

**WARREN 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

Board of Trustees
Warren Metropolitan Housing Authority
990 East Ridge Drive
Lebanon, Ohio 45036-1678

We have reviewed the *Independent Auditor's Report* of the Warren Metropolitan Housing Authority, Warren 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 Warren 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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**WARREN METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of
Warren Metropolitan Housing Authority
Lebanon, 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 Warren 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 Warren Metropolitan Housing Authority, Ohio, as of December 31, 2015, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Warren Metropolitan Housing Authority, Ohio's basic financial statements. The Statement of Modernization Cost - Completed and the Financial Data Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2016, on our consideration of the Warren 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 Warren Metropolitan Housing Authority, Ohio's internal control over financial reporting and compliance.



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

June 13, 2016

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

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

FINANCIAL HIGHLIGHTS

- The Authority’s assets exceeded its liabilities as of December 31, 2015 by \$10,640,814 (net position).
- The Authority’s cash balance at December 31, 2015 was \$2,426,833, representing a decrease of \$255,199 from the prior year.
- The Authority had revenues of \$5,268,705 in HUD Operating grants and \$50,838 of HUD Capital grants for the year ended December 31, 2015.
- The Authority’s total revenues were \$6,332,074 as of December 31, 2015, representing an increase of \$692,647. Total expenses were \$7,271,700 representing an increase of \$1,605,797.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Statement of Net Position - reports the Authority’s current financial resources (short term expendable resources) with capital assets and long-term debt obligations.
- Statement of Revenue, Expenses, and Change in Net Position - reports the Authority’s operating and non-operating revenues, by major sources, along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows - reports net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

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

THE AUTHORITY'S PROGRAMS

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

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

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

Supportive Housing Program (SNAP) - The Supportive Housing Program is a HUD funded program to provide tenant-based rental assistance to low income persons with disabilities for payment of housing on the private market.

Shelter Plus Care Program - The Shelter Plus Care (S+C) is a HUD funded program that provides rental assistance for hard-to-house homeless persons with disabilities in connection with supportive services funded outside the program.

State Program - Region 14 - The State Program is a pass-through program administered by the Authority for the State of Ohio. The annual finding represents the Ohio's Homeless Crisis Response program that provides homelessness prevention and rapid re-housing assistance to individuals, families, and individuals who are below 30 percent median income and imminently at risk of homelessness in Butler, Warren, and Clermont Counties (Region 14). The key partners in providing this pass-through assistance are Interfaith Hospitality Network, LifePoint Solutions, Clermont Community Services, Hope House Mission and Serve City.

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

THE AUTHORITY'S STATEMENTS

Statement of Net Position

The following table reflects the condensed Statement of Net Position compared to the prior year. A restatement of the 2014 assets, deferred outflows, liabilities and net position was necessary for the implementation of GASB Statement No. 68.

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

	2015	Restated 2014
<u>Assets and Deferred Outflows</u>		
Current and Other Assets	\$ 2,394,950	\$ 2,599,406
Current Assets and Other Assets - Restricted	212,099	332,513
Capital Assets - Net	8,969,711	9,596,408
Deferred Outflows of Resources	<u>124,582</u>	<u>97,342</u>
Total Assets and Deferred Outflows	<u>\$11,701,342</u>	<u>\$12,625,669</u>
<u>Liabilities and Deferred Inflows</u>		
Current Liabilities	\$ 351,127	\$ 299,484
Noncurrent Liabilities	696,632	732,874
Deferred Inflows of Resources	<u>12,769</u>	<u>0</u>
Total Liabilities and Deferred Inflows	<u>1,060,528</u>	<u>1,032,358</u>
<u>Net Position</u>		
Net Investment in Capital Assets	8,969,711	9,596,408
Restricted - HAP	19,918	236,557
Unrestricted	<u>1,651,185</u>	<u>1,760,346</u>
Total Net Position	<u>10,640,814</u>	<u>11,593,311</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$11,701,342</u>	<u>\$12,625,669</u>

For more detail information, see Statement of Net Position presented on page 13.

MAJOR FACTORS AFFECTING THE STATEMENT OF NET POSITION

Total Cash of the Authority decreased by \$225,199 mainly due to the increased leasing and payments for HAP in the Housing Choice Voucher Program

Current Assets (not including cash) of the Authority showed a decrease of \$104,257 from 2014 to 2015. The main reasons for the decrease in current assets is Accounts Receivables for HUD.

Current Liabilities increased by \$51,643 due to an increase in Intergovernmental Payables and Unearned Revenue.

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

The Authority restated the net position which reduced Net Position by \$546,861. This was the result of the implementation of GASB Statement No. 68. GASB Statement No. 68 has been prominently cited throughout this MD&A because implementation of the new accounting standard had a very big impact on the financial statements of the Authority. The implementation of GASB Statement No. 68 will have a similar impact on the financial statements of almost all units of government in Ohio. Essentially it requires Warren MHA 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 Warren MHA 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 Warren MHA are participants in OPERS and that Warren MHA makes retirement contributions to OPERS on behalf of its employees.

Statement of Revenues, Expenses, and Changes in Net Position

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

Table 2 - Statement of Revenues, Expenses, and Changes in Net Position

	<u>2015</u>	<u>2014</u>	<u>Net Change</u>
<u>Revenues</u>			
Total Tenant Revenues	\$ 347,565	\$ 336,433	\$ 11,132
Operating Subsidies and Grants - HUD	5,268,705	4,939,889	328,816
Capital Grants - HUD	50,838	328,116	(277,278)
Other Government Grants - State	639,801	0	639,801
Investment Income	4,068	3,834	234
Gain on Sale of Capital Assets	0	467	(467)
Other Revenues	<u>21,097</u>	<u>30,688</u>	<u>(9,591)</u>
Total Revenues	<u>6,332,074</u>	<u>5,639,427</u>	<u>692,647</u>
<u>Expenses</u>			
Administrative	935,789	713,039	223,878
Tenant Services	713,084	820,834	(107,750)
Utilities	98,826	96,346	2,480
Maintenance	481,986	393,364	88,622
General Expenses	267,543	232,080	35,463
Housing Assistance Payments	4,071,425	2,738,437	1,332,988
Depreciation	<u>703,047</u>	<u>671,803</u>	<u>31,244</u>
Total Expenses	<u>7,271,700</u>	<u>5,665,903</u>	<u>1,606,925</u>
Net Increase (Decrease)	<u>\$ (939,626)</u>	<u>\$ (26,476)</u>	<u>\$ (914,278)</u>

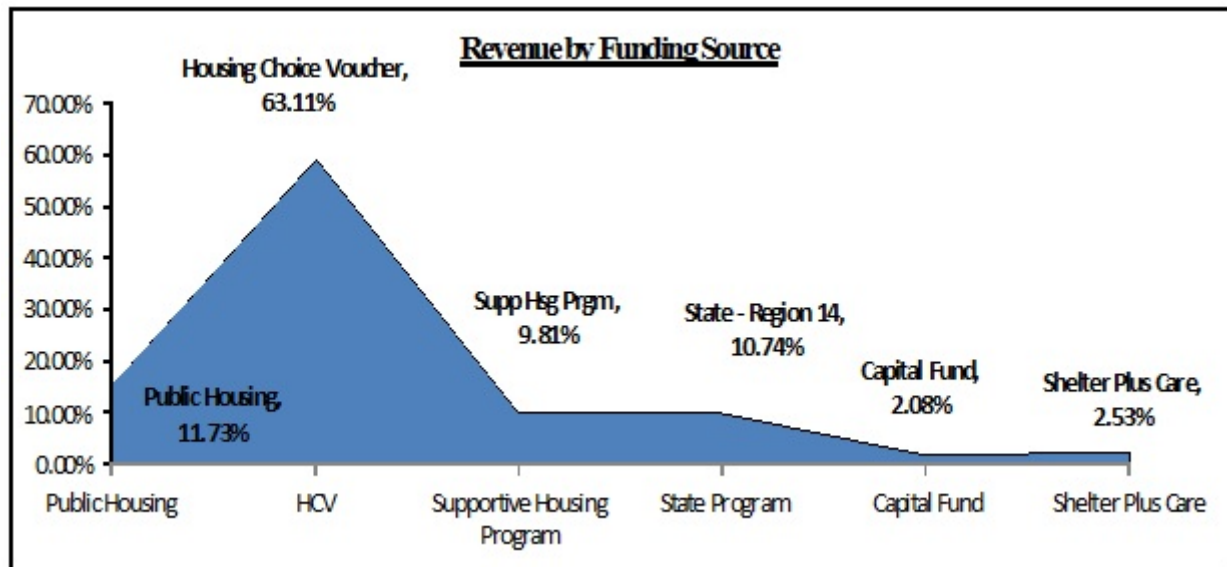
**WARREN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION

The major factor increasing the overall revenue was additional operating subsidies for the Housing Choice Voucher Program. There was a decrease in capital grants in 2015 due to less activity in the Capital Fund Program. Tenant revenues increased slightly.

The overall increase in expenses can be attributed to Housing Assistance Payments from the increased leasing and additional vouchers added to the Housing Choice Voucher Program. There was a decrease in spending in Tenant services due to a reduction for part of the year of a partner for the State Program.

The table below shows percentage of total revenue by funding sources.

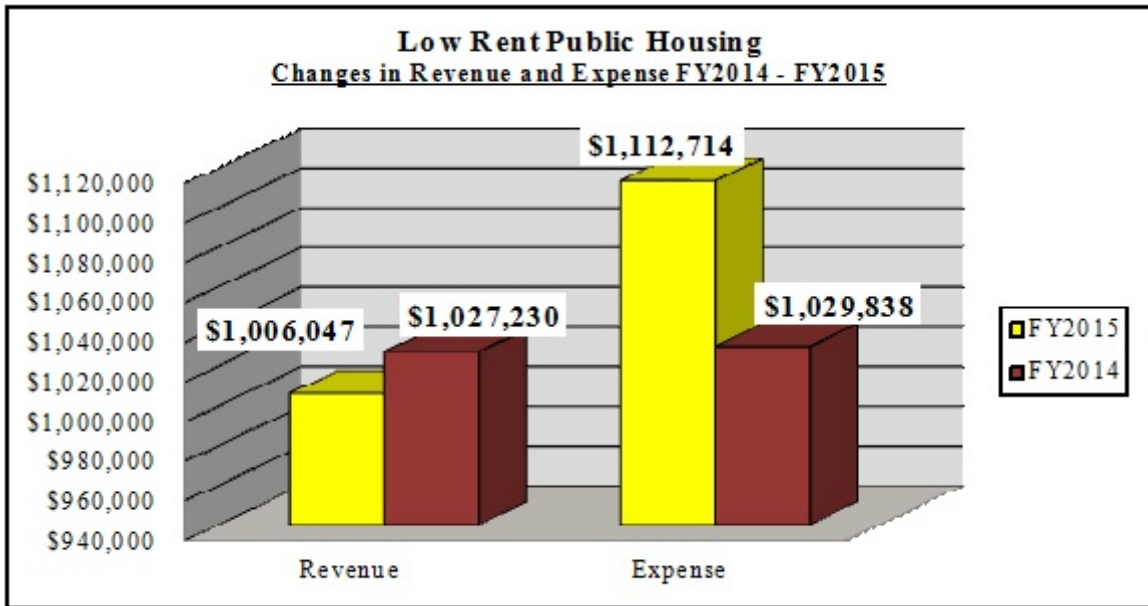


FINANCIAL OVERVIEW BY PROGRAM

Low Rent Public Housing

The table below shows how the revenue and expenses have changed between the fiscal year ended 2015 and 2014 for the Low Rent Public Housing Program. Total revenue for fiscal year ended 2015 decreased from fiscal year ended 2014 income by 2 percent which is due to the proration Operating Subsidy Offset by HUD during 2015. Fiscal year ended 2015 total operating expenses increased from fiscal year ended 2014 operating expenses is mainly attributed to additional maintenance costs.

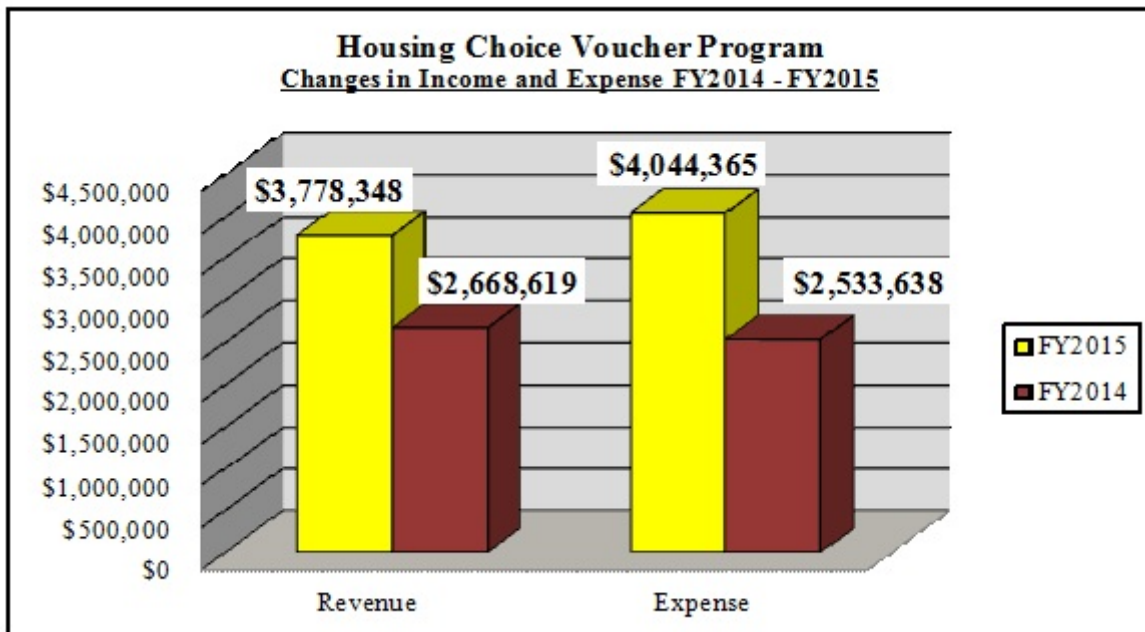
**WARREN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2015
(Unaudited)**



Note: The above table does not include depreciation.

Housing Choice Voucher Programs:

The following chart illustrates the Housing Choice Voucher Program changes in revenue and expenses for the years 2014-2015. Revenue and expenses increased in fiscal year ended 2015 for the HCV program due to leasing of additional vouchers.

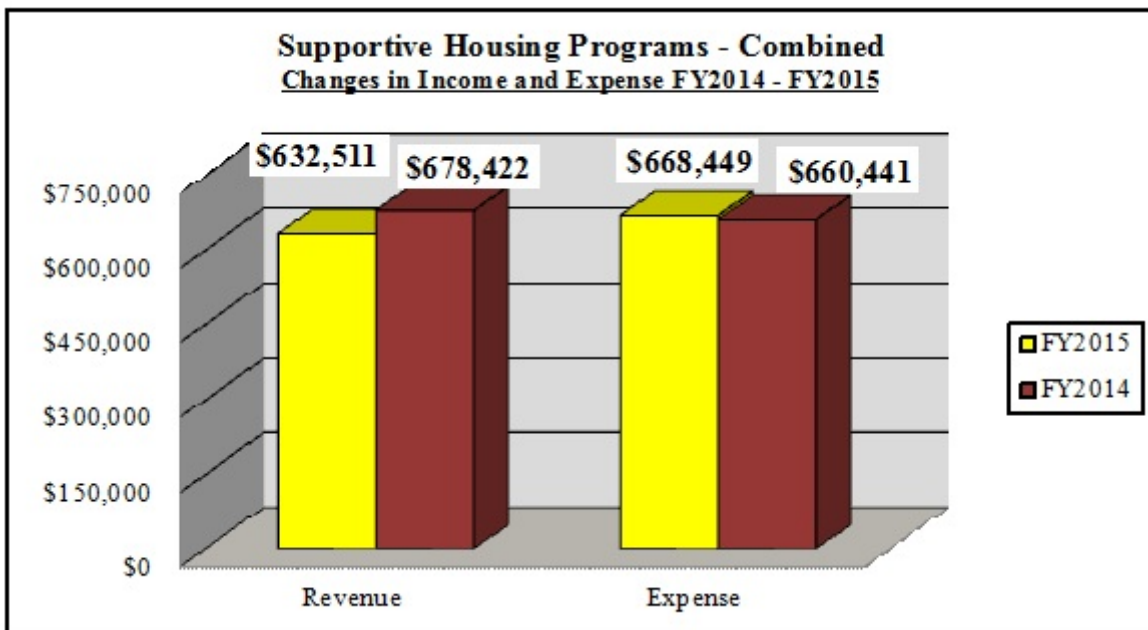


Note: The above table does not include depreciation.

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

Supportive Housing Programs:

The following chart illustrates the Supportive Housing Program changes in income and expenses for the fiscal year ended 2015 and 2014. The total revenue for fiscal year ended 2015 decreased from fiscal year ended 2014 revenue by 7 percent which is due to a decrease in operating subsidies. The increase in fiscal year ended 2015 total operating expenses from fiscal year ended 2014 operating expenses is mainly attributed to additional salary and benefits.



Note: The above table does not include depreciation.

Capital Assets

The following table summarizes the changes in capital assets between December 31, 2015 and 2014:

Table 3 - Condensed Statement of Changes in Capital Assets

	2015	2014	Net Change
Land	\$ 1,638,445	\$ 1,638,444	\$ 1
Buildings	18,920,938	18,541,983	378,955
Equipment	1,056,116	1,051,886	4,230
Leasehold Improvements	10,731	10,731	0
Construction in Progress	0	317,267	(317,267)
Accumulated Depreciation	(12,656,519)	(11,963,903)	(692,616)
Total	<u>\$ 8,969,711</u>	<u>\$ 9,596,408</u>	<u>\$ (626,697)</u>

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

Debt

The Authority had no debt at December 31, 2015.

Economic Factors

Significant economic factors affecting the Authority are as follows:

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

Financial Contact

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. The individual to be contacted regarding this report is Jacqueline Adkins, Executive Director of the Warren Metropolitan Housing Authority. Specific requests may be submitted to the Warren Metropolitan Housing Authority at 990 East Ridge Drive, Lebanon, Ohio 45036-1678.

WARREN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2015

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 2,214,734
Restricted Cash and Cash Equivalents	212,099
Receivables, Net	142,223
Prepaid Expenses and Other Assets	33,407
Total Current Assets	<u>2,602,463</u>

Noncurrent Assets

<u>Capital Assets:</u>	
Non-Depreciable Capital Assets	1,638,445
Depreciable Capital Assets, Net	7,331,266
Total Noncurrent Assets	<u>8,969,711</u>

Other Non-Current Assets	<u>4,586</u>
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Deferred Outflow of Resources	<u>124,582</u>
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TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u><u>\$ 11,701,342</u></u>
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LIABILITIES

Current Liabilities

Accounts Payable	\$ 77,351
Accrued Liabilities	70,392
Intergovernmental Payables	21,849
Tenant Security Deposits	29,576
Unearned Revenue	151,959
Total Current Liabilities	<u>351,127</u>

Noncurrent Liabilities

Accrued Compensated Absences Non-Current	36,491
Other Non-Current Liabilities	12,941
Net Pension Liability	647,200
Total Noncurrent Liabilities	<u>696,632</u>
Total Liabilities	<u>1,047,759</u>

Deferred Inflow of Resources	<u>12,769</u>
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Net Position

Net Investment in Capital Assets	8,969,711
Restricted	19,918
Unrestricted	1,651,185
Total Net Position	<u>10,640,814</u>

TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	<u><u>\$ 11,701,342</u></u>
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The accompanying notes to the basic financial statements are an integral part of these statements.

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

<u>Operating Revenues</u>	
Tenant Revenues	\$ 347,565
Government Operating Grants and Subsidies	5,908,506
Other Revenues	<u>21,097</u>
Total Operating Revenues	<u>6,277,168</u>
<u>Operating Expenses</u>	
Administrative	935,789
Tenant Services	713,084
Utilities	98,826
Maintenance	481,986
General	267,543
Housing Assistance Payments	4,071,425
Depreciation	<u>703,047</u>
Total Operating Expenses	<u>7,271,700</u>
Operating Income (Loss)	<u>(994,532)</u>
<u>Non-Operating Revenues</u>	
Interest and Investment Revenue	<u>4,068</u>
Total Non-Operating Revenues	<u>4,068</u>
Income (Loss) Before Contributions and Transfers	<u>(990,464)</u>
Capital Grants	<u>50,838</u>
Change in Net Position	(939,626)
Total Net Position at Beginning of Year, Restated	<u>11,580,440</u>
Total Net Position at End of Year	<u>\$ 10,640,814</u>

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

WARREN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Cash Flows from Operating Activities</u>	
Operating Grants Received	\$ 6,045,733
Tenant Revenue Received	348,413
Other Revenue Received	51,694
Other Operating Expenses	(2,578,170)
Housing Assistance Payments	<u>(4,071,425)</u>
Net Cash Provided (Used) by Operating Activities	<u>(203,755)</u>
 <u>Cash Flows from Investing Activities</u>	
Interest Income	<u>4,068</u>
Net Cash Provided (Used) by Investing Activities	<u>4,068</u>
 <u>Cash Flows from Capital and Related Activities</u>	
Capital Grant Funds Received	50,838
Property and Equipment Purchased	<u>(76,350)</u>
Net Cash Provided (Used) by Capital and Related Activities	<u>(25,512)</u>
 Net Increase (Decrease) in Cash	 (225,199)
 Cash and Cash Equivalents at Beginning of Year	 <u>2,652,032</u>
 Cash and Cash Equivalents at End of Year	 <u>\$ 2,426,833</u>
 <u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Net Operating Income (Loss)	\$ (994,532)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	703,047
(Increase) Decrease in:	
Accounts Receivable	115,886
Prepaid Assets	(11,629)
Deferred Outflow of Resources	(40,112)
Increase (Decrease) in:	
Accounts Payable	(2,207)
Intergovernmental Payable	1,152
Accrued Compensated Absences	94
Accrued Expenses Payable	(94)
Unearned Revenue	54,024
Tenant Security Deposits	(1,238)
Non-Current Liabilities - Other	(52,197)
Net Pension Liability	11,282
Deferred Inflow of Resources	<u>12,769</u>
Net Cash Provided by Operating Activities	<u>\$ (203,755)</u>

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

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

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

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

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

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

Reporting Entity (Continued)

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

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

Basis of Presentation

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

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

The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

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

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

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

Fund Accounting

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

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

Proprietary Fund Types

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

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

Description of Programs

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

A. Public Housing Program

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

B. Capital Fund Program

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

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

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

Description of Programs (Continued)

C. Housing Choice Voucher Program

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

D. Supportive Housing Program

The Supportive Housing Program is a HUD funded program to provide tenant-based rental assistance to low income persons with disabilities for payment of housing on the private market.

E. Shelter Plus Care Program

The Shelter Plus Care (S+C) is a HUD funded program that provides rental assistance for hard-to-house homeless persons with disabilities in connection with supportive services funded outside the program.

F. State Program - Region 14

The State Program is a pass-through program administered by the Authority for the State of Ohio. The annual funding represents the Ohio's Homeless Crisis Response program that provides homelessness prevention and rapid re-housing assistance to individuals, families, and individuals who are below 30 percent median income and imminently at risk of homelessness in Butler, Warren, and Clermont Counties (Region 14). The key partners in providing this pass-through assistance are Interfaith Hospitality Network, LifePoint Solutions, Clermont Community Services, Hope House Mission and Serve City.

Cash and Cash Equivalents

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

Investments

The provisions of the HUD regulations restrict investments. Investments are valued at market value. Interest income earned in the fiscal year ending December 31, 2015 totaled \$4,068.

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

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

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond the year end, 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.

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

Compensated Absences

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

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

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

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

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

Unearned Revenue

Unearned revenue arises when revenues are received before revenue recognition criteria have been satisfied.

Net Position

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

Operating Revenues and Expenses

Operating revenues 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.

Operating expenses are those expenses that are generated from the primary activity of the proprietary fund. For the Authority, these expenses are administrative, utilities, maintenance, PILOT, insurance, bad debt and housing assistance payments.

Capital Grant

This represents grants provided by HUD that the Authority spends on capital assets.

Budgetary Accounting

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. Budgets are submitted to the Department of Housing and Urban Development when applicable. Budgets are adopted by the Board of the Housing Authority.

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

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

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 6.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 6)

Pension

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.

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

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

For fiscal year 2015, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, 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.

For fiscal year 2015, the Authority implemented the 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*. GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of these pronouncements had the following effect on net pension:

Net Position - December 31, 2014	\$12,127,301
Adjustments:	
Net Pension Liability	(631,332)
Deferred Outflows - Payments Subsequent to Measurement Date	84,471
Restated Net Position - January 1, 2015	<u>\$11,580,440</u>

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

NOTE 3: **DEPOSITS AND INVESTMENTS**

Deposits

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

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

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

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

NOTE 3: **DEPOSITS AND INVESTMENTS**

At fiscal year end, December 31, 2015, the carrying amount of the Authority's deposits totaled \$2,426,833, and its bank balance was \$2,475,649. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2015, \$2,222,875 was exposed to custodial risk as discussed below, while \$252,774 was covered by the Federal Deposit Insurance Corporation.

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

NOTE 4: **RESTRICTED CASH**

The restricted cash balance of \$212,099 on the financial statements represents the following:

Cash on hand for Housing Assistance Payments	\$ 19,918
FSS Escrow Cash Accounts for the Housing Choice Voucher and Low Rent Public Housing Programs	12,941
Tenant Security deposits in the Low Rent Public Housing Program	29,576
Cash Restricted for HUD Interest Payable and Unearned Revenue	<u>149,664</u>
Total Restricted Cash	<u>\$ 212,099</u>

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

NOTE 5: CAPITAL ASSETS

The following is a summary of changes:

	Balance 12/31/14	Reclasses/ Adjustments	Additions	Deletions	Balance 12/31/15
<i>Capital Assets Not Being Depreciated:</i>					
Land	\$ 1,638,444	\$ 1	\$ 0	\$ 0	\$ 1,638,445
Construction-in-Progress	317,267	(317,267)	0	0	0
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,955,711</u>	<u>(317,266)</u>	<u>0</u>	<u>0</u>	<u>1,638,445</u>
<i>Capital Assets Being Depreciated:</i>					
Buildings	18,541,983	317,266	61,689	0	18,920,938
Furniture, Machinery, and Equipment					
- Dwelling	443,712	0	0	0	443,712
- Administrative	608,174	0	14,661	(10,431)	612,404
Leasehold Improvements	10,731	0	0	0	10,731
<i>Total Capital Assets Being Depreciated</i>	<u>19,604,600</u>	<u>317,266</u>	<u>76,350</u>	<u>(10,431)</u>	<u>19,987,785</u>
<i>Accumulated Depreciation:</i>					
Buildings	(11,203,167)	5,722	(612,640)	0	(11,810,085)
Furniture, Machinery, and Equipment	(758,314)	(5,722)	(89,691)	10,431	(843,296)
Leasehold Improvements	(2,422)	0	(716)	0	(3,138)
<i>Total Accumulated Depreciation</i>	<u>(11,963,903)</u>	<u>0</u>	<u>(703,047)</u>	<u>10,431</u>	<u>(12,656,519)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>7,640,697</u>	<u>317,266</u>	<u>(626,697)</u>	<u>0</u>	<u>7,331,266</u>
Total Capital Assets, Net	<u>\$ 9,596,408</u>	<u>\$ 0</u>	<u>\$ (626,697)</u>	<u>\$ 0</u>	<u>\$ 8,969,711</u>

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

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 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.

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

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

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

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

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements:	Age 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 service for the first 35 years and 2.5% for service years in excess of 35

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

NOTE 6: **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>
2015 Statutory Maximum Contribution Rates:	
Employer	14.0%
Employee	10.0%
 2015 Actual Contribution Rates:	
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 \$89,769 for 2015.

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

NOTE 6: **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 the 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 contribution of all participating entities. Following is information related to the proportionate share and pension expense:

<u>Net Pension Liability</u>	<u>Traditional</u>	<u>Combined</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 647,200	\$ (4,586)	\$ 642,614
Proportion of the Net Pension Liability	0.005366%	0.011911%	
Pension Expense	\$ 70,662	\$ 3,047	\$ 73,709

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

<u>Deferred Outflows of Resources</u>	<u>Traditional</u>	<u>Combined</u>	<u>Total</u>
Difference between expected and actual experience	\$ 34,533	\$ 280	\$ 34,813
Authority contributions subsequent to the Measurement Date	89,769	-	89,769
Total Deferred Outflows of Resources	<u>\$ 124,302</u>	<u>\$ 280</u>	<u>\$ 124,582</u>
<u>Deferred Inflows of Resources</u>	<u>Traditional</u>	<u>Combined</u>	<u>Total</u>
Net Difference between projected and actual earnings on Pension plan investments	\$ 11,370	\$ 1,399	\$ 12,769
Total Deferred Inflows of Resources	<u>\$ 11,370</u>	<u>\$ 1,399</u>	<u>\$ 12,769</u>

\$89,769 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:

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

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)

Year Ending December 31:	<u>Traditional</u>	<u>Combined</u>	<u>Total</u>
2016	\$ 3,387	\$ (96)	\$ 3,291
2017	3,387	(96)	3,291
2018	7,755	(96)	7,659
2019	8,634	(96)	8,538
2020	0	(166)	(166)
Thereafter	0	(569)	(569)
Total	<u>\$ 23,163</u>	<u>\$ (1,119)</u>	<u>\$ 22,044</u>

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:

<u>Actuarial Information</u>	<u>Traditional Plan</u>	<u>Co mbined Plan</u>
Wage Inflation	3.75 percent	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation	4.25 to 8.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple	3 percent, simple
Investment Rate of Return	8 percent	8 percent
Actuarial Cost Method	Individual Entry Age	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.

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

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

Actuarial Assumptions - OPERS (Continued)

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.

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	<u>100.00%</u>	<u>5.28%</u>

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

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

Actuarial Assumptions - OPERS (Continued)

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

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>Authority's proportionate share of the net pension liability (Asset)</u>	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Tradition Plan	\$ 1,190,662	\$ 647,200	\$ 189,473
Combined Plan	596	(4,586)	(8,695)
Total	<u>\$ 1,191,258</u>	<u>\$ 642,614</u>	<u>\$ 180,778</u>

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.

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

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

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

A. **Plan Description** (Continued)

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 2014 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible recipients. Authority to establish and amend healthcare coverage is provided to the Board 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 or 1-800-222-7377, or by visiting <https://www.opers.org/investments/cafr.shtml>.

B. **Funding Policy**

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.00% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Director Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 for both plans.

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

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

B. **Funding Policy** (Continued)

The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent. The portion of actual Authority contributions for the year ended December 31, 2015, 2014 and 2013 which were used by OPERS to fund post-employment benefits were \$15,076, \$13,990, and \$6,428, 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, 2015, the Authority maintained comprehensive insurance coverage with private carriers for health, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

NOTE 9: **CONTINGENCIES**

Grants

Amounts 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 grants 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.

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

NOTE 9: **CONTINGENCIES** (Continued)

Litigations and Claims

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

NOTE 10: **PAYMENT IN LIEU OF TAXES**

The Authority has cooperation agreements with certain municipalities under which it makes payment in lieu of real estate taxes for various public services. Expenses recognized for payment in lieu of taxes for the year ended December 31, 2015 totaled \$20,680.

NOTE 11: **SUMMARY OF CHANGES IN LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
FSS Escrows	\$ 65,138	\$ 6,118	\$ (58,315)	\$ 12,941	\$ 0
Compensated Absences	40,449	61,792	(61,698)	40,543	4,052
Net Pension Liability	631,332	15,868	0	647,200	0
Total	<u>\$ 736,919</u>	<u>\$ 83,778</u>	<u>\$ (120,013)</u>	<u>\$ 700,684</u>	<u>\$ 4,050</u>

NOTE 12: **SCHEDULE OF EXPENDITURE OF FEDERAL AWARD**

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

NOTE 13: **SUBSEQUENT EVENTS**

There were no subsequent events through June 13, 2016, the date the financial statements were available to be issued. Any subsequent events after that date have not been evaluated.

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

Traditional Plan	2014	2013
City's Proportion of the Net Pension Liability	0.005366%	0.005366%
City's Proportionate Share of the Net Pension Liability	\$647,200	\$632,581
City's Covered-Employee Payroll	\$653,675	\$603,985
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	99.01%	104.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%
Combined Plan	2014	2013
City's Proportion of the Net Pension (Asset)	0.011911%	0.011911%
City's Proportionate Share of the Net Pension (Asset)	(\$4,586)	(\$1,249)
City's Covered-Employee Payroll	\$41,625	\$38,777
City's Proportionate Share of the Net Pension (Asset) as a Percentage of its Covered Employee Payroll	11.02%	3.22%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	114.83%	104.33%

(1) Information prior to 2013 is not available.

Amounts presented as of the City's measurement date
which is the prior year end.

**WARREN METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS (1)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Contractually Required Contributions</u>			
Traditional Plan	\$84,868	\$78,441	\$78,518
Combined Plan	\$4,901	\$4,995	\$5,041
Total Required Contributions	\$89,769	\$83,436	\$83,559
Contributions in Relation to the Contractually Required Contribution	(\$89,769)	(\$83,436)	(\$83,559)
Contribution Deficiency / (Excess)	\$0	\$0	\$0
 City's Covered-Employee Payroll			
Traditional Plan	\$707,233	\$653,675	\$603,985
Combined Plan	\$40,842	\$41,625	\$38,777
 <u>Pension Contributions as a Percentage of Covered-Employee Payroll</u>			
Traditional Plan	12.00%	12.00%	13.00%
Combined Plan	12.00%	12.00%	13.00%

(1) – Information prior to 2013 is not available.

**WARREN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015**

Annual Contributions Contract C-5031

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

<u>OH10P049501-05</u>	
Funds Approved	\$ 338,504
Funds Expended	<u>338,504</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 338,504
Funds Expended	<u>338,504</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>
<u>OH10P049501-06</u>	
Funds Approved	\$ 324,764
Funds Expended	<u>324,764</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 324,764
Funds Expended	<u>324,764</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

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

**WARREN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015
(CONTINUED)**

Annual Contributions Contract C-5031

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

<u>OH10P049501-04</u>	
Funds Approved	\$ 278,486
Funds Expended	<u>278,486</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 278,486
Funds Expended	<u>278,486</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>
<u>OH10P049501-07</u>	
Funds Approved	\$ 315,553
Funds Expended	<u>315,553</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 315,533
Funds Expended	<u>315,553</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

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

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

	Project Total	14.871 Housing Choice Vouchers	14.231 Emergency Shelter Grants Program	14.238 Shelter Plus Care	14.235 Supportive Housing Program	2 State/Local	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	1,214,956	2,995	-	-	311,601	-	685,182	2,214,734		2,214,734
113 Cash - Other Restricted	10,421	22,438	-	-	-	-	-	32,859		32,859
114 Cash - Tenant Security Deposits	29,576	-	-	-	-	-	-	29,576		29,576
115 Cash - Restricted for Payment of Current Liabilities	-	1,169	-	-	148,495	-	-	149,664		149,664
100 Total Cash	1,254,953	26,602	-	-	460,096	-	685,182	2,426,833	-	2,426,833
122 Accounts Receivable - HUD Other Projects	85	30,951	-	7,721	-	-	-	38,757		38,757
124 Accounts Receivable - Other Government	-	-	-	-	-	78,490	-	78,490		78,490
126 Accounts Receivable - Tenants	5,822	-	-	-	5,170	-	-	10,992		10,992
126.1 Allowance for Doubtful Accounts -Tenants	-2,313	-	-	-	-1,671	-	-	-3,984		-3,984
127 Notes, Loans, & Mortgages Receivable - Current	17,968	-	-	-	-	-	-	17,968		17,968
120 Total Receivables, Net of Allowances for Doubtful Accounts	21,562	30,951	-	7,721	3,499	78,490	-	142,223	-	142,223
142 Prepaid Expenses and Other Assets	17,988	3,924	-	-	2,475	-	9,020	33,407		33,407
144 Inter Program Due From	-	-	-	-	-	-	30,554	30,554	-30,554	-
150 Total Current Assets	1,294,503	61,477	-	7,721	466,070	78,490	724,756	2,633,017	-30,554	2,602,463
161 Land	1,638,445	-	-	-	-	-	-	1,638,445		1,638,445
162 Buildings	18,528,170	-	-	-	-	-	392,768	18,920,938		18,920,938
163 Furniture, Equipment & Machinery - Dwellings	443,712	-	-	-	-	-	-	443,712		443,712
164 Furniture, Equipment & Machinery - Administration	231,887	138,678	-	-	102,536	-	139,303	612,404		612,404
165 Leasehold Improvements	-	8,379	-	-	2,352	-	-	10,731		10,731
166 Accumulated Depreciation	-12,218,110	-83,171	-	-	-96,289	-	-258,949	-12,656,519		-12,656,519
160 Total Capital Assets, Net of Accumulated Depreciation	8,624,104	63,886	-	-	8,599	-	273,122	8,969,711	-	8,969,711
174 Other Assets	1,742	1,101	-	-	734	-	1,009	4,586		4,586
180 Total Non-Current Assets	8,625,846	64,987	-	-	9,333	-	274,131	8,974,297	-	8,974,297
200 Deferred Outflow of Resources	47,341	29,900	-	-	19,933	-	27,408	124,582		124,582
290 Total Assets and Deferred Outflow of Resources	9,967,690	156,364	-	7,721	495,336	78,490	1,026,295	11,731,896	-30,554	11,701,342
312 Accounts Payable <= 90 Days	19,320	1,087	-	948	1,730	53,715	551	77,351		77,351
321 Accrued Wage/Payroll Taxes Payable	4,854	2,982	-	-	2,220	563	46,113	56,732		56,732
322 Accrued Compensated Absences - Current Portion	1,800	614	-	-	718	43	877	4,052		4,052
331 Accounts Payable - HUD PHA Programs	-	1,169	-	-	-	-	-	1,169		1,169
333 Accounts Payable - Other Government	20,680	-	-	-	-	-	-	20,680		20,680
341 Tenant Security Deposits	29,576	-	-	-	-	-	-	29,576		29,576
342 Unearned Revenue	2,893	-	-	-	149,066	-	-	151,959		151,959
346 Accrued Liabilities - Other	7,823	826	-	-	529	-	430	9,608		9,608
347 Inter Program - Due To	-	-	-	6,773	-	23,781	-	30,554	-30,554	-
310 Total Current Liabilities	86,946	6,678	-	7,721	154,263	78,102	47,971	381,681	-30,554	351,127

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

	Project Total	14.871 Housing Choice Vouchers	14.231 Emergency Shelter Grants Program	14.238 Shelter Plus Care	14.235 Supportive Housing Program	2 State/Local	COCC	Subtotal	ELIM	Total
353 Non-current Liabilities - Other	10,421	2,520	-	-	-	-	-	12,941		12,941
354 Accrued Compensated Absences - Non Current	16,200	5,555	-	-	6,459	388	7,889	36,491		36,491
357 Accrued Pension and OPEB Liabilities	245,935	155,327	-	-	103,554	-	142,384	647,200		647,200
350 Total Non-Current Liabilities	272,556	163,402	-	-	110,013	388	150,273	696,632	-	696,632
300 Total Liabilities	359,502	170,080	-	7,721	264,276	78,490	198,244	1,078,313	-30,554	1,047,759
400 Deferred Inflow of Resources	4,852	3,064	-	-	2,044	-	2,809	12,769		12,769
508.4 Net Investment in Capital Assets	8,624,104	63,886	-	-	8,599	-	273,122	8,969,711		8,969,711
511.4 Restricted Net Position	-	19,918	-	-	-	-	-	19,918		19,918
512.4 Unrestricted Net Position	979,232	-100,584	-	-	220,417	-	552,120	1,651,185		1,651,185
513 Total Equity - Net Assets / Position	9,603,336	-16,780	-	-	229,016	-	825,242	10,640,814	-	10,640,814
600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net	9,967,690	156,364	-	7,721	495,336	78,490	1,026,295	11,731,896	-30,554	11,701,342

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

	Project Total	14.871 Housing Choice Vouchers	14.231 Emergency Shelter Grants Program	14.238 Shelter Plus Care	14.235 Supportive Housing Program	2 State/Local	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	293,908	-	-	-	46,001	-	-	339,909	-	339,909
70400 Tenant Revenue - Other	7,656	-	-	-	-	-	-	7,656	-	7,656
70500 Total Tenant Revenue	301,564	-	-	-	46,001	-	-	347,565	-	347,565
70600 HUD PHA Operating Grants	771,954	3,761,119	-	150,729	584,903	-	-	5,268,705	-	5,268,705
70610 Capital Grants	50,838	-	-	-	-	-	-	50,838	-	50,838
70710 Management Fee	-	-	-	-	-	-	269,407	269,407	-269,407	-
70720 Asset Management Fee	-	-	-	-	-	-	24,960	24,960	-24,960	-
70730 Book Keeping Fee	-	-	-	-	-	-	76,133	76,133	-76,133	-
70700 Total Fee Revenue	-	-	-	-	-	-	370,500	370,500	-370,500	-
70800 Other Government Grants	-	-	-	-	-	639,801	-	639,801	-	639,801
71100 Investment Income - Unrestricted	1,970	1,137	-	-	587	-	374	4,068	-	4,068
71400 Fraud Recovery	-	12,183	-	642	-	-	-	12,825	-	12,825
71500 Other Revenue	3,343	3,909	-	-	1,020	-	-	8,272	-	8,272
70000 Total Revenue	1,129,669	3,778,348	-	151,371	632,511	639,801	370,874	6,702,574	-370,500	6,332,074
91100 Administrative Salaries	106,067	153,407	940	15,264	58,296	16,386	142,050	492,410	-	492,410
91200 Auditing Fees	2,821	7,651	-	-	1,879	266	805	13,422	-	13,422
91300 Management Fee	150,179	92,616	-	-	26,612	-	-	269,407	-269,407	-
91310 Book-keeping Fee	18,248	57,885	-	-	-	-	-	76,133	-76,133	-
91400 Advertising and Marketing	932	657	-	-	-	-	521	2,110	-	2,110
91500 Employee Benefit contributions - Administrative	44,045	109,002	677	2,206	28,410	11,764	80,015	276,119	-	276,119
91600 Office Expenses	32,227	44,151	-	-	17,255	2,145	11,292	107,070	-	107,070
91700 Legal Expense	2,555	-	-	-	-	-	3,612	6,167	-	6,167
91800 Travel	410	-	-	-	2,686	476	1,309	4,881	-	4,881
91900 Other	5,142	3,967	-	-	2,394	-	22,107	33,610	-	33,610
91000 Total Operating - Administrative	362,626	469,336	1,617	17,470	137,532	31,037	261,711	1,281,329	-345,540	935,789
92000 Asset Management Fee	24,960	-	-	-	-	-	-	24,960	-24,960	-
92100 Tenant Services - Salaries	10,520	-	-	-	60,026	-	-	70,546	-	70,546
92300 Employee Benefit Contributions - Tenant Services	3,507	-	-	-	31,697	-	-	35,204	-	35,204
92400 Tenant Services - Other	-	-	-	-	470	606,864	-	607,334	-	607,334
92500 Total Tenant Services	14,027	-	-	-	92,193	606,864	-	713,084	-	713,084
93100 Water	36,071	3,018	-	-	1,862	-	1,416	42,367	-	42,367
93200 Electricity	35,830	1,932	-	-	1,656	-	1,656	41,074	-	41,074
93300 Gas	12,225	1,685	-	-	843	-	632	15,385	-	15,385
93000 Total Utilities	84,126	6,635	-	-	4,361	-	3,704	98,826	-	98,826
94100 Ordinary Maintenance and Operations - Labor	184,219	-	-	-	-	-	-	184,219	-	184,219
94200 Ordinary Maintenance and Operations - Materials and Other	103,551	6,637	-	-	2,747	-	323	113,258	-	113,258
94300 Ordinary Maintenance and Operations Contracts	104,155	139	-	136	167	-	119	104,716	-	104,716
94500 Employee Benefit Contributions - Ordinary Maintenance	79,793	-	-	-	-	-	-	79,793	-	79,793
94000 Total Maintenance	471,718	6,776	-	136	2,914	-	442	481,986	-	481,986

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

	Project Total	14.871 Housing Choice Vouchers	14.231 Emergency Shelter Grants Program	14.238 Shelter Plus Care	14.235 Supportive Housing Program	2 State/Local	COCC	Subtotal	ELIM	Total
95200 Protective Services - Other Contract Costs	2,435							2,435		2,435
95000 Total Protective Services	2,435	-	-	-	-	-	-	2,435	-	2,435
96110 Property Insurance	81,160	4,774	-	-	-	-	9,548	95,482		95,482
96120 Liability Insurance	3,827	1,672	-	-	685	-	6,349	12,533		12,533
96130 Workmen's Compensation	2,409	1,131	-	-	959	292	980	5,771		5,771
96140 All Other Insurance	2,614	447	-	-	1,589	-	902	5,552		5,552
96100 Total insurance Premiums	90,010	8,024	-	-	3,233	292	17,779	119,338	-	119,338
96200 Other General Expenses	3,266	-	-	-	-	-	-	3,266		3,266
96210 Compensated Absences	28,162	12,233	-	-	11,699	1,608	7,996	61,698		61,698
96300 Payments in Lieu of Taxes	20,680	-	-	-	-	-	-	20,680		20,680
96400 Bad debt - Tenant Rents	23,559	-	-	-	27,170	-	-	50,729		50,729
96000 Total Other General Expenses	75,667	12,233	-	-	38,869	1,608	7,996	136,373	-	136,373
96900 Total Operating Expenses	1,125,569	503,004	1,617	17,606	279,102	639,801	291,632	2,858,331	-370,500	2,487,831
97000 Excess of Operating Revenue over Operating Expenses	4,100	3,275,344	-1,617	133,765	353,409	-	79,242	3,844,243	-	3,844,243
97200 Casualty Losses - Non-capitalized	9,397	-	-	-	-	-	-	9,397		9,397
97300 Housing Assistance Payments	-	3,541,361	-	140,897	389,167	-	-	4,071,425		4,071,425
97400 Depreciation Expense	672,462	8,089	-	-	4,951	-	17,545	703,047		703,047
90000 Total Expenses	1,807,428	4,052,454	1,617	158,503	673,220	639,801	309,177	7,642,200	-370,500	7,271,700
10010 Operating Transfer In	50,906							50,906	-50,906	-
10020 Operating transfer Out	-50,906							-50,906	50,906	-
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-677,759	-274,106	-1,617	-7,132	-40,709	-	61,697	-939,626	-	-939,626
11030 Beginning Equity	10,488,902	388,571	1,617	7,132	357,224	-	883,855	12,127,301		12,127,301
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-207,807	-131,245	-	-	-87,499	-	-120,310	-546,861		-546,861
11170 Administrative Fee Equity	-	-36,698	-	-	-	-	-	-36,698		-36,698
11180 Housing Assistance Payments Equity	-	19,918	-	-	-	-	-	19,918		19,918
11190 Unit Months Available	2,484	7,740	-	286	624	-	-	11,134		11,134
11210 Number of Unit Months Leased	2,421	7,718	-	286	454	-	-	10,879		10,879

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

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
<i>Direct Programs:</i>			
Low Rent Public Housing Program	14.850		\$ 698,796
Public Housing Capital Fund Program	14.872		123,996
Section 8 Housing Choice Voucher Program	14.871		3,761,119
Supportive Housing Program	14.235		584,903
Shelter Plus Care	14.238		<u>150,729</u>
Total Direct Awards			<u>5,319,543</u>
Total U. S. Department of Housing and Urban Development			<u>5,319,543</u>
Total Federal Awards			<u>\$ 5,319,543</u>

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

To the Members of the Board of
Warren Metropolitan Housing Authority
Lebanon, 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 Warren 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 13, 2016, wherein we noted that the Housing Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, and restated its net position at December 31, 2014 for business-type activities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Warren 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 Warren Metropolitan Housing Authority, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the Warren 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 Warren 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 Warren 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 Warren 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 Warren 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 13, 2016

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

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

To the Members of the Board of
Warren Metropolitan Housing Authority
Lebanon, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Warren 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 Warren Metropolitan Housing Authority, Ohio's major federal program for the year ended December 31, 2015. The Warren 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 each of the Warren Metropolitan Housing Authority, Ohio's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Warren 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 its major federal program. However, our audit does not provide a legal determination of the Warren Metropolitan Housing Authority, Ohio's compliance.

Opinion on Each Major Federal Program

In our opinion, the Warren 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 Warren 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 Warren 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 Warren 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 13, 2016

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

1. SUMMARY OF AUDITOR'S RESULTS

2015(i)	Type of Financial Statement Opinion	Unmodified
2015(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2015(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2015(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2015(iv)	Were there any material internal control weaknesses reported for major Federal programs?	No
2015(iv)	Were there any significant deficiencies in internal control reported for major Federal programs?	No
2014(v)	Type of Major Programs' Compliance Opinion	Unmodified
2014(vi)	Are there any reportable findings under .510(a)?	No
2014(vii)	Major Programs (list): Housing Choice Voucher Program - CFDA # 14.871	
2015(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$750,000 Type B: all others
2015(ix)	Low Risk Auditee?	Yes

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

None.

**WARREN METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain
2014-001	Schedule of Expenditures of Federal Awards Completeness	Yes	Corrected

The prior audit report, as of December 31, 2014, included management letter recommendations. The management letter recommendations have been repeated, corrected, or procedures instituted to prevent occurrences in this audit report.

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Dave Yost • Auditor of State

WARREN METROPOLITAN HOUSING AUTHORITY

WARREN 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**