HANCOCK METROPOLITAN HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2017

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

Dave Yost • Auditor of State

Members of the Board
Hancock Metropolitan Housing Authority
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, 2017 through December 31, 2017. 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.

Dave Yost
Auditor of State

June 26, 2018

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BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
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 business-type activities of the Hancock Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Hancock Metropolitan Housing Authority as of December 31, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 an opinion on the financial statements that collectively comprise the Authority'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 also not a required part of the basic financial statements.

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 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 June 18, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

James G. Zupka, CPA, Inc.

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

June 18, 2018

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, 2017, 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 generally reports the value of assets Hancock MHA holds, 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 statement it generally shows the liabilities Hancock MHA has, that is, what Hancock MHA owes others, and what Net Position (or what is commonly referred to as Equity) Hancock MHA has. 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 and deferred outflow of resources equals the total of the liabilities and deferred inflows of resources plus Net Position (or equity).

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.

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 and deferred inflow of resources Hancock MHA has equals the total assets and deferred outflow of resources 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.

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)

	2017	2016
Assets		
Current and Other Assets	$ 185,000	$ 375,000
Capital Assets	6,000	11,000
Deferred Outflow of Resources	127,000	114,000
Total Assets and Deferred Outflows of Resources	$ 318,000	$ 500,000
Liabilities		
Current Liabilities	$ 18,000	$ 51,000
Long-Term Liabilities	346,000	328,000
Total Liabilities	364,000	379,000
Deferred Inflow of Resources	40,000	272,000
Net Position		
Investment in Capital Assets	6,000	11,000
Restricted	89,000	25,000
Unrestricted	(181,000)	(187,000)
Total Net Position	(86,000)	(151,000)
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 318,000	$ 500,000

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

Current assets dropped considerably, by about $190,000 (or 51 percent). The biggest factor contributing to the drop in current assets was that just before the end of the prior year, HUD provided January funding for agency programs. Current assets were unusually high last year. Similarly, the funding HUD provided in December last year for January also caused current liabilities and deferred inflow of resources to be unusually high last year and so a corresponding drop is reflected in those balances.

With regard to net position, restricted net position was the component that had a notable change, increasing by about $64,000 (or 256 percent). Restricted net position consists of unspent funding provided by HUD to make rental assistance payments under the agency's Housing Choice Voucher and Mainstream Voucher programs. This increase simply reflects that as of the end of the year HUD had provided more funding to be used to make rental assistance payments that what was used.

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

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

	2017	2016
Revenues		
Operating Subsidies and Grants	$ 3,370,000	$ 3,154,000
Other Revenues	27,000	18,000
Total Revenues	3,397,000	3,172,000
Expenses		
Administrative	395,000	406,000
General & Maintenance	11,000	8,000
Housing Assistance Payments	2,921,000	2,751,000
Depreciation	5,000	7,000
Total Expenses	3,332,000	3,172,000
Net Increase (Decrease)	65,000	0
Beginning Net Position	(151,000)	(151,000)
Ending Net Position	$ (86,000)	$ (151,000)

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

The significant changes were to operating subsidies (increase of about $216,000 or 7 percent) and HAP Expense (increase of about $170,000 or 6 percent). HUD essentially provides funding to make rental assistance payments under the Housing Choice Voucher program based on what agencies report is being spent for this purpose, and housing authorities typically strive to spend as much for this purpose as HUD provides to be able to help as many families as possible. So the increase in the revenue is linked to the increase in the expense. As the agency increased spending on rental assistance payments to eligible families, HUD provided more funding for this purpose leading the agency to continue to increase spending on rental assistance being provided to client families. The increase in the revenue was more than the increase in the expense helps to explain why restricted net position increased as noted in the previous section.

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)

	2017	2016
Equipment	$ 98,000	$ 166,000
Accumulated Depreciation	(92,000)	(155,000)
Total	$ 6,000	$ 11,000

The Agency had no equipment additions in the period, however, deletions of fully depreciated equipment no longer in service were recorded.

Debt

The agency has no debt.

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. While the Authority made cuts in the period to produce favorable results, operating with less dollars to administer programs means less staff to perform the work of the agency and ultimately fewer families in the community that are provided rental assistance by the agency.

Financial Contact

Questions concerning this report or requests for additional information should be directed to Casey Ricker, 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, 2017

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 23,645
Restricted Cash and Cash Equivalents	94,984
Receivables, Net	54,795
Prepaid Expenses and Other Assets	12,130
Total Current Assets	185,554
Noncurrent Assets	
Capital Assets:	
Depreciable Capital Assets, Net	5,941
Total Noncurrent Assets	5,941
Deferred Outflow of Resources	126,592
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$ 318,087
LIABILITIES	
Current Liabilities	
Accounts Payable	$ 11,692
Accrued Liabilities	2,743
Other Current Liabilities	3,590
Total Current Liabilities	18,025
Noncurrent Liabilities	
Accrued Compensated Absences Non-Current	6,265
Other Non-Current Liabilities	5,517
Net Pension Liability	333,812
Total Noncurrent Liabilities	345,594
Total Liabilities	363,619
Deferred Inflow of Resources	40,183
NET POSITION	
Investment in Capital Assets	5,941
Restricted	89,467
Unrestricted	(181,123)
Total Net Position	(85,715)
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	$ 318,087

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, 2017

Operating Revenues	
Government Operating Grants	$ 3,369,865
Other Revenues	27,309
Total Operating Revenues	3,397,174
Operating Expenses	
Administrative	395,204
Maintenance	298
General	9,903
Housing Assistance Payments	2,921,095
Depreciation	5,026
Total Operating Expenses	3,331,526
Operating Income (Loss)	65,648
Change in Net Position	65,648
Total Net Position at Beginning of Year	(151,363)
Total Net Position at End of Year	$ (85,715)

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, 2017

Cash Flows from Operating Activities	
Cash Received from Operating Grants	$ 3,083,332
Cash Received Other Revenue	15,315
Cash Payments for Administrative and General Expenses	(370,461)
Cash Payments for Housing Assistance	(2,941,998)
Net Cash Provided (Used) by Operating Activities	(213,812)
Net Increase (Decrease) in Cash and Cash Equivalents	(213,812)
Cash and Cash Equivalents at Beginning of Year	332,441
Cash and Cash Equivalents at End of Year	$ 118,629
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Net Operating Income (Loss)	$ 65,648
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	5,026
(Increase) Decrease in:	
Accounts Receivable	(23,151)
Prepaid Expenses	(1,139)
Deferred Outflow of Resources	(13,008)
Increase (Decrease) in:	
Accounts Payable	(2,612)
Accrued Liabilities	1,959
Other Current Liabilities	(1,046)
Unearned Revenue	(30,958)
Accrued Compensated Absences	157
Other Non-Current Liabilities	(7,895)
Net Pension Liability	24,975
Deferred Inflow of Resources	(231,768)
Net Cash Provided by Operating Activities	$ (213,812)

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

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.

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 position. 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 propriety 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.

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 future periods 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.

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 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.

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 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 6.

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 are reported on the Statement of Net Position for pension and Housing Assistance Payments. Deferred inflows of resources related to pension are reported on the statement of net position (See Note 6).

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.

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: **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, 2017, the carrying amount of the Authority's deposits totaled $118,629, and its bank balance was $140,082. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2017, $140,082 was covered by the Federal Depository Insurance Corporation.

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

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.

NOTE 3: RESTRICTED CASH AND INVESTMENT

The restricted cash balance as of December 31, 2017 was $94,984 and it represents the following:

- Unspent HUD advances for Housing Assistance Payments	$ 89,467
- FSS Escrow Funds held for clients	5,517
Total Restricted Cash on Hand	$ 94,984

NOTE 4: CAPITAL ASSETS

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

	Balance 12/31/16	Additions	Deletions	Balance 12/31/17
Capital Assets Being Depreciated:				
Furniture, Machinery, and Equipment - Admin.	$ 166,129	$ 0	$ (67,957)	$ 98,172
Total Capital Assets Being Depreciated	166,129	0	(67,957)	98,172
Accumulated Depreciation:				
Furniture, Machinery, and Equipment	(155,162)	(5,026)	67,957	(92,231)
Total Accumulated Depreciation	(155,162)	(5,026)	67,957	(92,231)
Total Capital Assets, Net	$ 10,967	$ (5,026)	$ 0	$ 5,941

NOTE 5: NON-CURRENT LIABILITIES

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

	Restated Balance 01/01/2017	Additions	Deletions	Balance 12/31/2017	Current Portion
Compensated Absences	$ 6,108	$ 12,886	$ (12,729)	$ 6,265	$ 0
Net Pension Liability	308,837	24,975	0	333,812	0
FSS Escrow Funds	13,412	1,375	(9,270)	5,517	0
Total	$ 328,357	$ 39,236	$ (21,999)	$ 345,594	$ 0

NOTE 6: 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

NOTE 6: **DEFINED BENEFIT PENSION PLANS** (Continued)

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 both the accrual and modified accrual basis of accounting.

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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

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NOTE 6: **DEFINED BENEFIT PENSION PLANS** (Continued)

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 Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** 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 and Service Requirements:**	**Age and Service Requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	**Formula:**	**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	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of srvice for the first 35 years and 2.5% for service years in excess of 35

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 based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

NOTE 6: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

	State and Local
2017 Statutory Maximum Contribution Rates:	
Employer	14.0%
Employee	10.0%
2017 Actual Contribution Rates:	
Employer:	
Pension	13.0%
Post-employment Health Care Benefits	1.0%
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 $23,482 for 2017.

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

The net pension liability for OPERS was measured as of December 31, 2016, 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:

	OPERS Traditional Pension Plan
Proportion of the Net Pension Liability/Asset - Prior Measurement Date	0.001783 %
Proportion of the Net Pension Liability/Asset - Current Measurement Date	0.001470 %
Change in Proportionate Share	(0.000313)%
Proportionate Share of the Net Pension Liability/(Asset)	$ 333,812
Pension Expense	$ 70,869

NOTE 6: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Pension Plan
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 49,712
Changes of Assumptions	52,946
Differences between expected and actual experience	452
Changes in proportion and difference between Agency contributions and proportionate share of contributions	0
Agency contributions subsequent to the measurement date	23,482
Total Deferred Outflows of Resources	$ 126,592
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 1,987
Changes in proportion and differences between Authority Contributions and proportionate share of contributions	38,196
Total Deferred Inflows of Resources	$ 40,183

$23,482 reported as deferred outflows of resources related to pension resulting from Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Pension Plan
Year Ending December 31:	
2018	$ 19,017
2019	28,789
2020	16,579
2021	(1,458)
2022	0
Total	$ 62,927

NOTE 6: **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, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board of Trustee's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7,5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Wage Inflation	3 .25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	P re 1/7/2013 retirees; 3 percent, simple P ost 1/7/213 retirees; 3 percent, simple th rough 2018, then 2.15% simple
Investment Rate of Return	7 .5 percent
Actuarial Cost Method	In dividual Entry Age

Mortality rates were based on the RP-2014 Health Annuitant Mortality table. For males, Health Annuitant Mortality tables were used, adjusted for mortality improvement back to the observant period base of 2006 and then established the base year as 2015. For females, Health Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year 2006 and then established the base year as 2010. The mortality rates in evaluating disability allowances were based on the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

NOTE 6: **DEFINED BENEFIT PENSION PLANS** (Continued)

Actuarial Assumptions - OPERS

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016. 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 annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined portfolio is 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00%	2.75%
Domestic Equities	20.70%	6.34%
Real Estate	10.00%	4.75%
Private Equity	10.00%	8.97%
International Equities	18.30%	7.95%
Other Investements	18.00%	4.92%
Total	100.00%	5.66%

NOTE 6: **DEFINED BENEFIT PENSION PLANS** (Continued)

Actuarial Assumptions - OPERS (Continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.5 percent, post-experience study results. 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.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension liability	$ 509,972	$ 333,812	$ 187,013

NOTE 7: **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-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.

NOTE 7: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description** (Continued)

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member-Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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 No. 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

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 to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

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 614-222-5601 or 800-222-7377.

NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

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 2017, 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.

Each year, the OPERS Board 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 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0 percent for both plans. The OPERS 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 Member-Directed Plan participants for 2017 was 4.0 percent. The portion of actual Authority contributions for the fiscal years ending 2017, 2016, and 2015, which were used by OPERS to fund post-employment benefits were $2,046, $3,801, and $5,084, respectively.

NOTE 8: **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, 2017, 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 9: **RESTRICTED NET POSITION**

The restricted net position balance at December 31, 2017 was $89,467 and it represents the following:

- Unspent HUD advances to make Housing Choice Voucher Program Housing Assistance Payments	$ 88,760
- Unspent HUD advances to make Mainstream 5 Voucher Program Housing Assistance Payments	707
Total	$ 89,467

NOTE 10: **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, 2017.

Litigations
In the normal course of operations, the Authority may be subject to litigations and claims. At December 31, 2017 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 FOUR FISCAL YEARS (1)

Traditional Plan	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	**0.001470%**	**0.001783%**	**0.002054%**	**0.002054%**
Authority's Proportionate Share of the Net Pension Liability	**$333,812**	**$308,837**	**$247,735**	**$242,140**
Authority's Covered-Employee Payroll	**$190,042**	**$221,908**	**$251,775**	**$247,746**
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	**175.65%**	**139.17%**	**98.40%**	**97.74%**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**77.25%**	**81.08%**	**86.45%**	**86.36%**

(1) - Information prior to 2014 is not available.

Amounts presented as of the Authority's measurement date, which is the prior calendar year end.

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

	2017	2016	2015	2014	2013
Contractually Required Contributions	$ 23,482	$ 22,805	$ 26,629	$ 30,213	$ 32,207
Contributions in Relation to the Contractually Required Contribution	(23,482)	(22,805)	(26,629)	(30,213)	(32,207)
Contributions Deficiency/(Excess)	$ -	$ -	$ -	$ -	$ -
Authority's Covered-Employee Rayroll	$ 180,631	$ 190,042	$ 221,908	$ 251,775	$ 247,746
Pension Contribution as a Percentage of Emolyee Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) - Information prior to 2013 is not available

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

HANCOCK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2017

	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	-	-	23,645	23,645	-	23,645
113 Cash - Other Restricted	94,277	707	-	94,984	-	94,984
100 Total Cash	94,277	707	23,645	118,629	-	118,629
124 Accounts Receivable - Other Government	-	-	21,263	21,263	-	21,263
125 Accounts Receivable - Miscellaneous	-	-	4,782	4,782	-	4,782
128 Fraud Recovery	110,658	-	-	110,658	-	110,658
128.1 Allowance for Doubtful Accounts - Fraud	-81,908	-	-	-81,908	-	-81,908
120 Total Receivables, Net of Allowances for Doubtful Accounts	28,750	-	26,045	54,795	-	54,795
142 Prepaid Expenses and Other Assets	12,130	-	-	12,130	-	12,130
144 Inter Program Due From	-	-	34,796	34,796	-34,796	-
150 Total Current Assets	135,157	707	84,486	220,350	-34,796	185,554
164 Furniture, Equipment & Machinery - Administration	98,172	-	-	98,172	-	98,172
166 Accumulated Depreciation	-92,231	-	-	-92,231	-	-92,231
160 Total Capital Assets, Net of Accumulated Depreciation	5,941	-	-	5,941	-	5,941
200 Deferred Outflow of Resources	126,592	-	-	126,592	-	126,592
290 Total Assets and Deferred Outflow of Resources	267,690	707	84,486	352,883	-34,796	318,087
312 Accounts Payable <= 90 Days	11,692	-	-	11,692	-	11,692
321 Accrued Wage/Payroll Taxes Payable	2,743	-	-	2,743	-	2,743
345 Other Current Liabilities	-	-	3,590	3,590	-	3,590
347 Inter Program - Due To	34,796	-	-	34,796	-34,796	-
310 Total Current Liabilities	49,231	-	3,590	52,821	-34,796	18,025
353 Non-current Liabilities - Other	5,517	-	-	5,517	-	5,517
354 Accrued Compensated Absences - Non Current	6,265	-	-	6,265	-	6,265
357 Accrued Pension and OPEB Liabilities	333,812	-	-	333,812	-	333,812
350 Total Non-Current Liabilities	345,594	-	-	345,594	-	345,594

HANCOCK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2017

	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	2 State/Local	Subtotal	ELIM	Total
300 Total Liabilities	394,825	-	3,590	398,415	-34,796	363,619
400 Deferred Inflow of Resources	40,183	-	-	40,183	-	40,183
508.4 Net Investment in Capital Assets	5,941	-	-	5,941	-	5,941
511.4 Restricted Net Position	88,760	707	-	89,467	-	89,467
512.4 Unrestricted Net Position	-262,019	-	80,896	-181,123	-	-181,123
513 Total Equity - Net Assets / Position	-167,318	707	80,896	-85,715	-	-85,715
600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net	267,690	707	84,486	352,883	-34,796	318,087

HANCOCK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	2 State/Local	Subtotal	ELIM	Total
70600 HUD PHA Operating Grants	2,992,080	314,337	63,448	3,369,865	-	3,369,865
71400 Fraud Recovery	22,750	-	-	22,750	-	22,750
71500 Other Revenue	-	-	4,559	4,559	-	4,559
70000 Total Revenue	3,014,830	314,337	68,007	3,397,174	-	3,397,174
91100 Administrative Salaries	180,336	24,838	3,124	208,298	-	208,298
91200 Auditing Fees	10,822	1,100	-	11,922	-	11,922
91400 Advertising and Marketing	232	-	-	232	-	232
91500 Employee Benefit contributions - Administrative	93,023	12,834	1,614	107,471	-	107,471
91600 Office Expenses	54,657	-	-	54,657	-	54,657
91700 Legal Expense	225	-	-	225	-	225
91800 Travel	1,110	-	-	1,110	-	1,110
91900 Other	11,289	-	-	11,289	-	11,289
91000 Total Operating - Administrative	351,694	38,772	4,738	395,204	-	395,204
94200 Ordinary Maintenance and Operations - Materials and Other	298	-	-	298	-	298
94000 Total Maintenance	298	-	-	298	-	298
96110 Property Insurance	4,546	-	-	4,546	-	4,546
96100 Total insurance Premiums	4,546	-	-	4,546	-	4,546
96200 Other General Expenses	5,199	-	-	5,199	-	5,199
96210 Compensated Absences	158	-	-	158	-	158
96000 Total Other General Expenses	5,357	-	-	5,357	-	5,357
96900 Total Operating Expenses	361,895	38,772	4,738	405,405	-	405,405
97000 Excess of Operating Revenue over Operating Expenses	2,652,935	275,565	63,269	2,991,769	-	2,991,769
97200 Casualty Losses - Non-capitalized	-	-	-	-	-	-
97300 Housing Assistance Payments	2,581,954	282,476	56,665	2,921,095	-	2,921,095

HANCOCK METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	2 State/Local	Subtotal	ELIM	Total
97400 Depreciation Expense	5,026	-	-	5,026	-	5,026
90000 Total Expenses	2,948,875	321,248	61,403	3,331,526	-	3,331,526
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	65,955	-6,911	6,604	65,648	-	65,648
11030 Beginning Equity	-233,273	7,618	74,292	-151,363	-	-151,363
11170 Administrative Fee Equity	-256,078	-	-	-256,078	-	-256,078
11180 Housing Assistance Payments Equity	88,760	-	-	88,760	-	88,760
11190 Unit Months Available	9,468	900	139	10,507	-	10,507
11210 Number of Unit Months Leased	7,721	900	139	8,760	-	8,760

HANCOCK METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Direct Programs:		
Housing Voucher Cluster:		
Housing Choice Voucher Program	14.871	$ 2,992,080
Mainstream Vouchers	14.879	314,337
Total Housing Voucher Cluster		3,306,417
Total Direct Programs		3,306,417
Pass-Through Programs:		
Passed Through City of Kenton		
Home Investments Partnership Program	14.239	9,128
Passed Through Hardin County		
Home Investments Partnership Program	14.239	25,009
Passed Through Putnam County		
Home Investments Partnership Program	14.239	29,311
Total Passed Through Programs		63,448
Total U.S. Department of Housing and Urban Development		3,369,865
Total Federal Awards		$ 3,369,865

NOTE 1: **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Hancock Metropolitan Housing Authority under programs of the Federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Hancock Metropolitan Housing Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Hancock Metropolitan Housing Authority.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

NOTE 3: **INDIRECT COST RATE**

Hancock Metropolitan Housing Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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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
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 business-type activities of the Hancock Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 18, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

James G. Zupka, CPA, Inc.

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

June 18, 2018

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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
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 (the Authority) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2017. The Authority'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 Authority'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 Authority'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 Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Hancock Metropolitan Housing Authority 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, 2017.

Report on Internal Control over Compliance

Management of the Authority 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 Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, 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.

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

June 18, 2018

1. SUMMARY OF AUDITOR'S RESULTS

2017(i)	Type of Financial Statement Opinion	Unmodified
2017(ii)	Were there any material control weaknesses reported at the financial statement level? (GAGAS)?	No
2017(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2017(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2017(iv)	Were there any material internal control weaknesses reported for major Federal programs?	No
2017(iv)	Were there any significant deficiencies in internal control reported to major federal programs?	No
2017(v)	Type of Major Programs' Compliance Opinion	Unmodified
2017(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2017(vii)	Major Programs (list): Housing Voucher Cluster: Housing Choice Voucher Program - CFDA #14.871 Mainstream Vouchers - CFDA #14.879	
2017(viii)	Dollar Threshold: Type A\B Programs	Type A: >$750,000 Type B: all others
2017(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.

The prior audit report, as of December 31, 2016 included no citations or management letter comments.

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
JULY 10, 2018