	4,358,583	3,059,215	1,299,368	42.5%
Total Liabilities	4,693,554	3,382,699	1,310,855	38.8%
Deferred Inflows	193,338	629,143	(435,805)	-69.3%
Net Assets in Capital Assets	9,415,454	10,062,306	(646,852)	-6.4%
Restricted Net Assets	222,716	90,044	132,672	147.3%
Unrestricted Net Assets	(1,326,178)	(1,302,386)	(23,792)	1.8%
Total Net Assets/Equity	8,311,992	8,849,964	(537,972)	-6.1%
Total Liabilities , Deferred Inflows and Net Assets	\$13,198,884	\$12,861,806	\$ 337,078	2.6%

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
Unaudited**

Analysis of Entity-Wide Revenues (Statement of Revenues, Expenses, and Changes in Net Position)

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2019 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing (LIPH)	\$3,829,746
Section 8 Housing Choice Vouchers (HCV)	3,028,256
Public Housing Capital Fund Program (CFP)	792,399
Rural Housing & Economic Development (RH)	344,716
Central Office Cost Center (COCC)	34,419
Shelter plus Care (SPC)	26,165
Supportive Housing for Persons w/disabilities (SH)	265,936
 Total Revenue	 <u>\$8,321,637</u>

Total revenues for FY 2019 were \$8,321,637 as compared to \$8,091,809 of total revenues for FY 2018. Comparatively, FY 2019 revenues exceeded FY 2018 revenues by \$229,828, or 2.8%. The primary reason for this change was the result of increased funding from HUD capital fund & operating grants.

	<u>2019</u>	<u>2018</u>	<u>Net Change</u>	<u>Percentage Change</u>
Total Tenant Revenue	\$ 1,429,219	\$ 1,313,374	\$ 115,845	8.8%
HUD Operating Grants	6,441,068	5,904,088	536,980	9.1%
HUD Capital Grants	338,355	716,617	(378,262)	-52.8%
Investment Income	18,689	5,986	12,703	212.2%
Other Revenue	94,306	151,744	(57,438)	-37.9%
Total Revenue	<u>\$ 8,321,637</u>	<u>\$ 8,091,809</u>	<u>\$ 229,828</u>	<u>2.8%</u>

Analysis of Entity-Wide Expenditures

Total Expenditures for FY 2019 were \$8,859,609 as compared to the \$8,851,991 of total expenditures for FY 2018. This represents an increase of \$7,618, or 0.1%.

Administrative expenditures for FY 2019 were \$1,871,968 as compared to \$1,672,640 in FY 2018. This represents an increase of \$199,328, or 11.9%. This change is primarily the result of a reclass in net pension benefits.

Utilities expenditures for FY 2019 were \$802,887 as compared to \$755,164 in FY 2018. This represents an increase of \$47,723, or 6.3%. The cause for this change is due to increases in sewer and water costs.

Maintenance expenditures for FY 2019 were \$1,975,163 as compared to \$1,895,306 in FY 2018. This represents an increase of \$79,857, or 4.2%. The main reason for this change was due to increases in maintenance materials & net pension benefits.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
Unaudited**

Analysis of Entity-Wide Expenditures (Continued)

General expenditures for FY 2019 were \$200,083 as compared to \$497,628 for FY 2018. This represents a decrease of \$297,545, or 59.8%. The main cause for this change was due to reclass in net pension expense.

The table below illustrates the change in expenses for the Authority for fiscal year 2019 compared to fiscal year 2018:

	<u>2019</u>	<u>2018</u>	<u>Net Change</u>	<u>Percent Variances</u>
Administrative	\$ 1,871,968	\$ 1,672,640	\$ 199,328	11.9%
Tenant Services	5,223	5,400	(177)	-3.3%
Utilities	802,887	755,164	47,723	6.3%
Maintenance	1,975,163	1,895,306	79,857	4.2%
Protective services	54,732	71,751	(17,019)	-23.7%
General Expense	200,083	497,628	(297,545)	-59.8%
Housing Assistance /payments	2,788,987	2,784,837	4,150	0.1%
Depreciation Expense	1,160,566	1,169,265	(8,699)	-0.7%
Total Expenses	\$ 8,859,609	\$ 8,851,991	\$ 7,618	0.1%

ANALYSIS OF CAPITAL ASSET ACTIVITY

The table below illustrates the changes in Capital Assets experienced from January 1, 2019 through December 31, 2019.

	<u>2019</u>	<u>2018</u>	<u>Net Change</u>	<u>Percent Variance</u>
Land	\$ 1,132,718	\$ 1,116,241	\$ 16,477	1.5%
Buildings	35,058,788	34,448,959	609,829	1.8%
Furniture, Equip., & Mach. - Dwelling	650,852	605,342	45,510	7.5%
Furniture, Equip., & Mach. - Administrative	1,066,504	1,029,716	36,788	3.6%
Construction in Process	820,757	1,052,865	-232,108	-22.0%
Total Fixed Assets	38,729,619	38,253,123	476,496	1.2%
Accumulated Depreciation	29,283,076	28,157,775	1,125,301	4.0%
Net Fixed Assets	\$ 9,446,543	\$ 10,095,348	\$ -648,805	-6.4%

As previously mentioned, work completed under the capital fund grant program is temporarily charged to Construction in Process. When all of the funds allocated to a specific grant have been fully expended, approved by HUD, and audited, the work items are moved from Construction in Process and placed into the Capital Assets.

Increases in the various capital asset accounts, in the amount of \$476,496, have been offset by the net change to accumulated depreciation, in the amount of \$1,125,301. This reflects a net decrease in Capital Assets in the amount of \$648,805, or by 6.4%.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019
Unaudited**

Debt

The Authority had one loan payable to the Rural Economic and Community Development Services. The total balance due on the loan at December 31, 2019 was \$31,089. Further detailed information is available in Note 9 to the financial statements.

Contacting the Authority

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director of the Ashtabula Metropolitan Housing Authority.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY
STATEMENT OF NET POSITION**

AS OF DECEMBER 31, 2019

ASSETS

Current assets:

Cash and Cash Equivalents - Unrestricted	\$ 2,296,417
Cash and Cash Equivalents - Restricted	192,432
Accounts Receivable, Net	89,278
Inventory, Net	199,458
Prepaid Expenses	29,687
Total Current Assets	<u>2,807,272</u>

Non-Current Assets:

Non-Depreciable Capital Assets	1,953,475
Depreciable Capital Assets, Net	7,493,068
Total Non-Current Assets	<u>9,446,543</u>

Total Assets 12,253,815

Deferred Outflows

Net difference between projected and actual investment earnings on pension plan investments	446,578
Differences between expected and actual experience	562
Changes of assumptions	290,023
Changes in proportion and differences between contributions and proportionate share of contributions	2,035
Employer contributions to pension plan subsequent to measurement date	205,871
Total Deferred Outflows of Resources	<u>945,069</u>

Total Assets and Deferred Outflows of Resources \$ 13,198,884

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 147,786
Accrued Wages and Payroll Taxes	25,418
Accrued Compensated Absences, Current	22,142
Interest Payable	166
Accounts Payable - Other Government	48,052
Tenant Security Deposits	75,418
Unearned Revenues	13,873
Current Portion of Long-Term Debt	2,116
Total Current Liabilities	<u>334,971</u>

Non-Current Liabilities:

Long-Term Debt, Net of Current	28,973
Net Pension Liability	2,861,770
Net OPEB Liability	1,268,560
Accrued Compensated Absences, Net of Current Portion	199,280
Total Non-Current Liabilities	<u>4,358,583</u>

Total Liabilities 4,693,554

Deferred Inflows

Differences between expected and actual experience	41,018
Differences between employer contributions and proportionate share of contributions	152,320
Total Deferred Inflows of Resources	<u>193,338</u>

NET POSITION:

Net Investment in Capital Assets	9,415,454
Restricted Net Position	222,716
Unrestricted Net Position (Deficit)	(1,326,178)
Total Net Position	<u>8,311,992</u>

Total Liabilities, Deferred Inflows of Resources and Net Position \$ 13,198,884

See accompanying notes to the financial statements.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

FOR THE YEAR ENDED DECEMBER 31, 2019

OPERATING REVENUES:

Governmental Grants	\$	6,441,068
Tenant Revenue		1,429,219
Other Revenue		94,306
Total Operating Revenues		<u>7,964,593</u>

OPERATING EXPENSES:

Administrative		1,871,968
Tenant Services		5,223
Utilities		802,887
Maintenance		1,975,163
Protective Services		54,732
Insurance & General		197,688
Housing Assistance Payments		2,788,987
Depreciation		1,160,566
Total Operating Expenses		<u>8,857,214</u>
Operating (Loss)		<u>(892,621)</u>

NON-OPERATING REVENUES / (EXPENSES):

Interest and Investment Revenue		18,689
Interest Expense		(2,395)
Total Non-Operating Revenue / (Expense)		<u>16,294</u>

Change in Net Position before Capital Grants and Contributions		<u>(876,327)</u>
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Capital Grants		<u>338,355</u>
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Change in Net Position		(537,972)
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Total Net Position - Beginning		<u>8,849,964</u>
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Total Net Position - Ending	\$	<u>8,311,992</u>
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See accompanying notes to the financial statements.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Cash Flows from Operating Activities</u>	
Cash Received from HUD	\$ 6,441,068
Cash Received from Tenants	1,426,270
Cash Received from Other Sources	94,306
Cash Payment for Housing Assistance	(2,788,987)
Cash Payment for Administrative and Operating Expenses	(4,463,875)
Net Cash Flows Provided/(Used) by Operating Activities	<u>708,782</u>
 <u>Cash Flows from Investing Activities</u>	
Cash Received for Interest Income	18,689
Net Cash Flows Provided/(Used) by Investing Activities	<u>18,689</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Capital Grant Funding Received from HUD	338,355
Property and Equipment Purchased	(511,760)
Payments of Related Debt	(1,953)
Payments for Interest Expense	(2,395)
Net Cash Flows Provided/(Used) by Capital and Related Financing	<u>(177,753)</u>
Increase/(Decrease) in Cash and Cash Equivalents	549,718
Cash - Beginning of Period	1,939,131
Cash - End of Period	<u>\$ 2,488,849</u>
 <u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Net Operating Loss	\$ (892,621)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	1,160,566
- (Increase) Decrease in Receivables	(3,486)
- (Increase) Decrease in Inventories	(9,765)
- (Increase) Decrease in Prepaid Expenses and Other Assets	(422,915)
- (Decrease) Increase in Accounts Payable	60,905
- (Decrease) Increase in Accrued Liabilities	(48,900)
- (Decrease) Increase in Intergovernmental Payables	1,219
- (Decrease) Increase in Tenant Security Deposits	(614)
- (Decrease) Increase in Unearned Revenue	1,151
- (Decrease) Increase in Other Current Liabilities	(435,805)
- (Decrease) Pension and OPEB Liability	1,323,281
- (Decrease) Increase in Interest Payable	(13)
- (Decrease) Increase in Accrued Compensated Absences	(24,221)
Net Cash Provided by Operating Activities	<u>\$ 708,782</u>

See accompanying notes to the financial statements.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

Organization and Reporting Entity

The Ashtabula Metropolitan Housing Authority (the Authority) was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing, and administration of a low-rent housing program. An Annual Contributions Contract (ACC) was signed by the Authority and the U.S. Department of Housing and Urban Development (HUD) under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring, constructing, maintaining, operating, improving, extending, and repairing housing facilities.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity. The Authority has no component units based on the above considerations.

Basis of Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board. The Authority's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Change 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 position. The statement of cash flows provides information about how the Authority finances and meets the cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating 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 the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating 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.

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
Equipment	7 years
Autos	5 years
Computers	3 years

Capitalization of Interest

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

Investments

Investments are stated at fair value. Cost based measures of fair value were applied to nonnegotiable certificates of deposit and money market investments.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

Compensated Absences

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

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: **(1)** the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee; and **(2)** it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a liability. Information regarding compensated absences is detailed in Note 6.

Pensions / Other Postemployment Benefits (OPEB)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Authority, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 5 and 10.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources are reported on the statement of net position for pension and OPEB. The deferred inflows of resources related to pension and OPEB plans are explained in Notes 5 and 10.

Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances 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 their use by internal or external restrictions. The Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted amounts are available.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 2: **DEPOSITS AND INVESTMENTS**

Deposits

At December 31, 2019, the carrying amount of the Authority's cash deposits was \$2,488,849 and its bank balance was \$2,556,786. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2019, deposits totaling \$341,004 were covered by Federal Depository Insurance and deposits totaling \$1,874,778 were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, in the Authority's name.

Custodial credit 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 ensure public deposits must maintain collateral in excess of 110 percent of deposits. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 110 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at 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 of the public deposits it holds, or as specific collateral held at a Federal Reserve bank in the name of the Authority.

Cash on Hand

At December 31, 2019, the Authority had un-deposited cash on hand, including petty cash, of \$300.

Investments

The Authority has a formal investment policy. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and records all its investments at fair value. However, at December 31, 2019, the Authority had no investments.

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 that operating funds be invested primarily in short-term investments maturing within 2 years from the date of purchase and that its investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk

The credit risks of the Authority's investments are in the table below. The Authority has no investment policy that would further limit its investment choices.

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.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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

Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one insurer. The Authority's deposits in financial institutions represent 100 percent of its deposits.

Cash and investments at year-end were as follows:

<u>Cash and Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years) <1</u>
Carrying Amount of Deposits	\$ 2,488,549	\$ 2,488,549
Petty Cash	300	300
Totals	\$ 2,488,849	\$ 2,488,849

NOTE 3: **CAPITAL ASSETS**

A summary of capital assets at December 31, 2019 by class is as follows:

	<u>1/1/2019</u>	<u>Transfer</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2019</u>
<u>Capital Assets Not Being Depreciated</u>					
Land	\$ 1,116,241	\$ -	\$ 16,477	\$ -	\$ 1,132,718
Construction in Progress	1,052,865	(570,462)	338,354	0	820,757
Total Capital Assets Not Being Depreciated	2,169,106	(570,462)	354,831	0	1,953,475
<u>Capital Assets Being Depreciated</u>					
Buildings and Improvements	34,448,959	570,462	74,632	(35,265)	35,058,788
Furniture, Equipment, and Machinery - Dwellings	605,342	0	45,510	0	650,852
Furniture, Equipment, and Machinery - Administrative	1,029,716	0	36,788	0	1,066,504
Subtotal Capital Assets Being Depreciated	36,084,017	570,462	156,930	(35,265)	36,776,144
<u>Accumulated Depreciation</u>					
Buildings and Improvements	(26,630,572)	0	(1,123,426)	35,265	(27,718,733)
Furniture, Equipment, and Machinery - Dwellings	(548,388)	0	(23,648)	0	(572,036)
Furniture, Equipment, and Machinery - Administrative	(978,815)	0	(13,492)	0	(992,307)
Total Accumulated Depreciation	(28,157,775)	0	(1,160,566)	35,265	(29,283,076)
Depreciation Assets, Net	7,926,242	570,462	(1,003,636)	0	7,493,068
Total Capital Assets, Net	\$ 10,095,348	\$ -	\$ (648,805)	\$ -	\$ 9,446,543

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4: **RESTRICTED NET POSITION**

The Authority's restricted net position is as follows:

Cash Held for South Ridge Village Reserve for Replacement	\$ 91,004
Unspent Funding Provided by HUD to pay Section 8 Housing Choice Voucher Housing Assistance Payments & Mainstream	<u>131,712</u>
Total Restricted Net Position	<u><u>\$ 222,716</u></u>

NOTE 5: **DEFINED BENEFIT PENSION PLANS**

Net Pension Liability

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

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

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

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

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 5: DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability (Continued)

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 5: DEFINED BENEFIT PENSION PLANS (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

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

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

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee	10.0%
 2019 Actual Contribution Rates	
Employer:	
Pension	14.0%
Post-employment Health Care Benefits	0.0%
	14.0%
Total Employer	14.0%
 Employee	 10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contributions for the traditional plan for 2019, 2018, and 2017 were \$205,871, \$197,586, and \$186,808, respectively. 87% has been contributed for 2019, and 100% has been contributed for 2018 and 2017. Of the amount for 2019, \$27,599 is reported as intergovernmental payable.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 5: **DEFINED BENEFIT PENSION PLANS (Continued)**

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

The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	Traditional Pension Plan
Proportionate Share of the Net Pension Liability	\$ 2,861,770
Proportion of the Net Pension Liability	0.010449%
Increase/(decrease) in % from prior proportion measured	-0.000425%
 Pension Expense	 \$ 587,914

At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional Pension Plan
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$ 388,424
Changes of assumptions	249,123
Differences between expected and actual experience	132
Changes in proportion and differences government contributions and proportionate share of contributions	2,035
Authority contributions subsequent to the measurement date	205,871
Total Deferred Outflows of Resources	\$ 845,585
 Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 37,577
Changes in proportion and differences government contributions and proportionate share of contributions	92,299
Total Deferred Inflows of Resources	\$ 129,876

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 5: DEFINED BENEFIT PENSION PLANS (Continued)

\$205,871 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending December 31:	<u>Traditional Pension Plan</u>
2020	\$ 190,816
2021	102,343
2022	36,035
2023	<u>180,644</u>
Total	<u>\$ 509,838</u>

Actuarial Assumptions – OPERS

OPERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of December 31, 2018, are presented below:

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 5: DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPERS (Continued)

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2018
Experience Study	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age
Actuarial Assumptions:	
Investment Rate of Return	7.20%
Wage Inflation	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018 OPERS manage investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan. Within the defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first on the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94% for 2018.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 5: DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPERS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00 %	6.21 %
Real Estate	10.00 %	4.90 %
Private Equity	10.00 %	10.81 %
International Equities	20.00 %	7.83 %
Other investments	18.00 %	5.50 %
Total	100.00 %	5.95 %

Discount Rate The discount rate used to measure the total pension liability was 7.2% for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

<u>Authority's proportionate share of the net pension liability</u>	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	6.2%	7.2%	8.2%
Traditional Pension Plan	\$4,227,665	\$2,861,770	\$1,726,697

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 6: COMPENSATED ABSENCES

Vacation and sick leave policies are established by the Board of Commissioners based on local and state laws.

All permanent employees will earn 10 hours sick leave per month of service. Unused sick leave may be accumulated without limit. At the time of separation, union employees receive payment for thirty (30) days of unused sick leave. All permanent employees will earn vacation hours accumulated based on length of service. All vacation time earned must be used in the year earned without accumulation.

At December 31, 2019, based on the vesting method, \$221,422 was accrued by the Authority for unused vacation and sick time. The current portion is \$22,142 and the long-term portion is \$199,280.

NOTE 7: INSURANCE

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 Housing Authority Insurance Group. (HAI Group). HAI Group is a public housing authority-owned organization dedicated to providing reliable insurance solutions and related services to the public and affordable housing community in a manner which exceeds expectations. Deductibles and coverage limits are summarized below:

<u>Type of Coverage</u>	<u>Coverage Deductible</u>	<u>Limits</u>
Property	\$ 1,000	\$250,000,000 (per occurrence)
Boiler and Machinery	1,000	50,000,000
General Liability	0	6,000,000
Automobile	500/0	ACV/6,000,000
Public Officials	0	6,000,000
Employee Dishonesty	0	500,000

NOTE 8: 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 several Federal and state 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.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 9: LONG-TERM DEBT

Changes in the Authority's long-term debt during fiscal year 2019 are as follows:

	<u>Balance at 1/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2019</u>	<u>Due Within One Year</u>
Loan Payable - Rural Economic and Community Development - 8% Interest, \$37,926 dated January 1, 2016	\$ 33,042	\$ -	\$ (1,953)	\$ 31,089	\$ 2,116
Total Loans Payable	<u>33,042</u>	<u>0</u>	<u>(1,953)</u>	<u>31,089</u>	<u>2,116</u>
Compensated Absences	<u>245,643</u>	<u>0</u>	<u>(24,221)</u>	<u>221,422</u>	<u>22,142</u>
Net Pension and OPEB Liability	<u>2,807,049</u>	<u>1,323,281</u>	<u>0</u>	<u>4,130,330</u>	<u>0</u>
Total Long-Term Liabilities	<u>\$ 3,085,734</u>	<u>\$ 1,323,281</u>	<u>\$ (26,174)</u>	<u>\$ 4,382,841</u>	<u>\$ 24,258</u>

Long-term debt consists of one term loan payable in the amount of \$37,926 at 8 percent, with the Rural Economic and Community Development Services, payable over a period of 15 years. Monthly payments are \$335. Interest incurred during 2019 was \$2,395. The Rural Economic and Community Development Services interest credit is reduced by rent collections by the Authority in excess of maximum contract rates. The balance due at December 31, 2019, was \$31,089, of which \$2,116 was the current portion.

The following is a summary of the Authority's future debt service requirements for mortgages payable as of December 31, 2019

<u>Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
2020	\$ 2,116	\$ 1,910	\$ 4,026
2021	2,291	1,735	4,026
2022	2,481	1,545	4,026
2023	2,687	1,339	4,026
2024	2,910	1,116	4,026
2025-2029	<u>18,604</u>	<u>1,866</u>	<u>20,470</u>
Total	<u>\$ 31,089</u>	<u>\$ 9,511</u>	<u>\$ 40,600</u>

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10: **Defined Benefit OPEB Plan**

Net OPEB Liability

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description – Ohio Public Employees Retirement System (OPERS)

The Authority's employees participate in the Ohio Public Employees Retirement System of Ohio (OPERS), which is a cost-sharing, multiple-employer retirement plan. OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to initially provide a funding mechanism for a health reimbursement arrangement (HRA), as the prior trust structure could not support the HRA. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate health care assets into the 115 Trust. The 401(h) Health Care Trust (401(h) Trust) was a pre-funded trust that provided health care funding for eligible members of the Traditional Pension Plan and the Combined Plan through December 31, 2015, when plans funded through the 401(h) Trust were terminated. The Voluntary Employees' Beneficiary Association Trust (VEBA Trust) accumulated funding for retiree medical accounts for participants in the Member- Directed Plan through June 30, 2016. The 401(h) Trust and the VEBA Trust were closed as of June 30, 2016 and the net positions transferred to the 115 Trust on July 1, 2016. Beginning in 2016, the 115 Trust, established under Internal Revenue Code (IRC) Section 115, is the funding vehicle for all health care plans. The Plan is included in the report of OPERS which can be obtained by visiting www.opers.org or by calling (800) 222-7377.

Funding Policy – Ohio Revised Code Chapter 145 authorizes OPERS to offer the Plan and gives the OPERS Board of Trustees discretionary authority over how much, if any, of the health care costs will be absorbed by OPERS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 10: Defined Benefit OPEB Plan (Continued)

Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the year ended December 31, 2018, OPERS allocated 0.0% of employer contributions to post-employment health care.

Net OPEB Liability

The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS
Proportionate Share of the Net OPEB Liability	\$ 1,268,560
Proportion of the Net OPEB Liability	0.009730%
Increase/(decrease) in % from prior proportion measured	-0.00041%
OPEB Expense	\$ 72,621

At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$ 58,154
Changes of assumptions	40,900
Differences between expected and actual experience	430
Total Deferred Outflows of Resources	\$ 99,484
Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 3,441
Changes in proportion and differences between government contributions and proportionate share of contributions	60,021
Total Deferred Inflows of Resources	\$ 63,462

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 10: **Defined Benefit OPEB Plan (Continued)**

Year Ending December 31:	OPERS
2020	\$ 3,133
2021	(5,541)
2022	9,132
2023	29,298
Total	\$ 36,022

Actuarial Assumptions - OPERS

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2017
Rolled-forward measurement date	December 31, 2018
Experience Study	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age normal
Actuarial Assumptions:	
Single Discount Rate	3.96%
Investment Rate of Return	6.00%
Municipal Bond Rate	3.71%
Wage Inflation	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)
Health Care Cost Trend Rate	10.0% initial, 3.25% ultimate in 2029

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 10: Defined Benefit OPEB Plan (Continued)

A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

The following table presents the OPEB liability calculated using the single discount rate of 3.96%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	2.96%	3.96%	4.96%
Authority's proportionate share of the net OPEB liability	\$ 1,622,964	\$ 1,268,560	\$ 986,719

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate. Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.0%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease	Current Health Case Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	\$ 1,219,364	\$ 1,268,560	\$ 1,325,226

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 10: Defined Benefit OPEB Plan (Continued)

Asset Class	Target Allocation for 2018	Weighted Average Long-Term Expected Real Rate of Return
		(Arithmetic)
Fixed Income	34.00%	2.42%
Domestic Equities	21.00%	6.21%
REITs	6.00%	5.98%
International Equities	22.00%	7.83%
Other Investments	17.00%	5.57%
Total	100.00%	5.16%

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is a loss of 5.6% for 2018.

NOTE 11: CONSTRUCTION AND OTHER COMMITMENTS

The Authority had no material construction commitments at December 31, 2019.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 12: **ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2019 consisted of the following:

Tenants - (net of allowance of \$5,670)	\$ 32,683
A/R Other	53,016
Interest	<u>3,579</u>
Total Accounts Receivable	<u>\$ 89,278</u>

NOTE 13: **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 impact on the Authority's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Ashtabula Metropolitan Housing Authority
Ashtabula County
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Six Years (1)
For the Calendar Year Ended December 31

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability	0.010449%	0.010874%	0.011725%	0.011141%	0.010781%	0.010781%
Authority's Proportionate Share of the Net Pension Liability	\$ 2,861,770	\$ 1,705,920	\$ 2,662,546	\$ 1,929,761	\$ 1,300,309	\$ 1,270,939
Authority's Covered Payroll	\$ 1,411,329	\$ 1,436,984	\$ 1,517,886	\$ 1,386,591	\$ 1,322,926	\$ 1,297,373
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.77%	118.72%	175.41%	139.17%	98.29%	97.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available.

(2) Information is presented on a calendar year basis, consistent with measurement year used by OPERS.

See accompanying notes to the required supplementary information.

Ashtabula Metropolitan Housing Authority
Ashtabula County
Required Supplementary Information
Schedule of the Authority's Contributions - Pension
Ohio Public Employees Retirement System - Traditional Plan
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually Required Contribution	\$ 205,871	\$ 197,586	\$ 186,808	\$ 182,147	\$ 166,391	\$ 158,495	\$ 168,658	\$ 120,938	\$ 113,666	\$ 97,948
Contributions in Relation to the Contractually Required Contribution	205,871	197,586	186,808	182,147	166,391	158,495	168,658	120,938	113,666	97,948
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll	\$ 1,470,509	\$ 1,411,329	\$ 1,436,984	\$ 1,517,886	\$ 1,386,591	\$ 1,322,926	\$ 1,297,373	\$ 1,209,379	\$ 1,136,663	\$ 1,097,117
Contributions as Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%	12.00%	11.98%	13.00%	10.00%	10.00%	8.93%

See accompanying notes to the required supplementary information.

Ashtabula Metropolitan Housing Authority
Ashtabula County
 Required Supplementary Information
 Schedule of the Authority's Proportionate Share of the Net OPEB Liability
 Ohio Public Employees Retirement System
 Last Three Fiscal Years (1)
For the Calendar Year Ended December 31

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's Proportion of the Net OPEB Liability	0.009730%	0.010140%	0.010970%
Authority's Proportionate Share of the Net OPEB Liability	\$ 1,268,560	\$ 1,101,129	\$ 1,108,007
Authority's Covered Payroll	\$ 1,411,329	\$ 1,436,984	\$ 1,517,886
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.88%	76.63%	73.00%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.05%

(1) Information prior to 2017 is not available.

(2) Information is presented on a calendar year basis, consistent with measurement year used by OPERS.

See accompanying notes to the required supplementary information.

Ashtabula Metropolitan Housing Authority
Ashtabula County
Required Supplementary Information
Schedule of the Authority's Contributions - OPEB
Ohio Public Employees Retirement System
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually Required Contribution	\$ -	\$ -	\$ 14,370	\$ 30,358	\$ 27,732	\$ 26,723	\$ 12,974	\$ 48,375	\$ 45,467	\$ 55,624
Contributions in Relation to the Contractually Required Contribution	-	-	14,370	30,358	27,732	26,723	12,974	48,375	45,467	55,624
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority Covered Payroll	\$ 1,470,509	\$ 1,411,329	\$ 1,436,984	\$ 1,517,886	\$ 1,386,591	\$ 1,322,926	\$ 1,297,373	\$ 1,209,379	\$ 1,136,663	\$ 1,097,117
Contributions as Percentage of Covered Payroll	0.00%	0.00%	1.00%	2.00%	2.00%	2.02%	1.00%	4.00%	4.00%	5.07%

See accompanying notes to the required supplementary information.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

Changes in Assumptions – OPERS

Pension

Amounts reported for fiscal year 2019 (Measurement Period 2018) incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2018 (Measurement Period 2017) and prior are presented below:

Key Methods and Assumptions Used in Valuation of Total Pension Liability		
Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2018	December 31, 2017
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Investment Rate of Return	7.20%	7.50%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)	3.25% to 10.75% (Includes wage inflation of 3.25%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3/00% Simple through 2018, then 2.15% Simple

Changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. The significant change was a reduction in the investment rate of return from 7.50% to 7.20%.

Amounts reported for fiscal year 2017 (Measurement Period 2016) incorporated changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These assumptions compared with those used in fiscal year 2016 (Measurement Period 2015) and prior are presented below:

Key Methods and Assumptions Used in Valuation of Total Pension Liability		
Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2016	December 31, 2015
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2010
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	8.00%
Wage Inflation	3.25%	3.75%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)	4.25% to 10.05% (Includes wage inflation of 3.75%)
Cost-of-Living Adjustments	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple	Pre - 1/7/2013 Retirees: 3.00% Simple; Post - 1/7/2013 Retirees: 3.00% Simple through 2018, then 2.15% Simple

Changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from RP-2000 mortality tables to the RP-2014 mortality tables.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

Changes in Assumptions – OPERS (Continued)

OPEB

Amounts reported for fiscal year 2019 (Measurement Period 2018) incorporate changes in assumptions used by OPERS in calculating the total OPEB liability in the latest actuarial valuation. These new assumptions compared with those used in fiscal year 2018 (Measurement Period 2017) and prior are presented below:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability		
Actuarial Information	Traditional Pension Plan	Traditional Pension Plan
Valuation Date	December 31, 2017	December 31, 2016
Rolled-forward measurement date	December 31, 2018	December 31, 2017
Experience Study	5 Year Period Ended December 31, 2015	5 Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age normal	Individual entry age normal
Actuarial Assumptions:		
Single Discount Rate	3.96%	3.85%
Investment Rate of Return	6.00%	6.50%
Municipal Bond Rate	3.71%	3.31%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25% to 10.75% (Includes wage inflation of 3.25%)	3.25% to 10.75% (Includes wage inflation of 3.25%)
Health Care Cost Trend Rate	10.0% initial, 3.25% ultimate in 2029	7.25% initial, 3.25% ultimate in 2028

Changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included an increase of the discount rate from 3.85% to 3.96%, a reduction in the investment rate of return from 6.50% to 6.0%, an increase in the municipal bond rate from 3.31% to 3.71%, and an increase in the initial health care cost trend rate from 7.25% to 10.0%

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
<i>Direct Programs:</i>		
Public Housing Programs:		
Public and Indian Housing	14.850	\$ 2,539,119
Public Housing Capital Fund (CFP)	14.872	792,399
Total Public Housing Programs		3,331,518
Section 8 Programs:		
Section 8 Project-Based Cluster:		
Rural Housing & Economic Development	14.250*	199,160
Total Section 8 Project-Based Cluster		199,160
Housing Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	2,982,809
Mainstream Vouchers	14.879	265,936
Total Housing Voucher Cluster		3,248,745
Total Section 8 Programs		3,447,905
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		6,779,423
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 6,779,423

* Represents rental assistance for South Ridge Village Rural Housing Project #41-004-341031866

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

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Ashtabula Metropolitan Housing Authority (the Authority's) under programs of the federal government for the year ended December 31, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Ashtabula Metropolitan Housing Authority
Financial Data Schedule - Entity Wide Balance Sheet
December 31, 2019

Line Item No.	Description	14.871	14.181	14.238	14.250	COCC	All	Subtotal	Elimination	Entity Wide
		HCV	Mainstream	Shelter Plus	SRV	OPERATIONS	AMP Total	Total		Total
		Total	Total	Total	Total	Total	Total	Total		Total
111	Cash-unrestricted	52,292	0	0	286,105	580,522	1,302,080	2,220,999		2,220,999
112	Cash-restricted-modernization and development	0	0	0	91,004	0	0	91,004		91,004
113	Cash-other restricted	95,428	0	0	6,000	0	0	101,428		101,428
114	Cash-tenant security deposits	0	0	0	8,965	0	66,453	75,418		75,418
115	Cash - Restricted for payment of current liability	0	0	0	0	0	0	0		0
100	Total Cash	147,720	0	0	392,074	580,522	1,368,533	2,488,849	0	2,488,849
121	Accounts receivable - PHA projects	0	0	0	0	0	0	0		0
122	Accounts receivable - HUD other projects	0	0	0	0	0	0	0		0
124	Account receivable - other government	0	0	0	0	0	0	0		0
125	Account receivable - miscellaneous	0	0	53,016	0	0	0	53,016		53,016
126	Accounts receivable - tenants	0	0	0	546	0	37,807	38,353		38,353
126.1	Allowance for doubtful accounts - tenants	0	0	0	0	0	(5,670)	(5,670)		(5,670)
126.2	Allowance for doubtful accounts - other	0	0	0	0	0	0	0		0
127	Notes, Loans, & Mortgages Receivable - Current	0	0	0	0	0	0	0		0
128	Fraud recovery	0	0	0	0	0	0	0		0
128.1	Allowance for doubtful accounts - fraud	0	0	0	0	0	0	0		0
129	Accrued interest receivable	173	0	0	0	3,406	0	3,579		3,579
120	Total receivables, net of allowance for doubtful accounts	173	0	53,016	546	3,406	32,137	89,278	0	89,278
131	Investments - unrestricted	0	0	0	0	0	0	0		0
132	Investments - restricted	0	0	0	0	0	0	0		0
135	Investments - Restricted for payment of current liability	0	0	0	0	0	0	0		0
142	Prepaid expenses and other assets	3,482	0	0	786	0	25,419	29,687		29,687
143	Inventories	0	0	0	0	51,407	154,220	205,627		205,627
143.1	Allowance for obsolete inventories	0	0	0	0	(1,542)	(4,627)	(6,169)		(6,169)
144	Inter program - due from	16,895	62,306	0	0	0	0	79,201	(79,201)	0
145	Assets held for sale	0	0	0	0	0	0	0		0
150	Total Current Assets	168,270	62,306	53,016	393,406	633,793	1,575,682	2,886,473	(79,201)	2,807,272
161	Land	10,243	0	0	128,500	121,940	872,035	1,132,718		1,132,718
162	Buildings	0	0	0	1,290,507	3,085,861	30,682,420	35,058,788		35,058,788
163	Furniture, equipment and machinery - dwellings	0	0	0	150,148	68,700	432,004	650,852		650,852
164	Furniture, equipment and machinery - administration	49,951	0	0	22,804	139,062	854,687	1,066,504		1,066,504
165	Leasehold improvements	0	0	0	0	0	0	0		0
166	Accumulated depreciation	(35,096)	0	0	(1,300,745)	(2,677,350)	(25,269,885)	(29,283,076)		(29,283,076)
167	Construction in progress	0	0	0	0	0	820,757	820,757		820,757
168	Infrastructure	0	0	0	0	0	0	0		0
160	Total capital assets, net of accumulated depreciation	25,098	0	0	291,214	738,213	8,392,018	9,446,543	0	9,446,543
171	Notes, Loans, & mortgages receivable – Non-current	0	0	0	0	0	0	0		0
172	Notes, Loans, & mortgages receivable – Non-current - past due	0	0	0	0	0	0	0		0
173	Grants receivable – Non-current	0	0	0	0	0	0	0		0
174	Other assets	0	0	0	0	0	0	0		0
176	Investment in joint venture	0	0	0	0	0	0	0		0
180	Total Non-current Assets	25,098	0	0	291,214	738,213	8,392,018	9,446,543	0	9,446,543
190	Total Assets	193,368	62,306	53,016	684,620	1,372,006	9,967,700	12,333,016	(79,201)	12,253,815
200	Deferred Outflow of Resources	236,212	0	0	59,381	246,466	403,010	945,069		945,069
290	Total Assets and Deferred Outflow of Resources	429,580	62,306	53,016	744,001	1,618,472	10,370,710	13,278,085	(79,201)	13,198,884

Ashtabula Metropolitan Housing Authority
Financial Data Schedule - Entity Wide Balance Sheet
December 31, 2019

Line Item No.	Description	14.871	14.181	14.238	14.250	COCC	All	Subtotal	Elimination	Entity Wide
		HCV	Mainstream	Shelter Plus	SRV	OPERATIONS	AMP Total			
		Total	Total	Total	Total	Total	Total	Total		Total
311	Bank overdraft	0	0	0	0	0	0	0		0
312	Accounts payable <= 90 days	0	0	0	335	147,451	0	147,786		147,786
313	Accounts payable > 90 days past due	0	0	0	0	0	0	0		0
321	Accrued wage/payroll taxes payable	5,638	0	0	1,608	5,229	12,943	25,418		25,418
322	Accrued compensated absences - current portion	4,337	0	0	1,527	3,739	12,539	22,142		22,142
324	Accrued contingency liability	0	0	0	0	0	0	0		0
325	Accrued interest payable	0	0	0	166	0	0	166		166
331	Accounts payable - HUD PHA Programs	0	0	0	0	0	0	0		0
332	Accounts payable - PHA Projects	0	0	0	0	0	0	0		0
333	Accounts payable - other government	0	0	0	0	0	48,052	48,052		48,052
341	Tenant security deposits	0	0	0	8,965	0	66,453	75,418		75,418
342	Deferred revenue	0	0	0	3,083	0	10,790	13,873		13,873
343	Current portion of long-term debt - capital projects/mortgage revenue bonds	0	0	0	2,116	0	0	2,116		2,116
344	Current portion of long-term debt - operating borrowings	0	0	0	0	0	0	0		0
345	Other current liabilities	0	0	0	0	0	0	0		0
346	Accrued liabilities - other	0	0	0	0	0	0	0		0
347	Inter program - due to	0	0	79,201	0	0	0	79,201	(79,201)	0
348	Loan liability - current	0	0	0	0	0	0	0		0
310	Total Current Liabilities	9,975	0	79,201	17,800	156,419	150,777	414,172	(79,201)	334,971
351	Capital Projects/ Mortgage Revenue Bonds	0	0	0	28,973	0	0	28,973		28,973
352	Long-term debt, net of current - operating borrowings	0	0	0	0	0	0	0		0
353	Non-current liabilities - other	0	0	0	0	0	0	0		0
354	Accrued compensated absences- Non-current	39,037	0	0	13,740	33,652	112,851	199,280		199,280
355	Loan liability - Non-current	0	0	0	0	0	0	0		0
356	FASB 5 Liabilities	0	0	0	0	0	0	0		0
357	Accrued Pension and OPEB Liability	1,001,442	0	0	257,453	1,059,996	1,811,439	4,130,330		4,130,330
350	Total Non-current liabilities	1,040,479	0	0	300,166	1,093,648	1,924,290	4,358,583	0	4,358,583
300	Total Liabilities	1,050,454	0	79,201	317,966	1,250,067	2,075,067	4,772,755	(79,201)	4,693,554
400	Deferred Inflow of Resources	17,333	0	0	6,419	63,236	106,350	193,338		193,338
508.1	Invested in capital assets, net of related debt	25,098	0	0	260,125	738,213	8,392,018	9,415,454		9,415,454
511.1	Restricted Net Assets	95,428	36,284	0	91,004	0	0	222,716		222,716
512.1	Unrestricted Net Assets	(758,733)	26,022	(26,185)	68,487	(433,044)	(202,725)	(1,326,178)		(1,326,178)
513	Total Equity/Net Assets	(638,207)	62,306	(26,185)	419,616	305,169	8,189,293	8,311,992	0	8,311,992
600	Total Liabilities and Equity/Net assets	429,580	62,306	53,016	744,001	1,618,472	10,370,710	13,278,085	(79,201)	13,198,884
	Balance Sheet Proof	0	0	0	0	0	0	0	0	0

Ashtabula Metropolitan Housing Authority
 Financial Data Schedule - Entity Wide Income Statement
 December 31, 2019

Line Item No.	Description	14.871 HCV	14.181 Mainstream	14.238 Shelter Plus	14.250 SRV	COCC	0.000 All AMP Total	0.000 Subtotal	Elimination	Entity Wide Total
70300	Net tenant rental revenue	0	0	0	127,769	0	1,193,115	1,320,884		1,320,884
70400	Tenant revenue - other	0	0	0	10,823	0	97,512	108,335		108,335
70500	Total Tenant Revenue	0	0	0	138,592	0	1,290,627	1,429,219	0	1,429,219
70600-010	Housing assistance payments	2,642,510	225,652	0	0	0	0	2,868,162		2,868,162
70600-020	Ongoing administrative fees earned	340,299	40,284	0	0	0	0	380,583		380,583
70600-070	Admin fee calculation description									
70600	HUD PHA operating grants	2,982,809	265,936	0	199,160	0	2,993,163	6,441,068		6,441,068
70610	Capital grants	0	0	0	0	0	338,355	338,355		338,355
70710	Management Fee	0	0	0	0	495,427	0	495,427	(495,427)	0
70720	Asset Management Fee	0	0	0	0	66,600	0	66,600	(66,600)	0
70730	Book-Keeping Fee	0	0	0	0	49,643	0	49,643	(49,643)	0
70740	Front Line Service Fee	0	0	0	0	0	0	0	0	0
70750	Other Fees	0	0	0	0	0	0	0	0	0
70700	Total Fee Revenue	0	0	0	0	611,670	0	611,670	(611,670)	0
70800	Other government grants	0	0	0	0	0	0	0		0
71100	Investment income - unrestricted	4,384	0	0	0	14,297	0	18,681		18,681
71200	Mortgage interest income	0	0	0	0	0	0	0		0
71300	Proceeds from disposition of assets held for sale	0	0	0	0	0	0	0		0
71310	Cost of sale of assets	0	0	0	0	0	0	0		0
71400	Fraud recovery	41,063	0	0	0	0	0	41,063		41,063
71500	Other revenue	0	0	26,165	6,956	20,122	0	53,243		53,243
71600	Gain or loss on sale of capital assets	0	0	0	0	0	0	0		0
72000	Investment income - restricted	0	0	0	8	0	0	8		8
70000	Total Revenue	3,028,256	265,936	26,165	344,716	646,089	4,622,145	8,933,307	(611,670)	8,321,637
91100	Administrative salaries	232,559	27,839	17,937	64,231	239,729	377,252	959,547		959,547
91200	Auditing fees	0	0	0	500	695	10,755	11,950		11,950
91300	Management Fee	0	0	0	0	0	495,427	495,427	(495,427)	0
91310	Book-Keeping Fee	0	0	0	0	0	49,643	49,643	(49,643)	0
91400	Advertising and Marketing	0	0	0	0	0	0	0		0
91500	Employee benefit contributions - administrative	227,488	10,731	7,096	25,259	192,454	151,910	614,938		614,938
91600	Office Expenses	9,283	1,080	714	1,612	4,100	55,411	72,200		72,200
91700	Legal Expense	0	0	0	111	14,441	86,320	100,872		100,872
91800	Travel	0	0	0	0	0	0	0		0
91810	Allocated Overhead	0	0	0	0	0	0	0		0
91900	Other	3,028	352	232	452	19,381	89,016	112,461	0	112,461
91000	Total Operating-Administrative	472,358	40,002	25,979	92,165	470,800	1,315,734	2,417,038	(545,070)	1,871,968
92000	Asset Management Fee	0	0	0	0	0	66,600	66,600	(66,600)	0
92100	Tenant services - salaries	0	0	0	0	0	0	0		0
92200	Relocation Costs	0	0	0	0	0	0	0		0
92300	Employee benefit contributions - tenant services	0	0	0	0	0	0	0		0
92400	Tenant services - other	0	0	0	0	0	5,223	5,223		5,223
92500	Total Tenant Services	0	0	0	0	0	5,223	5,223	0	5,223
93100	Water	0	0	0	12,634	1,296	290,753	304,683		304,683
93200	Electricity	0	0	0	18,809	6,358	220,395	245,562		245,562
93300	Gas	0	0	0	11,951	1,172	41,442	54,565		54,565
93400	Fuel	0	0	0	0	0	0	0		0
93500	Labor	0	0	0	0	0	0	0		0
93600	Sewer	0	0	0	22,863	290	174,924	198,077		198,077
93700	Employee benefit contributions - utilities	0	0	0	0	0	0	0		0
93800	Other utilities expense	0	0	0	0	0	0	0		0
93000	Total Utilities	0	0	0	66,257	9,116	727,514	802,887	0	802,887

Ashtabula Metropolitan Housing Authority
Financial Data Schedule - Entity Wide Income Statement
December 31, 2019

Line Item No.	Description	14.871	14.181	14.238	14.250	COCC	0.000	0.000	Elimination	Entity Wide Total
		HCV	Mainstream	Shelter Plus	SRV	Total	All AMP Total	Subtotal Total		
		Total	Total	Total	Total	Total	Total	Total		
94100	Ordinary maintenance and operations - labor	0	0	0	36,517	0	461,914	498,431		498,431
94200	Ordinary maintenance and operations - materials and other	771	90	59	49,977	29,917	184,203	285,017		265,017
94300	Ordinary Maintenance and Operations Contracts	1,651	192	127	65,960	15,376	729,094	812,400	0	812,400
94500	Employee benefit contribution - ordinary maintenance	0	0	0	43,546	0	355,769	399,315		399,315
94000	Total Maintenance	2,422	282	186	196,000	45,293	1,730,980	1,975,163	0	1,975,163
95100	Protective services - labor	0	0	0	0	0	0	0		0
95200	Protective services - other contract costs	0	0	0	931	22,291	31,510	54,732		54,732
95300	Protective services - other	0	0	0	0	0	0	0		0
95500	Employee benefit contributions - protective services	0	0	0	0	0	0	0		0
95000	Total Protective Services	0	0	0	931	22,291	31,510	54,732	0	54,732
96110	Property Insurance	0	0	0	0	0	0	0		0
96120	Liability Insurance	0	0	0	0	0	0	0		0
96130	Workmen's Compensation	0	0	0	0	0	0	0		0
96140	All other Insurance	2,143	0	0	4,403	0	142,362	148,908		148,908
96100	Total Insurance Premiums	2,143	0	0	4,403	0	142,362	148,908	0	148,908
96200	Other general expenses	0	0	0	0	0	0	0		0
96210	Compensated absences	0	0	0	0	0	0	0		0
96300	Payments in lieu of taxes	0	0	0	0	0	48,052	48,052		48,052
96400	Bad debt - tenant rents	0	0	0	0	0	728	728		728
96500	Bad debt - mortgages	0	0	0	0	0	0	0		0
96600	Bad debt - other	0	0	0	0	0	0	0		0
96800	Severance expense	0	0	0	0	0	0	0		0
96000	Total Other General Expenses	0	0	0	0	0	48,780	48,780	0	48,780
96710	Interest of Mortgage (or Bonds) Payable	0	0	0	0	0	0	0		0
96720	Interest on Notes Payable (Short and Long Term)	0	0	0	2,395	0	0	2,395		2,395
96730	Amortization of Bond Issue Costs	0	0	0	0	0	0	0		0
96700	Total Interest Expense and Amortization Cost	0	0	0	2,395	0	0	2,395	0	2,395
96900	Total Operating Expenses	476,923	40,284	26,165	362,151	547,500	4,068,703	5,521,726	(611,670)	4,910,056
97000	Excess Revenue Over Operating Expenses	2,551,333	225,652	0	(17,435)	98,589	553,442	3,411,581	0	3,411,581
97100	Extraordinary maintenance	0	0	0	0	0	0	0		0
97200	Casualty losses- Non-capitalized	0	0	0	0	0	0	0		0
97300	Housing assistance payments	2,567,613	221,374	0	0	0	0	2,788,987		2,788,987
97350	HAP Portability-in	0	0	0	0	0	0	0		0
97400	Depreciation expense	6,953	0	0	52,519	32,217	1,068,877	1,160,566		1,160,566
97500	Fraud losses	0	0	0	0	0	0	0		0
97800	Dwelling units rent expense	0	0	0	0	0	0	0		0
90000	Total Expenses	3,051,489	261,658	26,165	414,670	579,717	5,137,580	9,471,279	(611,670)	8,859,609

Ashtabula Metropolitan Housing Authority
 Financial Data Schedule - Entity Wide Income Statement
 December 31, 2019

Line Item No.	Description	14.871	14.181	14.238	14.250	COCC	0.000	0.000	Elimination	Entity Wide Total
		HCV Total	Mainstream Total	Shelter Plus Total	SRV Total	Total	All AMP Total Total	0 Subtotal Total		
10010	Operating transfer in	0	0	0	0	0	324,318	324,318	(324,318)	0
10020	Operating transfer out	0	0	0	0	0	(324,318)	(324,318)	324,318	0
10030	Operating transfers from / to primary government	0	0	0	0	0	0	0	0	0
10040	Operating transfers from / to component unit	0	0	0	0	0	0	0	0	0
10070	Extraordinary items, net gain/loss	0	0	0	0	0	0	0	0	0
10080	Special items, net gain/loss	0	0	0	0	0	0	0	0	0
10091	Inter Project Excess Cash Transfer In	0	0	0	0	0	0	0	0	0
10092	Inter Project Excess Cash Transfer Out	0	0	0	0	0	0	0	0	0
10093	Transfers between Programs and Projects - in	0	0	0	0	0	0	0	0	0
10094	Transfers between Programs and Projects - out	0	0	0	0	0	0	0	0	0
10100	Total other financing sources (uses)	0	0	0	0	0	0	0	0	0
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	(23,233)	4,278	0	(69,954)	66,372	(515,435)	(537,972)	0	(537,972)
11020	Required Annual Debt Principal Payments							0		0
11030	Beginning equity	(614,974)	58,028	(26,185)	489,570	238,797	8,704,728	8,849,964		8,849,964
11040	Prior period adjustments, equity transfers, and correction of errors	0	0	0	0	0	0	0		0
11170	Administrative Fee Equity	(733,635)	33,982					(699,653)		(699,653)
11180	Housing Assistance Payments Equity	95,428	28,324					123,752		123,752
11190	Unit Months Available	5,988	720	882	480		6,660	14,730		14,730
11210	Unit Months Leased	5,776	719	882	475		6,619	14,471		14,471
11270	Excess Cash							0		0
11610	Land Purchases						0	0		0
11620	Building Purchases						0	0		0
11630	Furniture & Equipment-Dwelling Purchases						338,355	338,355		338,355
11640	Furniture & Equipment-Administrative Purchases						0	0		0
11650	Leasehold Improvements Purchases						0	0		0
11660	Infrastructure Purchases						0	0		0
13510	CFFP Debt Service Payments						0	0		0
13901	Replacement Housing Factor Funds						0	0		0
	Equity Per Balance Sheet - Line 513	(638,207)	62,306	(26,185)	419,616	305,169	8,189,293	8,311,992	0	8,311,992
	Equity Per Income Statement	(638,207)	62,306	(26,185)	419,616	305,169	8,189,293	8,311,992	0	8,311,992
	Variance	0	0	0	0	0	0	0	0	0

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

March 24, 2021

Ashtabula Metropolitan Housing Authority
Ashtabula County
3526 Lake Avenue
Ashtabula, Ohio 44004

To the Director and Board of Commissioners:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Ashtabula Metropolitan Housing Authority**, Ashtabula County, (the Authority) as of and for the year ended December 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 March 24, 2021, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact the 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

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*.

Officials' Response to Findings

The Officials' response to the finding identified in our audit is described in the accompanying corrective action plan. We did not subject the Officials' response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

March 24, 2021

Ashtabula Metropolitan Housing Authority
Ashtabula County
3526 Lake Avenue
Ashtabula, Ohio 44004

To the Board of Commissioners:

Report on Compliance for the Major Federal Program

We have audited **Ashtabula Metropolitan Housing Authority's**, (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Authority's major federal program for the year ended December 31, 2019. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Authority's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

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

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

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

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



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

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY**

**SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Housing Voucher Cluster: CFDA # 14.871 Section 8 Housing Choice Vouchers; CFDA # 14.879 Mainstream Vouchers
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY**

**SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

FINDING NUMBER 2019-001

Material Weakness

Board Oversight

The Authority is directed by a Board of Commissioners, which is a five-member board comprised of individuals appointed by the Ashtabula County Probate Court (1), Ashtabula County Common Pleas Court (1), Ashtabula County Commissioners (1) and City of Ashtabula (2). The Board is responsible for ensuring that internal controls are in place over the Authority's operations.

We noted that a lack of proper communication existed between management and the Board. It was noted the Board was not provided the basic financial reports and that internal financial reports were not clear. The Board also noted that Management would solicit bids and make other large purchases without seeking board approval or notifying the board. Overall, board policies were not being followed.

The issues noted above affect the ability of the Board to govern appropriately and make sound financial decisions.

We recommend the Authority present a detailed financial reporting package to the Board at each meeting, including budget versus actual performance information, complete bank statements and voucher packages. The Board should indicate receipt and approval by a motion to be noted in the Board minutes. We also recommend Management ensure the Procurement Policy is being appropriately followed.

Officials' Response: See corrective action plan.

3. FINDINGS FOR FEDERAL AWARDS

None

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY
3526 LAKE AVENUE
ASHTABULA, OHIO 44004**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	AMHA Board of Commissioners' recent hiring of an executive director (ED) and a chief financial officer (CFO) and their use of a consultant for strategic plan and policy development will enable better policies and practices to be in place, including those focusing on requisitions and spending. Recent hiring of a CFO and a finance-and housing-experienced ED will improve financial information dissemination and decrease errors with in-house prepared reporting.	7/31/2021	Dawn Cragon

OHIO AUDITOR OF STATE KEITH FABER



ASHTABULA METROPOLITAN HOUSING AUTHORITY

ASHTABULA 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 5/13/2021

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