

**GEAUGA METROPOLITAN
HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

**FOR THE YEAR ENDED
DECEMBER 31, 2015**

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



Dave Yost • Auditor of State

Members of the Board
Geauga Metropolitan Housing Authority
385 Center Street
Chardon, Ohio 44024

We have reviewed the *Independent Auditor's Report* of the Geauga Metropolitan Housing Authority, Geauga County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

July 25, 2016

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**GEAUGA METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of
Geauga Metropolitan Housing Authority
Chardon, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on the Financial Statements

We have audited the accompanying financial statements of the Geauga Metropolitan Housing Authority, Ohio, (Housing Authority) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Geauga Metropolitan Housing Authority, Ohio, as of December 31, 2015, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the basic financial statements, the Housing Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, and restated its net position at December 31, 2014 for business-type activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Geauga Metropolitan Housing Authority, Ohio's basic financial statements. The Statement of Modernization Cost - Completed and the Financial Data Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of 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 basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2016, on our consideration of the Geauga Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Geauga Metropolitan Housing Authority, Ohio's internal control over financial reporting and compliance.



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

May 27, 2016

**GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

As management of the Geauga Metropolitan Housing Authority (“the Authority”), we offer this narrative and analysis of the financial activities of the Authority for the year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with the Authority’s financial statements.

FINANCIAL HIGHLIGHTS

- The Authority’s net position decreased by \$171,127 during 2015, resulting from changes in operations. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net position was \$6,333,586 and \$6,504,713 for 2015 and 2014, respectively.
- The Authority’s cash balance at December 31, 2015 was \$1,922,045, representing an increase of \$122,981 from December 31, 2014.
- Revenues increased by \$43,606, or 1.7 percent, during 2015 and were \$2,607,174 and \$2,563,568 for 2015 and 2014, respectively.
- The total expenses of all the Authority’s programs increased by \$140,012, or 5 percent. Total expenses were \$2,778,301 and \$2,638,289 for 2015 and 2014, respectively.

THE AUTHORITY’S FINANCIAL STATEMENTS

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

These statements include a *Statement of Net Position*, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The Statement is presented in the format where assets minus liabilities equal “Net Position”, formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as “Current” (convertible into cash within one year) and “Non-current”.

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

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

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

Unrestricted Net Position: Consists of Net Position that does not meet the definition of “Net Investment in Capital Assets”, or “Restricted Net Position”.

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

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

Fund Financial Statements

The Authority consists of exclusively enterprise funds. Enterprise funds utilize the full accrual basis of accounting. The enterprise method of accounting is similar to accounting utilized by the private sector accounting.

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

THE AUTHORITY’S PROGRAMS

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30 percent of household income. The Conventional Public Housing Program also includes the Capital Funds Program, which is the primary funding source for physical and management improvements to the Authority’s properties.

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

Capital Fund Program (CFP) – This is the current primary funding source for the Authority’s physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on size and age of the Authority’s units.

**GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

New GASB 68 Reporting

During 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statements 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.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" - that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires

action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

**GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, 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.

In accordance with GASB 68, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the Authority is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also has the effect of restating net position at December 31, 2014, from \$6,998,069 to \$6,504,713.

THE AUTHORITY'S STATEMENTS

Statement of Net Position

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

Table 1 - Condensed Statement of Net Position Compared to Prior Year

	2015	Restated 2014
<u>Assets</u>		
Current and Other Assets	\$ 1,941,871	\$ 1,856,516
Capital Assets	5,422,966	5,664,700
Deferred Outflows of Resources	103,886	70,615
Total Assets	<u>\$ 7,468,723</u>	<u>\$ 7,591,831</u>
<u>Liabilities</u>		
Current Liabilities	\$ 260,953	\$ 309,826
Noncurrent Liabilities	864,048	777,292
Total Liabilities	<u>1,125,001</u>	<u>1,087,118</u>
Deferred Inflows of Resources	<u>10,136</u>	<u>0</u>
<u>Net Position</u>		
Net Investment in Capital Assets	5,412,477	5,648,394
Restricted	7,284	9,658
Unrestricted	913,825	846,661
Total Net Position	<u>6,333,586</u>	<u>6,504,713</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 7,468,723</u>	<u>\$ 7,591,831</u>

For more detail information, see Statement of Net Position presented on page 10.

**GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

Major Factors Affecting the Statement of Net Position

During 2015, Current and Other Assets increased by \$85,355 and Current Liabilities decreased by \$48,873. The Current and Other Assets, primarily cash, increased due to the result of operation. The decrease in Current Liabilities is mainly due to a payout to a tenant participating in the FSS Escrow program that graduated from the program.

Capital Assets also changed, decreasing from \$5,664,700 to \$5,422,966. The \$241,734 decrease may be contributed primarily to a combination of net acquisitions of \$215,177, less current year depreciation of \$456,911. For more detail see "Capital Assets".

Change in Unrestricted Net Position

Details on the change in unrestricted net position can be found in Table 2 below:

Table 2- Changes of Unrestricted Net Position

Beginning Balance - December 31, 2014 - Restated	\$ 846,661
Results of Operations	(171,127)
Adjustments:	
Current Year Depreciation Expense (1)	456,911
Capital Expenditures (2)	(215,177)
Transfer from Restricted Net Position	<u>(3,443)</u>
Ending Balance - December 31, 2015	<u>\$ 913,825</u>

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

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

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

Statement of Revenues, Expenses, and Changes in Net Position

The following schedule compares the revenues and expenses for the current and previous fiscal year.

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

	2015	2014
<u>Revenues</u>		
Total Tenant Revenues	\$ 730,404	\$ 703,003
Operating Subsidies	1,650,136	1,625,067
Capital Grants	129,093	132,993
Investment Income	273	343
Other Revenues	<u>97,268</u>	<u>102,162</u>
Total Revenues	<u>2,607,174</u>	<u>2,563,568</u>
<u>Expenses</u>		
Administrative	451,725	479,645
Tenant Services	136,064	112,339
Utilities	265,766	273,420
Maintenance	453,543	446,266
General and Interest Expense	183,271	111,596
Housing Assistance Payments	831,021	768,703
Depreciation	<u>456,911</u>	<u>446,320</u>
Total Expenses	<u>2,778,301</u>	<u>2,638,289</u>
Net Increase (Decrease)	<u>\$ (171,127)</u>	<u>\$ (74,721)</u>

Total revenues increased \$43,606 during 2015 in comparison to 2014. Total revenue increased due to the increase in rental income from tenants and increase in operating grant revenue received from HUD during the year.

Total expenses increased in comparison to 2014. Total expense increase of \$140,012 was mainly due to increases in housing assistance payments and general expenses. Housing Assistant payments increased due to increased leasing and general expenses increased due to increases in Compensated Absences.

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense adjustment of \$10,102. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$2,778,301
Pension expense under GASB 68	(10,102)
2015 contractually required contribution	<u>70,615</u>
Adjusted 2015 program expenses	2,838,814
Total 2014 program expenses under GASB 27	<u>2,638,289</u>
Increases in program expense not related to pension	<u>\$ 200,525</u>

**GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

Total expenditures increased during the year by \$200,525. The increase was mainly due to increases in housing assistance payment, general expenses and maintenance expenses.

Capital Assets

As of year-end, the Authority had \$5,422,966 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (current purchases less depreciation) of \$241,734 or 4 percent from the end of last year.

Table 4 - Condensed Statement of Changes in Capital Assets

	2015	2014
Land	\$ 727,075	\$ 727,075
Buildings	23,368,431	23,190,290
Equipment	987,940	953,843
Construction in Progress	13,188	10,249
Accumulated Depreciation	(19,673,668)	(19,216,757)
Total	<u>\$ 5,422,966</u>	<u>\$ 5,664,700</u>

Table 5 - Changes in Capital Assets

Beginning Balance - December 31, 2014	\$ 5,664,700
Current Year Additions	215,177
Current Year Depreciation Expense	(456,911)
Ending Balance - December 31, 2015	<u>\$ 5,422,966</u>

Table 6 - Current Year Breakout of Additions to Assets

Leasehold Improvements	<u>\$ 215,177</u>
Total	<u>\$ 215,177</u>

Debt

In 2012, the Authority entered into 2 capital lease agreements with the Lease Corporation of America (LCA) in the amount of \$28,148 bearing interest at 10.20 percent. The leases are payable in monthly installments of \$300.54 each, including interest, and is collateralized by the equipment.

**GEAUGA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

Below is the change in the debt balance for the year:

Table 7 - Condensed Statement of Changes in Debt Outstanding

	2015	2014
Beginning Balance - December 31, 2014	\$ 16,306	\$ 5,816
Current Year Principal Payments	(5,817)	10,490
Total	\$ 10,489	\$ 16,306

Additional information on the Authority's long-term debt can be located in the footnotes of this report.

Economic Factors

Significant economic factors affecting the Authority are as follows:

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

Financial Contact

The individual to be contacted regarding this report is Neva Rodgers, Executive Director of the Geauga Metropolitan Housing Authority, at (440) 286-7413. Specific requests may be submitted to the Geauga Metropolitan Housing Authority at 385 Center Street, Chardon, Ohio 44024.

GEAUGA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2015

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 1,726,366
Restricted Cash and Cash Equivalents	195,679
Receivables, Net	5,837
Inventories, Net	8,883
Prepaid Expenses and Other Assets	<u>5,106</u>
Total Current Assets	<u>1,941,871</u>

Noncurrent Assets

Capital Assets:	
Non-Depreciable Capital Assets	740,263
Depreciable Capital Assets, Net	<u>4,682,703</u>
Total Noncurrent Assets	<u>5,422,966</u>

Deferred Outflows of Resources	<u>103,886</u>
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TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 7,468,723</u>
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LIABILITIES

Current Liabilities

Accounts Payable	\$ 33,611
Accrued Liabilities	94,150
Intergovernmental Payables	47,647
Tenant Security Deposits	67,551
Current Portion of Long-Term Debt	6,438
Unearned Revenue	<u>11,556</u>
Total Current Liabilities	<u>260,953</u>

Noncurrent Liabilities

Accrued Compensated Absences Non-Current	162,149
Long-term debt, Net of Current	4,051
Net Pension Liability Payable	577,004
Other Non-Current Liabilities	<u>120,844</u>
Total Noncurrent Liabilities	<u>864,048</u>
Total Liabilities	<u>1,125,001</u>

Deferred Inflows of Resources	<u>10,136</u>
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NET POSITION

Net Investment in Capital Assets	5,412,477
Restricted	7,284
Unrestricted	<u>913,825</u>
Total Net Position	<u>6,333,586</u>

TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u>\$ 7,468,723</u>
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The accompanying notes to the basic financial statements are an integral part of these statements.

GEAUGA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Operating Revenues</u>	
Tenant Revenues	\$ 730,404
Government Operating Grants	1,650,136
Other Revenues	<u>97,268</u>
Total Operating Revenues	<u>2,477,808</u>
 <u>Operating Expenses</u>	
Administrative	451,725
Tenant Services	136,064
Utilities	265,766
Maintenance	453,543
General	181,875
Housing Assistance Payments	831,021
Depreciation	<u>456,911</u>
Total Operating Expenses	<u>2,776,905</u>
Operating Income (Loss)	<u>(299,097)</u>
 <u>Non-Operating Revenues</u>	
Interest and Investment Revenue	273
Interest Expense	<u>(1,396)</u>
Total Non-Operating Revenues	<u>(1,123)</u>
Income (Loss) Before Contributions and Transfers	<u>(300,220)</u>
 Capital Grants	 <u>129,093</u>
Change in Net Position	<u>(171,127)</u>
 Total Net Position at Beginning of Year, Restated	 <u>6,504,713</u>
 Total Net Position at End of Year	 <u>\$ 6,333,586</u>

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

<u>Cash Flows from Operating Activities</u>	
Cash Received from Federal Operating Grants	\$ 1,650,136
Cash Received From Tenants	693,918
Cash Received Other Revenue	98,525
Cash Payments for Administrative and General Expenses	(1,404,006)
Cash Payments for Housing Assistance	<u>(831,021)</u>
Net Cash Provided (Used) by Operating Activities	<u>207,552</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital Grants	137,546
Capital Lease Payments	(5,817)
Property and Equipment Purchased	(215,177)
Interest Paid	<u>(1,396)</u>
Net Cash Provided by Capital and Other Related Financing Activities	<u>(84,844)</u>
<u>Cash Flows from Investing Activities</u>	
Interest and Investment Income Received	<u>273</u>
Net Cash Provided by Investing Activities	<u>273</u>
Net Increase (Decrease) in Cash and Cash Equivalents	122,981
Cash and Cash Equivalents at Beginning of Year	<u>1,799,064</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,922,045</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Net Operating Income (Loss)	\$ (299,097)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	456,911
(Increase) Decrease in:	
Accounts Receivable	836
Prepaid Expenses	30,449
Inventory	(2,112)
Deferred Outflows	(33,271)
Increase (Decrease) in:	
Accounts Payable	(7,842)
Intergovernmental Payable	(57,230)
Accrued Expenses	24,204
Tenant Security Deposits	(531)
Pension Liability	13,033
Deferred Inflows	10,136
Unearned Revenue	2,170
Non-Current Liabilities	<u>69,896</u>
Net Cash Provided by Operating Activities	<u>\$ 207,552</u>

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Geauga Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (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 more significant of the Authority's accounting policies are described below.

Reporting Entity

The Geauga Metropolitan Housing Authority was created under the Ohio Revised Code Section 3735.27. The Authority contracts with the U. S. Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying basic financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39 in that the financial statements include all organizations, activities, and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of **a)** the primary government, **b)** organizations for which the primary government is financially accountable, and **c)** other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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

Reporting Entity (Continued)

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government **a)** is entitled to the organization's resources; **b)** is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or **c)** is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

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.

Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance, Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

The Authority's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows and are presented on the accrual basis of accounting.

Fund Accounting

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

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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

Proprietary Fund Types

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

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Description of Programs

The following are the various programs which are included in the Authority's single enterprise fund:

A. Public Housing Program

The public housing program is designed to provide low-cost housing within Geauga County. Under this program, HUD provides funding via an annual contribution contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

B. Capital Fund Program

The Capital Fund Program provides funds annually, via a formula, to public housing agencies for capital and management activities, including modernization and development housing.

C. Housing Choice Voucher Program

The Housing Choice Voucher Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit, or public landlords to subsidize rentals for low-income persons.

Investments

The provisions of the HUD regulations restrict investments. Investments are valued at market value. Interest income earned in the fiscal year ending December 31, 2015 totaled \$273.

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$1,500 or more per unit. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Depreciation is computed using the straight line method over the following estimated useful lives:

Buildings	40 years
Building Improvements	15 years
Furniture, Equipment, and Machinery	3-7 years

Net Position

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

Operating Revenues and Expenses

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

Capital Contributions

This represents contributions made available by HUD with respect to all federally aided projects under an annual contribution contract.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Pensions

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

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report 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/expenditure) until then. For the Authority, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 7.

In addition to liabilities, the statements of financial position report 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 include pension. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 7)

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 accumulated payments 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 absence 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 expenses when earned with the amount reported as a fund liability.

**GEAUGA METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015
 (CONTINUED)**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Accounting

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

Accounting and Reporting for Non-Exchange Transactions

The Authority accounts for non-exchange transactions in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. Non-exchange transactions occur when the Authority receives (or gives) value without directly giving (or receiving) equal value in return.

Estimates

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

NOTE 2: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2014:

Net Position - December 31, 2014	\$ 6,998,069
Adjustments:	
Net Pension Liability	(563,971)
Deferred Outflows	<u>70,615</u>
Restated Net Position - December 31, 2014	<u><u>\$ 6,504,713</u></u>

Other than employer contributions subsequent to the measurement date, the Authority made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 3: **DEPOSITS AND INVESTMENTS**

Deposits

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

- A. Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
- B. Inactive deposits are public deposits that the Authority has identified as not required for use within the two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of the depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.
- C. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by collateral held by the Authority, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

At fiscal year end, December 31, 2015, the carrying amount of the Authority's deposits totaled \$1,922,045, and its bank balance was \$1,939,841. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2015, \$1,439,841 was exposed to custodial risk as discussed below, while \$500,000 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of a bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits.

Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at 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 the Federal Reserve Bank in the name of the Authority.

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 4: RESTRICTED CASH

The restricted cash balance of \$195,679 on the financial statements represents the following:

Excess cash advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments	\$ 7,284
Tenant Security deposits in the Low Rent Public Housing Program	67,551
FSS Escrow Liability - HCV	28,635
FSS Escrow Liability - PH	28,358
Payment due to HUD for over payment for utility expenses	<u>63,851</u>
Total Restricted Cash	<u>\$ 195,679</u>

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in capital assets for the year:

	Balance 12/31/14	Additions	Deletions	Balance 12/31/15
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 727,075	\$ 0	\$ 0	\$ 727,075
Construction in Progress	<u>10,249</u>	<u>2,939</u>	<u>0</u>	<u>13,188</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>737,324</u>	<u>2,939</u>	<u>0</u>	<u>740,263</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings	23,190,290	178,141	0	23,368,431
Furniture, Machinery, and Equipment	<u>953,843</u>	<u>34,097</u>	<u>0</u>	<u>987,940</u>
<i>Total Capital Assets Being Depreciated</i>	<u>24,144,133</u>	<u>212,238</u>	<u>0</u>	<u>24,356,371</u>
<i>Accumulated Depreciation:</i>				
Buildings	(18,331,677)	(433,383)	0	(18,765,060)
Furniture, Machinery, and Equipment	<u>(885,080)</u>	<u>(23,528)</u>	<u>0</u>	<u>(908,608)</u>
<i>Total Accumulated Depreciation</i>	<u>(19,216,757)</u>	<u>(456,911)</u>	<u>0</u>	<u>(19,673,668)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>4,927,376</u>	<u>(244,673)</u>	<u>0</u>	<u>4,682,703</u>
Total Capital Assets, Net	<u>\$ 5,664,700</u>	<u>\$ (241,734)</u>	<u>\$ 0</u>	<u>\$ 5,422,966</u>

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 6: NOTE TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Authority's federal awards programs. This schedule has been prepared on the accrual basis of accounting.

NOTE 7: DEFINED BENEFIT PENSION PLAN

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.

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 the accrual basis of accounting.

**GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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 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

**GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (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:

2015 Statutory Maximum Contribution Rates:	State and Local
Employer	14.0%
Employee	10.0%
2015 Actual Contribution Rates:	
Employer:	
Pension	12.0%
Post-employment Health Care Benefits	2.0%
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 contribution was \$73,099 for 2015.

**GEOUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

The net pension liability was measured as of December 31, 2014, 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:

Proportionate Share of the Net Pension Liability	\$ 577,004
Proportion of the Net Pension Liability	0.004784%
Pension Expense	\$ 62,998

At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Net difference between projected and actual earnings on pension plan investments	\$ 30,787
Authority contributions subsequent to the measurement date	<u>73,099</u>
Total Deferred Outflows of Resources	<u>\$ 103,886</u>

Deferred Inflows of Resources

Differences between expected and actual experience	<u>\$ 10,137</u>
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\$73,099 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2016	\$ 3,020
2017	3,020
2018	6,914
2019	7,696
2020	0
Thereafter	0
Total	<u>\$ 20,650</u>

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	In individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projections Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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.

**GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (Continued)

Actuarial Assumptions - OPERS (Continued)

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

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 the 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 2014 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%	2.31%
Domestic Equities	19.90%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	19.10%	7.40%
Other Investments	18.00%	4.59%
Total	100.00%	5.28%

Discount Rate: The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investment was applied to all period of projected payments to determine the total pension liability.

**GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)**

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (Continued)

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 8 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 (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Authority's proportionate share of the net pension liability	\$ 1,061,522	\$ 577,004	\$ 168,923

NOTE 8: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description**

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan - a cost-sharing, multiple-employers defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 8: **POST-EMPLOYMENT BENEFITS** (Continued)

A. **Plan Description** (Continued)

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 641-222-5601 or 800-222-7377.

B. **Funding Policy**

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trust, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent. The portion of actual Authority contributions for the year ended December 31, 2015, 2014 and 2013, which were used by OPERS to fund post-employment benefits were \$12,183, \$11,731, and \$6,065, respectively.

GEAUGA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(CONTINUED)

NOTE 9: COMPENSATED ABSENCES

The following is a summary of changes in compensated absences for the year ended December 31, 2015:

<u>Description</u>	<u>Balance</u> <u>12/31/2014</u>	<u>Earned</u>	<u>Used</u>	<u>Balance</u> <u>12/31/2015</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ 202,107	\$ 75,599	\$ (75,020)	\$ 202,686	\$ 40,537

NOTE 10: LONG-TERM DEBT

In 2012, the Authority entered into two capital lease agreements with the Lease Corporation of America (LCA) in the amount of \$28,148 bearing interest at 10.20 percent. The leases are payable in monthly installments of \$300.54 each, including interest, and is collateralized by the equipment. The first payment was made on August 1, 2012. The agreement is for 72 months.

<u>Description</u>	<u>Balance</u> <u>12/31/2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>12/31/2015</u>	<u>Due Within</u> <u>One Year</u>
Capital Lease	\$ 16,306	\$ 0	\$ 5,817	\$ 10,489	\$ 6,438
Pension Liability	563,971	13,033	0	577,004	0
Total	<u>\$ 580,277</u>	<u>\$ 13,033</u>	<u>\$ 5,817</u>	<u>\$ 587,493</u>	<u>\$ 6,438</u>

Debt maturities for the next six years are estimated as follows:

	<u>Principal</u>	<u>Interest</u>
2016	\$ 6,438	\$ 774
2017	4,051	138
Totals	<u>\$ 10,489</u>	<u>\$ 912</u>

NOTE 11: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During fiscal year ending December 31, 2015, the Authority maintained comprehensive insurance coverage with private carriers for health, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

**GEAUGA METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS (1)**

	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability/Asset	0.004784%	0.004784%
Authority's Proportionate Share of the Net Pension Liability	\$ 577,004	\$ 563,971
Authority's Covered-Employee Payroll	\$ 586,550	\$ 606,508
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	98.37%	92.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amount presented as of the Authority's measurement date which is the prior year end.

**GEAUGA METROPOLITAN HOUSING AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<u>Contractually Required Contributions</u>										
Traditional Plan	\$ 73,099	\$ 70,386	\$ 78,846	\$ 60,808	\$ 60,311	\$ 54,418	\$ 47,939	\$ 39,810	\$ 45,327	\$ 45,715
Total Required Contributions	\$ 73,099	\$ 70,386	\$ 78,846	\$ 60,808	\$ 60,311	\$ 54,418	\$ 47,939	\$ 39,810	\$ 45,327	\$ 45,715
Contribution In Relation to the Contractually Required Contributions	(73,099)	(70,386)	(78,846)	(60,808)	(60,311)	(54,418)	(47,939)	(39,810)	(45,327)	(45,715)
Contribution Deficiency/(Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Authority's Covered-Employee Payroll</u>										
Traditional Plan	\$ 609,160	\$ 586,550	\$ 606,508	\$ 608,080	\$ 603,110	\$ 604,644	\$ 590,382	\$ 568,714	\$ 548,089	\$ 505,697
<u>Contributions as a Percentage of Covered-Employee - Payroll</u>										
Traditional Plan	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%	8.12%	7.00%	8.27%	9.04%

**GEAUGA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. The total amount of modernization costs of the Capital Fund Housing Program grants are shown below:

OH12P042501-13 Project OH

Funds Approved	\$ 248,745
Funds Expended	<u>248,745</u>
Excess of Funds Approved	<u>\$ 0</u>

Funds Advanced	\$ 248,745
Funds Expended	<u>248,745</u>
Excess of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program has been completed.
3. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

**GEAUGA METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	1,628,329		98,037	1,726,366		1,726,366
113 Cash - Other Restricted	28,358		35,919	64,277		64,277
114 Cash - Tenant Security Deposits	67,551			67,551		67,551
115 Cash - Restricted for Payment of Current Liabilities	63,851			63,851		63,851
100 Total Cash	1,788,089	-	133,956	1,922,045	-	1,922,045
125 Accounts Receivable - Miscellaneous	3,274			3,274		3,274
126 Accounts Receivable - Tenants	12,886			12,886		12,886
126.1 Allowance for Doubtful Accounts -Tenants	-10,323			-10,323		-10,323
120 Total Receivables, Net of Allowances for Doubtful Accounts	5,837	-	-	5,837	-	5,837
142 Prepaid Expenses and Other Assets	5,106			5,106		5,106
143 Inventories	8,883			8,883		8,883
150 Total Current Assets	1,807,915	-	133,956	1,941,871	-	1,941,871
161 Land	727,075			727,075		727,075
162 Buildings	23,368,431			23,368,431		23,368,431
163 Furniture, Equipment & Machinery - Dwellings	462,012			462,012		462,012
164 Furniture, Equipment & Machinery - Administration	522,453		3,475	525,928		525,928
166 Accumulated Depreciation	-19,670,193		-3,475	-19,673,668		-19,673,668
167 Construction in Progress	13,188			13,188		13,188
160 Total Capital Assets, Net of Accumulated Depreciation	5,422,966	-	-	5,422,966	-	5,422,966
180 Total Non-Current Assets	5,422,966	-	-	5,422,966	-	5,422,966
200 Deferred Outflow of Resources	94,756		9,130	103,886		103,886
290 Total Assets and Deferred Outflow of Resources	7,325,637	-	143,086	7,468,723	-	7,468,723
312 Accounts Payable <= 90 Days	31,889		1,722	33,611		33,611
321 Accrued Wage/Payroll Taxes Payable	53,613			53,613		53,613
322 Accrued Compensated Absences - Current Portion	38,956		1,581	40,537		40,537
333 Accounts Payable - Other Government	47,647			47,647		47,647
341 Tenant Security Deposits	67,551			67,551		67,551
342 Unearned Revenue	11,556			11,556		11,556
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	6,438			6,438		6,438
310 Total Current Liabilities	257,650	-	3,303	260,953	-	260,953
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	4,051			4,051		4,051
353 Non-current Liabilities - Other	92,209		28,635	120,844		120,844
354 Accrued Compensated Absences - Non Current	155,824		6,325	162,149		162,149
357 Accrued Pension and OPEB Liabilities	526,292		50,712	577,004		577,004
350 Total Non-Current Liabilities	778,376	-	85,672	864,048	-	864,048
300 Total Liabilities	1,036,026	-	88,975	1,125,001	-	1,125,001
400 Deferred Inflow of Resources	9,245		891	10,136		10,136
508.4 Net Investment in Capital Assets	5,412,477			5,412,477		5,412,477
511.4 Restricted Net Position			7,284	7,284		7,284
512.4 Unrestricted Net Position	867,889		45,936	913,825		913,825
513 Total Equity - Net Assets / Position	6,280,366	-	53,220	6,333,586	-	6,333,586
600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net	7,325,637	-	143,086	7,468,723	-	7,468,723

**GEAUGA METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	712,057			712,057		712,057
70400 Tenant Revenue - Other	18,347			18,347		18,347
70500 Total Tenant Revenue	730,404	-	-	730,404	-	730,404
70600 HUD PHA Operating Grants	591,434	131,264	927,438	1,650,136		1,650,136
70610 Capital Grants	129,093			129,093		129,093
71100 Investment Income - Unrestricted	273			273		273
71400 Fraud Recovery	10,514		2,752	13,266		13,266
71500 Other Revenue	72,662		11,340	84,002		84,002
70000 Total Revenue	1,534,380	131,264	941,530	2,607,174	-	2,607,174
91100 Administrative Salaries	226,887		47,611	274,498		274,498
91200 Auditing Fees	7,308		1,827	9,135		9,135
91500 Employee Benefit contributions - Administrative	70,503		27,061	97,564		97,564
91600 Office Expenses	17,042			17,042		17,042
91700 Legal Expense	3,096			3,096		3,096
91900 Other	36,134		14,256	50,390		50,390
91000 Total Operating - Administrative	360,970	-	90,755	451,725	-	451,725
92100 Tenant Services - Salaries		87,478		87,478		87,478
92300 Employee Benefit Contributions - Tenant Services		43,786		43,786		43,786
92400 Tenant Services - Other	4,800			4,800		4,800
92500 Total Tenant Services	4,800	131,264	-	136,064	-	136,064
93100 Water	58,855			58,855		58,855
93200 Electricity	76,579			76,579		76,579
93300 Gas	37,108			37,108		37,108
93600 Sewer	93,224			93,224		93,224
93000 Total Utilities	265,766	-	-	265,766	-	265,766
94100 Ordinary Maintenance and Operations - Labor	203,743			203,743		203,743
94200 Ordinary Maintenance and Operations - Materials and Other	99,463			99,463		99,463
94300 Ordinary Maintenance and Operations Contracts	76,179			76,179		76,179
94500 Employee Benefit Contributions - Ordinary Maintenance	74,158			74,158		74,158
94000 Total Maintenance	453,543	-	-	453,543	-	453,543
96110 Property Insurance	38,707			38,707		38,707
96120 Liability Insurance				-		-
96130 Workmen's Compensation	4,260			4,260		4,260
96140 All Other Insurance				-		-
96100 Total insurance Premiums	42,967	-	-	42,967	-	42,967
96210 Compensated Absences	68,926		6,673	75,599		75,599
96300 Payments in Lieu of Taxes	47,647			47,647		47,647
96400 Bad debt - Tenant Rents	15,662			15,662		15,662
96000 Total Other General Expenses	132,235	-	6,673	138,908	-	138,908
96720 Interest on Notes Payable (Short and Long Term)	1,396			1,396		1,396
96700 Total Interest Expense and Amortization Cost	1,396	-	-	1,396	-	1,396
96900 Total Operating Expenses	1,261,677	131,264	97,428	1,490,369	-	1,490,369
97000 Excess of Operating Revenue over Operating Expenses	272,703	-	844,102	1,116,805	-	1,116,805
97300 Housing Assistance Payments			831,021	831,021		831,021
97400 Depreciation Expense	456,911			456,911		456,911
90000 Total Expenses	1,718,588	131,264	928,449	2,778,301	-	2,778,301
10010 Operating Transfer In	11,791			11,791	-11,791	-
10020 Operating transfer Out	-11,791			-11,791	11,791	-
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-

**GEAUGA METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	Subtotal	ELIM	Total
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-184,208	-	13,081	-171,127	-	-171,127
11020 Required Annual Debt Principal Payments	6,438			6,438		6,438
11030 Beginning Equity	6,914,569		83,500	6,998,069		6,998,069
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-449,995		-43,361	-493,356		-493,356
11170 Administrative Fee Equity			45,936	45,936		45,936
11180 Housing Assistance Payments Equity			7,284	7,284		7,284
11190 Unit Months Available	2,916		2,052	4,968		4,968
11210 Number of Unit Months Leased	2,899		2,052	4,951		4,951

**GEAUGA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs:</i>		
<u>Public Housing Programs</u>		
Low Rent Public Housing Program	14.850	\$ 547,071
Capital Fund Program	14.872	<u>173,456</u>
Total Public Housing Programs		<u>812,357</u>
<u>Section 8 Tenant Based Programs</u>		
Section 8 Housing Choice Voucher Program	14.871	<u>927,438</u>
Total Section 8 Tenant Based Programs		<u>927,438</u>
<u>Resident Opportunity and Support Services Program</u>		
Resident Opportunity and Support Services Program	14.870	<u>131,264</u>
Total Resident Opportunity and Support Services Program		<u>131,264</u>
Total U.S. Department of Housing and Urban Development		<u>1,779,229</u>
Total Federal Awards		<u>\$ 1,779,229</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members of the Board of
Geauga Metropolitan Housing Authority
Chardon, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Geauga Metropolitan Housing Authority, Ohio, (Housing Authority) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated May 27, 2016, wherein we noted that the Housing Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, and restated its net position at December 31, 2014 for business-type activities.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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



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

May 27, 2016

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

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

To the Members of the Board of
Geauga Metropolitan Housing Authority
Chardon, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Geauga Metropolitan Housing Authority, Ohio's (Housing Authority) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Geauga Metropolitan Housing Authority, Ohio's major federal program for the year ended December 31, 2015. The Geauga Metropolitan Housing Authority, Ohio's major federal program are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Geauga Metropolitan Housing Authority, Ohio's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Geauga Metropolitan Housing Authority, Ohio's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Geauga Metropolitan Housing Authority, Ohio's compliance.

Opinion on Each Major Federal Program

In our opinion, the Geauga Metropolitan Housing Authority, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2015.

Report on Internal Control over Compliance

Management of the Geauga Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Geauga Metropolitan Housing Authority, Ohio's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Geauga Metropolitan Housing Authority, Ohio'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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

May 27, 2016

**GEAUGA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
UNIFORM GUIDANCE
DECEMBER 31, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

2015(i)	Type of Financial Statement Opinion	Unmodified
2015(ii)	Were there any material control weaknesses reported at the financial statement level? (GAGAS)?	No
2015(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2015(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2015(iv)	Were there any material internal control weaknesses reported for major Federal programs?	No
2015(iv)	Were there any significant deficiencies in internal control reported to major federal programs?	No
2015(v)	Type of Major Programs' Compliance Opinion	Unmodified
2015(vi)	Are there any reportable findings under .510(a)?	No
2015(vii)	Major Programs (list): Housing Choice Voucher - CFDA #14.871	
2015(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$750,000 Type B: all others
2015(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**GEAUGA METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015**

The prior audit report, as of December 31, 2014 included no citations or management letter comments.

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Dave Yost • Auditor of State

GEAUGA METROPOLITAN HOUSING AUTHORITY

GEAUGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 4, 2016**