

**HANCOCK 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  
Hancock Metropolitan Housing Authority  
Suite 114 The Family Center  
1800 N. Blanchard Street  
Findlay, Ohio 45840

We have reviewed the *Independent Auditor's Report* of the Hancock Metropolitan Housing Authority, Hancock 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 Hancock 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 26, 2016

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

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

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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**INDEPENDENT AUDITOR'S REPORT**

To the Members of the Board of  
Hancock Metropolitan Housing Authority  
Findlay, 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 Hancock 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 Hancock 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 adjusted 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 Hancock Metropolitan Housing Authority, Ohio's basic financial statements. 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 Financial Data Schedules and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates 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 Financial Data Schedules, and the Schedule of Expenditures of Federal Awards is 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 June 6, 2016, on our consideration of the Hancock 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 Hancock Metropolitan Housing Authority, Ohio's internal control over financial reporting and compliance.



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

June 6, 2016

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

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This Management's Discussion and Analysis (MD&A) for the Hancock Metropolitan Housing Authority (Hancock MHA) is intended to assist the reader identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify and offer a discussion about changes in Hancock MHA's financial position. It is designed to focus on the financial activity for the fiscal year ended December 31, 2015, resulting changes and currently known facts. Please read it in conjunction with the financial statements found elsewhere in this report.

**OVER VIEW OF THE FINANCIAL STATEMENTS**

The basic Financial Statements included elsewhere in this report are:

The Statement of Net Position.  
The Statement of Revenues, Expenses and Changes in Net Position, and  
The Statement of Cash Flows.

The *Statement of Net Position* is very similar to, and what most people would think of as, a balance sheet. In the first half it reports the value of assets Hancock MHA holds at December 31, 2015, that is, the cash Hancock MHA has, the amounts that are owed Hancock MHA from others, and the value of the equipment Hancock MHA owns. In the other half of the report it shows the liabilities Hancock MHA has, that is, what Hancock MHA owes others at December 31, 2015; and what Net Position (or what is commonly referred to as Equity) Hancock MHA has at December 31, 2015. The two parts of the report are in balance, thus why many might refer to this type of report as a Balance Sheet, in that the total of the assets part equals the total of the liabilities plus Net Position (or equity) part.

In the statement, the Net Position part is broken out into three board categories:

Net Investment in Capital Assets  
Restricted Net Position, and  
Unrestricted Net Position.

The balance in Net Investment in Capital Assets reflects the value of capital assets, that is assets such as land, buildings, and equipment, reported in the top part of the statement reduced by the amount of accumulated depreciation of those assets and by the outstanding amount of debt yet owed on those assets.

The balance in Restricted Net Position reflects the value of assets reported in the top part of the statements that are restricted for use by law or regulation, or when the use of those assets is restricted by constraints placed on the assets by creditors.

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

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The balance in Unrestricted Net Position is what is left over of Net Position after what is classified in the two previously mentioned components of Net Position. It reflects the value of assets available to Hancock MHA to use to further its purpose.

The *Statement of Revenues, Expenses & Changes in Net Position* is very similar to and may commonly be referred to as an Income Statement. It essentially is a report showing what Hancock MHA earned, that is what its revenues or incomes were, and what expenses Hancock MHA had over the same period. It shows how the Net Position (or equity) changed because of how the incomes exceeded or were less than what expenses were. It helps the reader to determine if Hancock MHA had more in revenues than in expenses or vice-versa, and then how that net gain or net loss affected the Net Position. The bottom line of the report, the Ending Total Net Position, is what is referred to in the above discussion of the Statement of Net Position that when added to the liabilities Hancock MHA has equals the total assets Hancock MHA has.

The *Statement of Cash Flows* is a report that shows how the amount of cash Hancock MHA had at the end of the previous year was impacted by the activities of the current year. It breaks out in general categories the cash coming in and the cash going out. It helps the reader to understand the sources and uses of cash by Hancock MHA during the year to include a measurement of cash gained or used by operating activities, by activities related to acquiring capital assets, and by activities related to investing activities.

### **Hancock MHA's Business Type Funds**

The financial statements included elsewhere in this report are presented using the Authority-wide perspective meaning the activity reported reflects the summed results of all programs, or business-type funds of Hancock MHA. Hancock MHA consists exclusively of Enterprise Funds. The full accrual basis of accounting is used for Enterprise Funds. That method of accounting is very similar to accounting used in the private sector.

Hancock MHA's programs include the following:

The Section 8 Housing Programs (Housing Choice Vouchers and Mainstream Vouchers), and  
The State and Local program.

Under the Section 8 Housing Choice Voucher and Mainstream Voucher programs, Hancock MHA subsidizes the rent of low to moderate-income families through Housing Assistance Payments contracts when those families rent from private landlords. These are called a tenant-based program because when the tenant family moves, the rental assistance goes with the family to the new rental unit. Under the Mainstream Voucher program the rental assistance is targeted to a specific population.

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

Under its State and Local program, Hancock MHA operates rental assistance programs structured similarly to the Section 8 programs but funding for the programs flows to Hancock MHA through local governments.

**THE AUTHORITY'S STATEMENTS**

**Statement of Net Position**

The following table reflects the condensed Statement of Net Position compared to the prior year end. Hancock Metropolitan Housing Authority is engaged only in business-type activities.

**Table 1 - Condensed Statement of Net Position Compared to Prior Year  
(Values Rounded to Nearest Thousand)**

	2015	2014 *
<b><u>Assets</u></b>		
Current and Other Assets	\$ 69,000	\$ 156,000
Capital Assets	18,000	48,000
Deferred Outflow of Resources	41,000	0
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 128,000</u></b>	<b><u>\$ 204,000</u></b>
<b><u>Liabilities</u></b>		
Current Liabilities	\$ 11,000	\$ 8,000
Long-Term Liabilities	264,000	231,000
<b>Total Liabilities</b>	<b><u>275,000</u></b>	<b><u>239,000</u></b>
<b>Deferred Inflow of Resources</b>	<b><u>4,000</u></b>	<b><u>0</u></b>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	18,000	45,000
Restricted	19,000	39,000
Unrestricted	(188,000)	(119,000)
<b>Total Net Position</b>	<b><u>(151,000)</u></b>	<b><u>(35,000)</u></b>
<b>Total Liabilities, Deferred Inflow of Resources and Net Position</b>	<b><u>\$ 128,000</u></b>	<b><u>\$ 204,000</u></b>

\* 2014 balances revised to reflect the Prior Period Adjustment at December 31, 2015.

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

The 2014 numbers presented in the table have been restated to reflect the effect of the prior period adjustment related to the implementation of GASB 68 so that a more meaningful comparison of 2014 balances to 2015 balances can be made. The changes to the 2014 numbers due to the restatement are to non-current liabilities and unrestricted net position. So while a Net Pension Liability of almost \$248,000 is being reported in 2015 while none was reported at December 31, 2014, the comparison presented in the above table better reflects the change in the liability because of the adjustment made to the 2014 numbers in the table.

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

Total Net Position decreased considerably from the prior year-end, by about \$116,000 and the drop was the greatest in Unrestricted Net Position (about \$69,000), the component of Net Position available to the agency to further its purpose. Again this change is after the 2014 numbers were adjusted to reflect the effect of the prior period adjustment reported at December 31, 2015. The changes in incomes and expenses causing this change are discussed more in the next section where we discuss Table 2, the Modified Statement of Revenues, Expenses and Changes in Net Position.

Current Assets dropped dramatically, by about \$87,000 (or 56 percent). The drop in Current Assets corresponds to the reduction in Unrestricted Net Position and Restricted Net Position. Capital Assets also dropped considerably. Cost savings measures management took included reducing the amount of office space the Authority leases. Capital improvements to the space previously being leased were lost when the Authority reduced the space it was leasing.

Non-current liabilities also increased considerably, by about \$33,000 (or 14 percent). That change was primarily the result in the change of the Net Pension Liability - the GASB 68 liability. New balances appeared on the financials this year, Deferred Outflow and Deferred Inflows. Again the implementation of GASB 68 was the cause for these balances.

The following is a modified *Statement of Revenues, Expenses and Changes in Net Position*. Hancock MHA is engaged only in business type activities.

**Table 2- Modified Statement of Revenues, Expenses and Changes in Net Position  
(Values Rounded to Nearest Thousand)**

<u>Revenues</u>	2015	2014
Operating Subsidies and Grants	\$ 2,860,000	\$ 2,774,000
Other Revenues	58,000	62,000
<b>Total Revenues</b>	<u>2,918,000</u>	<u>2,836,000</u>
<u>Expenses</u>		
Administrative	428,000	460,000
Maintenance	2,000	4,000
General and Interest	15,000	10,000
Housing Assistance Payments	2,577,000	2,507,000
Depreciation	12,000	17,000
<b>Total Expenses</b>	<u>3,034,000</u>	<u>2,998,000</u>
Prior Period Adjustment	<u>(212,000)</u>	<u>0</u>
 <b>Net Increase (Decrease)</b>	 <u>\$ (328,000)</u>	 <u>\$ (162,000)</u>

For more detailed information see Combined Statement of Revenues, Expenses, and Changes in Net Position presented elsewhere in this report.

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

The increase in HUD funding for the Authority’s Housing Choice Voucher program (about \$108,000) was far greater than the drop in funding for the Mainstream Voucher program (about \$23,000). The increase in funding for the Housing Choice Voucher program was by far greatest in the amount of funding provided to make rental assistance payments under the program rather than for admin of the program. The increase in funding to make rental assistance payments is reflected in the increase in Housing Assistance Payments expense. Management took steps to more fully utilize funding received from HUD for this purpose, increasing the number of families that received rental assistance under the program, and so HAP expense increased. HUD’s funding for the program is tied to the amount of spending agencies report, so HUD in turn increased funding for this purpose and revenue for the program also increased.

Otherwise the largest change to expenses was the drop in administrative expense. That is a reflection of steps taken by management to reduce staffing costs and reduce space leasing costs in this extended period of HUD paying reduced rates to Public Housing Authorities for administration of the Housing Choice Voucher program.

The most significant balance on the statement however is the prior adjustment amount to reduce Net Position by about \$212,000. This was the result of the implementation of GASB 68. GASB 68 has been prominently cited throughout this MD&A because implementation of the new accounting standard has had a very big impact on the financial statements of the Authority. The implementation of GASB 68 will have a similar impact on the financial statements of almost all units of government in Ohio. Essentially what it requires of Hancock MHA is to report on its financial statements what is determined to be its share of the unfunded pension liability of the Ohio Public Employees Retirement System (OPERS). Despite that the very large Net Pension Liability reported by Hancock MHA (almost \$248,000) does not represent a true liability of the Authority in terms of if operations ceased today there is no invoice in that amount to be paid, the concept behind the standard is that ultimately for OPERS to resolve the unfunded pension liability it has, it will have to impose an additional funding burden on the entities that contribute to it. State law mandates that employees of Hancock MHA are participants in OPERS and that Hancock MHA makes retirement contributions to OPERS on behalf of all of its employees.

The following is a condensed *Statement of Changes in Capital Assets* comparing the balance in capital assets at the year-end versus at the end of the prior year.

**Table 3 - Condensed Statement of Changes in Capital Assets  
(Values Rounded to Nearest Thousand)**

	2015	2014
Buildings and Improvements	\$ 0	\$ 20,000
Equipment	166,000	174,000
Accumulated Depreciation	(148,000)	(146,000)
<b>Total</b>	<b>\$ 18,000</b>	<b>\$ 48,000</b>

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

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The Agency had no equipment additions in the period. The reduction in capital improvements was related to cost savings steps taken by management to reduce the amount of office space leased. The space no longer leased had been improved by the Authority to meet its needs and the improvements were lost when the leased area was reduced.

The following is a *Comparison of Debt Outstanding* at the year-end versus at the end of the prior year.

**Table 4 - Condensed Statement of Changes in Debt Outstanding  
(Values Rounded to Nearest Thousand)**

	2015	2014
Current Portion of Debt	\$ 0	\$ 2,000
Long Term Portion of Debt	0	0
<b>Total</b>	<b>\$ 0</b>	<b>\$ 2,000</b>

Debt the Authority had at the prior year end has been fully paid.

**Economic Factors**

The continued trend of deep cuts to funding for administration of Authority programs by HUD presents significant challenges to management to find ways to continue to provide services to Authority clients. In response the Agency took steps in 2015 to cut expenses. Additional steps will be taken in 2016 to further cut expenses. Loss of dollars to administer programs means less staff to perform the work of the Authority and ultimately fewer families in the community are provided rental assistance by the Authority.

**Financial Contact**

Questions concerning this report or requests for additional information should be directed to Edwin Tharp, Executive Director of the Hancock Metropolitan Housing Authority, Suite 114, the Family Center, 1800 N. Blanchard Street, Findlay, Ohio, 45840.

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

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 3,748
Restricted Cash and Cash Equivalents	17,459
Receivables, Net	33,718
Prepaid Expenses and Other Assets	13,738

**Total Current Assets** 68,663

**Noncurrent Assets**

**Capital Assets:**

Depreciable Capital Assets, Net	17,709
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**Total Noncurrent Assets** 17,709

**Deferred Outflow of Resources** 40,577

**TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES** \$ 126,949

**LIABILITIES**

**Current Liabilities**

Accounts Payable	\$ 6,171
Accrued Liabilities	2,754
Other Current Liabilities	1,227

**Total Current Liabilities** 10,152

**Noncurrent Liabilities**

Accrued Compensated Absences Non-Current	7,870
Other Non-Current Liabilities	8,401
Net Pension Liability	247,735
Total Noncurrent Liabilities	264,006

**Total Liabilities** 274,158

**Deferred Inflow of Resources** 4,352

**NET POSITION**

Net Investment in Capital Assets	17,709
Restricted	18,796
Unrestricted	(188,066)
<b>Total Net Position</b>	<b>(151,561)</b>

**TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION** \$ 126,949

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

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

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**Operating Revenues**

Government Operating Grants	\$ 2,859,856
Other Revenues	<u>74,632</u>
<b>Total Operating Revenues</b>	<b><u>2,934,488</u></b>

**Operating Expenses**

Administrative	427,806
Maintenance	2,042
General	15,054
Housing Assistance Payments	2,577,134
Depreciation	<u>12,338</u>
<b>Total Operating Expenses</b>	<b><u>3,034,374</u></b>
Operating Income (Loss)	<u>(99,886)</u>

**Non-Operating Revenues (Expenses)**

Interest Expense	(119)
Loss on Disposition	<u>(16,763)</u>
<b>Total Non-Operating Revenues</b>	<b><u>(16,882)</u></b>

Change in Net Position	(116,768)
Total Net Position at Beginning of Year	<u>177,135</u>
Prior Period Adjustment	<u>(211,928)</u>
<b>Total Net Position at End of Year</b>	<b><u>\$ (151,561)</u></b>

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

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

<b><u>Cash Flows from Operating Activities</u></b>	
Cash Received from Federal Operating Grants	\$ 2,851,850
Cash Received Other Revenue	68,654
Cash Payments for Administrative and General Expenses	(435,704)
Cash Payments for Housing Assistance	<u>(2,577,134)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>(92,334)</u></b>
 <b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Retirement of Debt	(2,273)
Interest Paid	(119)
Cash from Capital Assets Sales	<u>1,001</u>
<b>Net Cash Provided by Capital and Other Related Financing Activities</b>	<b><u>(1,391)</u></b>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (93,725)
 Cash and Cash Equivalents at Beginning of Year	 <u>114,932</u>
 <b>Cash and Cash Equivalents at End of Year</b>	 <b><u>\$ 21,207</u></b>
 <b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u></b>	
Net Operating Income (Loss)	\$ (99,886)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	12,338
(Increase) Decrease in:	
Accounts Receivable	(4,255)
Prepaid Expenses	(1,778)
Deferred Outflow of Resources	(10,365)
Increase (Decrease) in:	
Accounts Payable	5,948
Accrued Liabilities	1,066
Other Current Liabilities	(2,928)
Other Non-Current Liabilities	(2,421)
Net Pension Liability *	5,595
Deferred Inflow of Resources	<u>4,352</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ (92,334)</u></b>

\* Non-cash increase to Net Pension Liability of \$211,928 not reflected in reported amount.

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

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

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

**Summary of Significant Accounting Policies**

The financial statements of the Hancock 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 Hancock Metropolitan Housing Authority is a political subdivision of the State of Ohio, located in Findlay, Ohio. The Authority was created under the Ohio Revised Code, Section 3735.27, to engage in the acquisition, development, leasing, and administration of low-rent housing program. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying basic financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

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

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 uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

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

**Measurement Focus**

The enterprise fund is accounted for on flow of economic resources measurement focus. All assets and all liabilities associated with the operations of the Authority are included on the statement of net position. The statement of change in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

**Enterprise Fund**

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

**HANCOCK METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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

**Enterprise Fund** (Continued)

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

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

**Section 8 Programs**

Under the Section 8 Housing Choice Voucher and Mainstream Voucher Programs, the Authority subsidizes the rents of low-income families that rent from private landlords. 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.

**State on Local Program**

The State and Local Program functions similarly to the Section 8 Housing Programs. The source of funding is local government.

**Cash and Cash Equivalents**

For the purpose of the statements of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less, and all non-negotiable certificates of deposits regardless of maturity.

**Investments**

Investments are restricted by the provisions of the HUD regulations. Investments are valued at market value.

**Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

**HANCOCK METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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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 \$1,000 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	25 - 40 years
Building Improvements	15 - 25 years
Furniture, Equipment, and Machinery	3-7 years

**Net Position**

Net position represents the difference between assets and deferred outflow of resources compared to liabilities and deferred inflow of resources. 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.

**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.

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

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

**Compensated Absences** (Continued)

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

**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.

**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 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 statement of net position (See Note 7).

**Budgetary Accounting**

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

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

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

**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 PRINCIPAL 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*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

The objective of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, is to improve accounting and financial reporting by state and local governments for pensions. The provisions of this Statement are effective for periods beginning after June 15, 2014, and have been implemented by the Authority.

The objective of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the Authority's financial statements.

The objective of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date -an Amendment of GASB Statement No. 68*, is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68, and have been implemented by the Authority.

A prior period adjustment is required in order to implement GASB Statements No. 68 and 71 as follows:

Adjustments:	
Net Pension Liability (OPERS Traditional Plan)	\$ (242,140)
Deferred Outflow - Payment Subsequent to Measurement Date	30,212
Total Prior Period Adjustment	<u>\$ (211,928)</u>

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

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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 \$21,207, and its bank balance was \$29,840. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2015, all deposits were covered by the Federal Depository 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 exceeding FDIC 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. All Agency deposits at December 31, 2015, were covered by FDIC.

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

**NOTE 4: RESTRICTED CASH AND INVESTMENT**

The restricted cash balance as of December 31, 2015 was \$17,459 and it represents the following:

- HUD advances for Housing Assistance Payments	\$ 9,058
- FSS Escrow Funds held for clients	<u>8,401</u>
Total Restricted Cash on Hand	<u>\$ 17,459</u>

**NOTE 5: CAPITAL ASSETS**

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

	<u>Balance</u> <u>12/31/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/15</u>
<b><i>Capital Assets Being Depreciated:</i></b>				
Furniture, Machinery, and Equipment - Admin.	\$ 173,246	\$ 0	\$ (7,117)	\$ 166,129
Leasehold Improvements	<u>20,305</u>	<u>0</u>	<u>(20,305)</u>	<u>0</u>
<b><i>Total Capital Assets Being Depreciated</i></b>	<u>193,551</u>	<u>0</u>	<u>(27,422)</u>	<u>166,129</u>
<b><i>Accumulated Depreciation:</i></b>				
Furniture, Machinery, and Equipment	(140,064)	(12,338)	3,982	(148,420)
Leasehold Improvements	<u>(5,676)</u>	<u>0</u>	<u>5,676</u>	<u>0</u>
<b><i>Total Accumulated Depreciation</i></b>	<u>(145,740)</u>	<u>(12,338)</u>	<u>9,658</u>	<u>(148,420)</u>
<b>Total Capital Assets, Net</b>	<u>\$ 47,811</u>	<u>\$ (12,338)</u>	<u>\$ (17,764)</u>	<u>\$ 17,709</u>

**NOTE 6: NON-CURRENT LIABILITIES**

A summary of changes in non-current liabilities is as follows:

	<u>Restated</u> <u>Balance</u> <u>01/01/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2015</u>
Compensated Absences	\$ 4,140	\$ 13,442	\$ (9,712)	\$ 7,870
Long-Term Debt	2,273	0	(2,273)	0
Net Pension Liability	242,140	5,595	0	247,735
FSS Escrow Funds	<u>14,522</u>	<u>0</u>	<u>(6,121)</u>	<u>8,401</u>
Total	<u>\$ 263,075</u>	<u>\$ 19,037</u>	<u>\$ (18,106)</u>	<u>\$ 264,006</u>

**HANCOCK METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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NOTE 7: **DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

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

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

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

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

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.

**HANCOCK METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(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):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
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
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

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

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

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

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

	<u>State and Local</u>
<b>2015 Statutory Maximum Contribution Rates:</b>	
Employer	14.0%
Employee	10.0%
 <b>2015 Actual Contribution Rates:</b>	
Employer:	
Pension	12.0%
Post-employment Health Care Benefits	<u>2.0%</u>
Total Employer	<u>14.0%</u>
Employee	<u>10.0%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was \$30,502 for 2015.

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

NOTE 7: **DEFINED BENEFIT PENSION PLANS** (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	\$ 247,735
Proportion of the Net Pension Liability	0.002054%
Pension Expense	\$ 27,048

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	\$ 13,218
Authority contributions subsequent to the measurement date	<u>27,359</u>
Total Deferred Outflows of Resources	<u>\$ 40,577</u>

**Deferred Inflows of Resources**

Differences between expected and actual experience	<u>\$ 4,352</u>
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\$27,359 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	\$ 1,296
2017	1,296
2018	2,969
2019	<u>3,305</u>
Total	<u>\$ 8,866</u>

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

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NOTE 7: **DEFINED BENEFIT PENSION PLANS** (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 COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation 3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	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.

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

NOTE 7: **DEFINED BENEFIT PENSION PLANS** (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 investments was applied to all periods of projected payments to determine the total pension liability.

**HANCOCK METROPOLITAN HOUSING AUTHORITY**  
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**(CONTINUED)**

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

	<u>1% Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1% Increase</u>
	<u>(7.00%)</u>	<u>(8.00%)</u>	<u>(9.00%)</u>
Authority's proportionate share of the net pension liability	\$ 535,199	\$ 247,735	\$ 85,168

NOTE 8: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans; the Traditional Pension Plan - a cost-sharing, multiple-employer 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 healthcare plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement, and Medicare Part B premium reimbursement, 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 health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 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 No. 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

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

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

A. **Plan Description** (Continued)

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601, 1-800-222-7377, or by visiting, [www.opers.org/investments/cafr.shtml](http://www.opers.org/investments/cafr.shtml).

B. **Funding Policy**

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, the Authority contributed at a rate of 14.00 percent of earnable salary. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of earnable salary for state and local employer units. Active member contributions do not fund healthcare.

OPERS maintains two cost-sharing, multiple-employer trusts, the 401(h) Healthcare Trust and the 115 Healthcare trust, that work together to provide healthcare funding to eligible retirees of the Traditional Pension and Combined Plans. 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 Plan was 2.0 percent for calendar year 2015. As recommended by the OPERS' actuary, the portion of employer contributions allocated to healthcare beginning January 1, 2016 remained at 2.00 percent for the Traditional Plan. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of actual Authority contributions for the years ended December 31, 2015, 2014 and 2013, which were used by OPERS to fund healthcare were \$5,084, \$5,709, and \$2,809, respectively.

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

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NOTE 9: **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 maintains 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.

NOTE 10: **RESTRICTED NET POSITION**

The restricted net position balance at December 31, 2015 was \$18,796 and it represents the following:

- Unspent HUD advances to make Housing Choice Voucher Program Housing Assistance Payments	\$ 10,173
- Unspent HUD advances to make Mainstream 5 Voucher Program Housing Assistance Payments	<u>8,623</u>
Total	<u>\$ 18,796</u>

NOTE 11: **NOTE TO THE SCHEDULE OF EXPENDITURES 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 12: **CONTINGENCIES**

**Grants**

Amount grantor agencies pay to the Authority are subject to audit and adjustments by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at December 31, 2015.

**Litigations**

In the normal course of operations, the Authority may be subject to litigations and claims. At December 31, 2015, the Authority was not aware of any such matters.

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

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	2014	2013
Authority's Proportion of the Net Pension Liability	0.002054%	0.002054%
Authority's Proportionate Share of the Net Pension Liability	\$ 247,735	\$ 242,140
Authority's Covered-Employee Payroll	\$ 285,459	\$ 280,900
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	98.40%	99.25%
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.

**HANCOCK METROPOLITAN HOUSING AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM - TRADITIONAL PLAN  
LAST THREE FISCAL YEARS (1)**

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	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 30,502	\$ 34,255	\$ 36,517
Contributions in Relation to the Contractually Required Contribution	<u>(30,502)</u>	<u>(34,255)</u>	<u>(36,517)</u>
Contribution Deficiency/(Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Authority's Covered-Employee Payroll	\$ 254,185	\$ 285,459	\$ 280,900
Contributions as a Percentage of Covered- Employee Payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

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

	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted			3,748	3,748		3,748
113 Cash - Other Restricted	8,836	8,623		17,459		17,459
<b>100 Total Cash</b>	8,836	8,623	3,748	21,207	-	21,207
124 Accounts Receivable - Other Government			11,380	11,380		11,380
125 Accounts Receivable - Miscellaneous			5,449	5,449		5,449
128 Fraud Recovery	90,334			90,334		90,334
128.1 Allowance for Doubtful Accounts - Fraud	-73,445			-73,445		-73,445
<b>120 Total Receivables, Net of Allowances for Doubtful Accounts</b>	16,889	-	16,829	33,718	-	33,718
142 Prepaid Expenses and Other Assets	13,738			13,738		13,738
144 Inter Program Due From			49,574	49,574	-49,574	-
<b>150 Total Current Assets</b>	39,463	8,623	70,151	118,237	-49,574	68,663
164 Furniture, Equipment & Machinery - Administration	166,129			166,129		166,129
166 Accumulated Depreciation	-148,420			-148,420		-148,420
<b>160 Total Capital Assets, Net of Accumulated Depreciation</b>	17,709	-	-	17,709	-	17,709
<b>180 Total Non-Current Assets</b>	17,709	-	-	17,709	-	17,709
200 Deferred Outflow of Resources	40,577			40,577		40,577
<b>290 Total Assets and Deferred Outflow of Resources</b>	97,749	8,623	70,151	176,523	-49,574	126,949
312 Accounts Payable <= 90 Days	6,171			6,171		6,171
321 Accrued Wage/Payroll Taxes Payable	2,754			2,754		2,754
345 Other Current Liabilities			1,227	1,227		1,227
347 Inter Program - Due To	49,574			49,574	-49,574	-
<b>310 Total Current Liabilities</b>	58,499	-	1,227	59,726	-49,574	10,152
353 Non-current Liabilities - Other	8,401			8,401		8,401
354 Accrued Compensated Absences - Non Current	7,870			7,870		7,870
357 Accrued Pension and OPEB Liabilities	247,735			247,735		247,735
<b>350 Total Non-Current Liabilities</b>	264,006	-	-	264,006	-	264,006
<b>300 Total Liabilities</b>	322,505	-	1,227	323,732	-49,574	274,158
400 Deferred Inflow of Resources	4,352			4,352		4,352
508.4 Net Investment in Capital Assets	17,709			17,709		17,709
511.4 Restricted Net Position	10,173	8,623		18,796		18,796
512.4 Unrestricted Net Position	-256,990		68,924	-188,066		-188,066
<b>513 Total Equity - Net Assets / Position</b>	-229,108	8,623	68,924	-151,561	-	-151,561
<b>600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net</b>	97,749	8,623	70,151	176,523	-49,574	126,949

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

	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	2 State/Local	Subtotal	ELIM	Total
70600 HUD PHA Operating Grants	2,538,627	321,229		2,859,856		2,859,856
71400 Fraud Recovery	17,888			17,888		17,888
71500 Other Revenue	7,840		48,904	56,744		56,744
71600 Gain or Loss on Sale of Capital Assets	-16,763			-16,763		-16,763
<b>70000 Total Revenue</b>	<b>2,547,592</b>	<b>321,229</b>	<b>48,904</b>	<b>2,917,725</b>	<b>-</b>	<b>2,917,725</b>
91100 Administrative Salaries	224,444	27,236	2,542	254,222		254,222
91200 Auditing Fees	9,116	1,100		10,216		10,216
91500 Employee Benefit contributions - Administrative	88,082	11,141	1,040	100,263		100,263
91600 Office Expenses	50,402			50,402		50,402
91800 Travel	186			186		186
91900 Other	12,517			12,517		12,517
<b>91000 Total Operating - Administrative</b>	<b>384,747</b>	<b>39,477</b>	<b>3,582</b>	<b>427,806</b>	<b>-</b>	<b>427,806</b>
94300 Ordinary Maintenance and Operations Contracts	2,042			2,042		2,042
<b>94000 Total Maintenance</b>	<b>2,042</b>	<b>-</b>	<b>-</b>	<b>2,042</b>	<b>-</b>	<b>2,042</b>
96120 Liability Insurance	10,176			10,176		10,176
<b>96100 Total insurance Premiums</b>	<b>10,176</b>	<b>-</b>	<b>-</b>	<b>10,176</b>	<b>-</b>	<b>10,176</b>
96200 Other General Expenses	1,149			1,149		1,149
96210 Compensated Absences	3,729			3,729		3,729
<b>96000 Total Other General Expenses</b>	<b>4,878</b>	<b>-</b>	<b>-</b>	<b>4,878</b>	<b>-</b>	<b>4,878</b>
96710 Interest of Mortgage (or Bonds) Payable	119			119		119
<b>96700 Total Interest Expense and Amortization Cost</b>	<b>119</b>	<b>-</b>	<b>-</b>	<b>119</b>	<b>-</b>	<b>119</b>
<b>96900 Total Operating Expenses</b>	<b>401,962</b>	<b>39,477</b>	<b>3,582</b>	<b>445,021</b>	<b>-</b>	<b>445,021</b>
<b>97000 Excess of Operating Revenue over Operating Expenses</b>	<b>2,145,630</b>	<b>281,752</b>	<b>45,322</b>	<b>2,472,704</b>	<b>-</b>	<b>2,472,704</b>
97300 Housing Assistance Payments	2,250,980	281,423	38,651	2,571,054		2,571,054
97350 HAP Portability-In	6,080			6,080		6,080
97400 Depreciation Expense	12,338			12,338		12,338
<b>90000 Total Expenses</b>	<b>2,671,360</b>	<b>320,900</b>	<b>42,233</b>	<b>3,034,493</b>	<b>-</b>	<b>3,034,493</b>
<b>10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	<b>-123,768</b>	<b>329</b>	<b>6,671</b>	<b>-116,768</b>	<b>-</b>	<b>-116,768</b>
11030 Beginning Equity	106,588	8,294	62,253	177,135		177,135
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-211,928			-211,928		-211,928
11170 Administrative Fee Equity	-239,281			-239,281		-239,281
11180 Housing Assistance Payments Equity	10,173			10,173		10,173
11190 Unit Months Available	9,468	900	90	10,458		10,458
11210 Number of Unit Months Leased	7,428	900	90	8,418		8,418

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

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
<i>Direct Programs:</i>		
<i>Housing Voucher Cluster:</i>		
Housing Choice Voucher Program	14.871	\$ 2,538,627
Mainstream Vouchers	14.879	<u>321,229</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>2,859,856</u>
<b>Total Federal Awards</b>		<u>\$ 2,859,856</u>

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

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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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  
Hancock Metropolitan Housing Authority  
Findlay, 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 Hancock 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 June 6, 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 adjusted 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 Hancock 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 Hancock Metropolitan Housing Authority, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hancock 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 Hancock 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 Hancock 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 Hancock 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 Hancock 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

June 6, 2016

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

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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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  
Hancock Metropolitan Housing Authority  
Findlay, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

***Report on Compliance for Each Major Federal Program***

We have audited the Hancock 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 the Hancock Metropolitan Housing Authority, Ohio's major federal program for the year ended December 31, 2015. The Hancock Metropolitan Housing Authority, Ohio's major federal program is 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 the Hancock Metropolitan Housing Authority, Ohio's major federal program 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 Hancock 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 the major federal program. However, our audit does not provide a legal determination of the Hancock Metropolitan Housing Authority, Ohio's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Hancock 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 Hancock 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 Hancock 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 Hancock 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

June 6, 2016

**HANCOCK METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2015**

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**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 Voucher Cluster: Housing Choice Voucher Program - CFDA #14.871 Mainstream Vouchers - CFDA #14.879	
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.

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

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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

**HANCOCK METROPOLITAN HOUSING AUTHORITY**

**HANCOCK 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 9, 2016**