

DELAWARE METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

September 30, 2015

Together with Auditors' Report



Dave Yost • Auditor of State

Board of Trustees
Delaware Metropolitan Housing Authority
PO Box 1292
Delaware, OH 43015

We have reviewed the *Independent Auditor's Report* of the Delaware Metropolitan Housing Authority, Delaware County, prepared by Kevin L. Penn, Inc., for the audit period October 1, 2014 through September 30, 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 Delaware 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

May 12, 2016

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**DELAWARE METROPOLITAN HOUSING AUTHORITY
DELAWARE, OHIO**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Delaware Metropolitan Housing Authority
Delaware, Ohio

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of Delaware Metropolitan Housing Authority, Delaware County as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Delaware Metropolitan Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to opine on these financial statements based on my audit. I audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require me to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on my judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, I consider internal control relevant to the Delaware Metropolitan 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 to the extent needed to opine on the effectiveness of the Delaware Metropolitan Housing Authority's internal control. Accordingly, I express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as my evaluation of the overall financial statement presentation.

I believe the audit evidence I obtained is sufficient and appropriate to support my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Delaware Metropolitan Housing Authority, Delaware County, Ohio as of September 30, 2015, and the respective changes in financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Notes 6 and 7 to the financial statements, during the year ended September 30, 2015, the Authority adopted the provisions of Governmental Accounting Standards No. 68, Accounting and Financial Reporting for Pensions, and No. 71, Pension Transitions for Contributions Made Subsequent to the Measurement Date. I did not modify my opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis and schedules of net pension liabilities and pension contributions*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. I applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, to the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not opine or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to opine or provide any other assurance.

Supplementary

My audit was conducted to opine on the Delaware Metropolitan Housing Authority's basic financial statements taken as a whole. The Supplemental Financial Data Schedules present additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Awards Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Supplemental Financial Data Schedules and Schedule of Federal Award Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. I subjected these schedules to the auditing procedures I applied to the basic financial statements. I also applied certain additional procedures, including comparing and reconciling this 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 my opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 19, 2016 on my consideration of the Delaware Metropolitan Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Delaware Metropolitan Housing Authority's internal control over financial reporting and compliance.

Kevin L. Penn, Inc.

February 19, 2016

Delaware Metropolitan Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2015

The Delaware Metropolitan Housing Authority's (the Authority's) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent fiscal year challenges), and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 11).

FINANCIAL HIGHLIGHTS

- During FY 2015, the Authority's net position decreased by \$47,754 (or 22.72%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net positions were \$210,197 and \$162,443 for FY 2014 and FY 2015 respectively.
- The revenue increased by \$375,535 (or 17.91%) during FY 2015, and was \$2,096,300 and \$2,471,835 for FY 2014 and FY 2015 respectively.
- During FY 2015, the total expenses of the Authority increased by \$125,651 (or 5.56%). Total expenses were \$2,260,961 and \$2,386,612 for FY 2014 and FY 2015 respectively.

The primary focus of the Authority's financial statement is on the Authority as a whole (Authority-wide). The Authority operates as a single enterprise fund and this presentation allows the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

Authority-Wide Financial Statements

The Authority-wide financial statements (see pgs 11-13) are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

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

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

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

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

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

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

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

Finally, Statement of Cash Flows (see page 13) is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

Fund Financial Statements

The Authority is accounted for as an Enterprise Fund. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

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

The Authority’s Programs

Business Type Funds

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% of adjusted household income.

Other Programs - In addition to the major funds above, the Authority also maintains other grant programs. The only other activity the Authority is involved with is listed below.

Business Activities – represents non-HUD resources developed from a variety of activities.

Home Investment Partnership Program – grant monies are received from local sources to administer this program in a manner similar to the Housing Choice Voucher Program.

Community Development Block Grants- grant monies are received from local sources to administer this program in a manner similar to the Housing Choice Voucher Program.

During 2015, the Authority adopted GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27,” which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority’s actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

GASB notes that pension obligations, whether funded or unfunded, are part of the “employment exchange” – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer’s promise is limited not by contract but by law.

The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

As a result of implementing GASB 68, the Authority is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at September 30, 2014, from \$210,197 to \$77,220

AUTHORITY-WIDE STATEMENT

Statement of Net position

The following table reflects the condensed Statement of Net Position compared to the prior year. The Authority is engaged only in Business-Type Activities.

TABLE 1

Statement of Net position

	FY 2015	FY 2014
Current and Other Assets	\$ 375,845	\$ 266,962
Capital Assets	20,489	29,819
Total Assets	<u>396,334</u>	<u>296,781</u>
Other Liabilities	15,594	14,935
Non-Current Liabilities	218,297	71,649
Total Liabilities	<u>233,891</u>	<u>86,584</u>
Net Position:		
Net Investment in Capital Assets	20,489	29,819
Unrestricted	76,319	175,045
Restricted	65,635	5,333
Total Net Position	<u>\$ 162,443</u>	<u>\$ 210,197</u>

For more detailed information see page 11 for the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

Current assets were increased by \$108,883 or 40.79% in fiscal year 2015 and, liabilities also were increased by \$147,307 or 170%. The NRA cash was increased by \$60,302 or 11.31%. GASB 68 forced the addition of \$136,050 for Pension liabilities.

Capital assets were decreased by the current year's depreciation of \$5,662 and dispositions of \$3,668. For more detail see "Capital Assets and Debt Administration" below.

Table 2 presents details on the change in Unrestricted Net position

TABLE 2

CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position as of 9/30/2014		\$ 175,045
Results of Operations	24,922	
Adjustments:		
Depreciation (1)	5,662	
Prior Period Adjustment (2)	(132,977)	
Adjusted Results from Operations		(102,393)
Capital Expenditures net disposition		<u>3,667</u>
Unrestricted Net Position as of 09/30/2015		<u><u>\$76,319</u></u>

- (1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position.
- (2) From GASB 68-Pension Net Liability beginning balance

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

TABLE 3

CHANGE OF RESTRICTED NET POSITION

Restricted Net position as of 9/30/2014		\$5,333
Results of Operations		
Used NRA funds - HAP grant	46,799	
Fraud Recovery Income/FSS Forfeits	13,503	
Adjusted Results from Operations		<u>60,302</u>
Restricted Net position as of 9/30/2015		<u><u>\$65,635</u></u>

The following table reflects the condensed Statement of Revenues, Expenses and Changes in Net position compared to prior year.

TABLE 4

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

	FY 2015	FY 2014
Revenues		
HUD PHA Operating Grants	\$ 2,438,415	\$ 2,059,361
Investment Income	255	580
Other Revenue – All	<u>33,165</u>	<u>36,359</u>
Total Revenue	2,471,835	2,096,300
Expenses		
Administrative	256,088	269,357
Maintenance	46,509	12,029
General	4,675	7,334
Housing Assistance Payment	2,073,678	1,964,418
Depreciation	<u>5,662</u>	<u>7,823</u>
Total Expenses	<u>2,386,612</u>	<u>2,260,961</u>
Net Increase/(Decrease)	<u>\$ 85,223</u>	<u>\$(164,661)</u>

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

HUD PHA Grants increased by \$379,054 or 18.41%. Housing Assistance Payments also increased by \$109,260 or 5.56% which was the result of 459 or 9.11% additional unit months leased in FY15 from Fy14.

Administrative expenses increased by \$13,269 or 4.93% in FY15 as a result of increases in Salaries, benefits and other office expenses

The \$85,223 total increase for FY2015 is the net result of a increase of \$60,302 in the remaining HUD funds and an increase of \$24,921 in the authority's funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of 09/30/15 the Authority had \$20,489 invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation).

TABLE 5

**CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	Business-type Activities	
	<u>FY 2015</u>	<u>FY 2014</u>
Equipment – Administrative	\$ 65,410	\$ 70,910
Accumulated Depreciation	<u>(44,921)</u>	<u>(41,091)</u>
Total	<u>\$ 20,489</u>	<u>\$ 29,819</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 21 of the notes.

TABLE 6

CHANGE IN CAPITAL ASSETS

	Business-type Activities
Beginning Balance	\$ 29,819
Additions	0
Disposition	(3,668)
Depreciation	<u>(5,662)</u>
Ending Balance	<u>\$ 20,489</u>

Additions during the year: None

Debt Outstanding

As of 09/30/15 the Authority has no outstanding debt (bonds, notes, etc.)

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recession and employment trends, which can affect resident incomes and therefore the amount of housing assistance
- Inflationary pressure on utility rates, supplies and other costs

FINANCIAL CONTACT

The individual to be contacted regarding this report is Marsha K. Inscho, Accountant for the Delaware Metropolitan Housing Authority, at (419) 526-1622. Specific requests may be submitted to the Authority at P.O. Box 1292, Delaware, OH 43015.

DELAWARE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted (Note 2)	\$249,755
Accounts Receivable - Fraud Recovery	6,716
Allowance for Doubtful Accounts	(6,716)
Accounts Receivable – Other	1,930
Accounts Receivable – HUD	7,475
Prepaid Expenses	377
Total Current Assets	<u>259,537</u>

Non-Current Assets

Restricted Cash (Note 2)	109,049
Capital Assets: (Note 4)	
Furniture and Equipment	29,989
Vehicles	35,421
Accumulated Depreciation	(44,921)
Total Capital Assets	<u>20,489</u>

Deferred Outflow of Resources	<u>7,259</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u><u>\$396,334</u></u>

LIABILITIES DEFERRED INFLOW OF RESOURCES AND NET POSITION

Current Liabilities

Accounts Payable	\$5,749
Accrued Expenses	2,622
Accounts Payable – HOME	151
Accrued Compensated Absences	7,072
Total Current Liabilities	<u>15,594</u>

Non-Current Liabilities

Family Self-Sufficiency Deposit Payable	43,263
Accrued Pension and OpEB	136,050
Accrued Compensated Absences	36,594
Total Non-Current Liabilities	<u>215,907</u>
Total Liabilities	<u><u>\$231,501</u></u>

Deferred Inflow of Resources	<u><u>\$2,390</u></u>
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Net Position

Net Investment in Capital Assets	20,489
Restricted	65,635
Unrestricted	76,319
Total Net Position	<u><u>\$162,443</u></u>

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

DELAWARE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Operating Revenue:

HUD Operating Subsidies and Grants	\$2,438,415
Fraud Recovery	8,328
Other Revenue	28,504
Total Operating Revenue	<u>2,475,247</u>

Operating Expenses:

Housing Assistance Payments	2,073,678
Salaries	114,740
Employee Benefits	66,686
Other Administrative Expense	68,532
Tenant Services	46,509
Material and Operations	6,130
Depreciation Expense	5,662
General Expenses	4,675
Total Operating Expenses	<u>2,386,612</u>

Operating Income (Loss)	88,635
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Non-Operating Revenues (Expenses)

Investment Income	255
Gain(Loss) on Sale of Capital Assets	<u>(3,667)</u>
Total Non-Operating Revenues (Expenses)	<u>(3,412)</u>

Change in Net Position	85,223
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Net Position - Beginning of Year as Previously Stated	210,197
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Prior Period Adjustment (See Note 15)	<u>(132,977)</u>
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Net Position - Beginning of Year as Restated	<u>77,220</u>
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Net Position - End of Year	<u><u>\$162,443</u></u>
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The accompanying notes are an integral part of the financial statements.

DELAWARE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Cash Flows From Operating Activities:	
HUD operating subsidies and grants	\$2,436,846
Other receipts	37,087
Housing assistance payments	(2,073,678)
Cash payments to suppliers for goods and services	(112,008)
Cash payments for salaries and benefits	(181,426)
Other payments	<u>(4,675)</u>
Net Cash Provided (Used) by Operating Activities	102,146
Cash Flows From Capital and Related Financing Activities:	
Investment Income	<u>255</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	255
Cash Flows From Investing Activities:	
Net Cash Provided (Used) by Investing Activities	<u>0</u>
Increase (Decrease) in Cash and Cash Equivalents	102,401
Cash and Cash Equivalents - Beginning of Year	<u>256,403</u>
Cash and Cash Equivalents - End of Year	<u><u>\$358,804</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:	
Operating Income (Loss)	\$88,635
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:	
Depreciation	5,662
(Increase) decrease in:	
Accounts Receivable	(1,569)
Accrued Interest Receivable	2,346
Deferred Outflow of Resources	(7,259)
Increase (decrease) in:	
Accounts Payable	(403)
Compensated Absences	7,071
Accrued Expenses	(58)
Accrued Pension and OpEB	3,073
Deferred Inflow of Resources	2,390
Other Liabilities	<u>2,258</u>
Net cash used in operating activities	<u><u>\$102,146</u></u>

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

DELAWARE METROPOLITAN HOUSING AUTHORITY
DELAWARE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Delaware Metropolitan Housing Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America. 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 Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate. The accompanying basic financial statements comply with the provisions of GASB Statement No. 39, Determining Whether Organizations are Component Units, 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.

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 over which the Authority is financially accountable.

DELAWARE METROPOLITAN HOUSING AUTHORITY
DELAWARE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

Excluded Entity

The following entity is excluded from the Reporting Entity; however, the entity does conduct activities for the benefit of the Authority.

Delaware Housing Development Association - This organization was formed as an instrumentality of the Authority to assist in the development and financing of housing projects. The Board of the Association is legally separate from the Authority and is independently elected.

The Delaware Housing Development Association was formed as a result of a Development Agreement that was created in October of 1996. The parties to this agreement are listed below:

1. Delaware Metropolitan Housing Authority - Servicer
2. Partnership Equities, Inc. - Developer
3. Wallick Properties, Inc. - Property Manager
4. Hidden Ridge Limited Partnership - An Ohio Limited Partnership

The responsibility of the Authority was to make application to the State of Ohio, Ohio Department of Development pursuant to their Energy, Home Investment Partnership, and Section 403 planning grant programs, and the Ohio Housing Finance Agency for their compensating balance and interim development loan programs in order to obtain grants or deferred loans for the development of the Project. The Hidden Ridge Limited Partnership is comprised of 60 units and is occupied by households whose income at the time of initial occupancy is at or below 50% of the area median income. The project has since been completed. No projects existed during fiscal year 2015.

The Authority leases office space from the Hidden Ridge Limited Partnership for \$1 per year. The terms of the lease are described in Note 8. In addition, as of September 30, 2015, 26 of the 60 units were occupied by individuals that receive housing assistance from the Authority.

Fund Accounting

The Authority uses a proprietary fund to report on its financial position and the results of its operations for the Section 8 Housing Choice Voucher and other programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

DELAWARE METROPOLITAN HOUSING AUTHORITY
DELAWARE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

Proprietary Fund Types:

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

Enterprise Fund — The Authority is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the statement of Net Position. The statement of revenues, expenses and changes in Net Position presents increases (i.e. revenues) and decreases (i.e. expenses) in total Net Position. The statement of cash flows provides information about how the Authority finances and meets cash flow needs.

The Authority accounts for operations that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body 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.

Measurement Focus/Basis of Accounting

The Authority has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America. The Authority follows the business-type activities reporting requirements of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. In accordance with GASB Statement No. 34, the accompanying basic financial statements are reported on an Authority-wide basis. GASB Statement No. 34 (as amended by GASB Statement No. 63) requires the following, which collectively make up the Authority's basic financial statements:

Basic Financial Statements:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements

Accounting and Reporting for Nonexchange Transactions

Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of nonexchange transactions as follows:

Derived tax revenues: result from assessments imposed on exchange transactions (i.e., income taxes, sales taxes and other assessments on earnings or consumption).

Imposed nonexchange revenues: result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (i.e. property taxes and fines).

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(CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

Accounting and Reporting for Nonexchange Transactions (continued)

Government-mandated nonexchange transactions: occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (i.e., federal programs that state or local governments are mandated to perform). Voluntary nonexchange transactions: result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).

PHA grants and subsidies will be defined as government-mandated or voluntary nonexchange transactions.

GASB 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

Time requirements specify (a) the period when resources are required to be used or when use may begin (for example, operating or capital grants for a specific period) or (b) that the resources are required to be maintained intact in perpetuity or until a specified date or event has occurred (for example, permanent endowments, term endowments, and similar agreements). Time requirements affect the timing of recognition of nonexchange transactions.

Purpose restrictions specify the purpose for which resources are required to be used. (i.e. capital grants used for the purchase of capital assets). Purpose restrictions do not affect when a nonexchange transaction is recognized. However, PHAs that receive resources with purpose restrictions should report resulting Net Position, equity, or fund balance as restricted.

The PHA will recognize assets (liabilities) when all applicable eligibility requirements are met or resources received whichever is first. Eligibility requirements established by the provider may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies.

The PHA will recognize revenues (expenses) when all applicable eligibility requirements are met. For transactions that have a time requirement for the beginning of the following period, PHAs should record resources received prior to that period as deferred revenue and the provider of those resources would record an advance.

The PHA receives government-mandated or voluntary nonexchange transactions, which do not specify time requirements. Upon award, the entire subsidy should be recognized as a receivable and revenue in the period when applicable eligibility requirements have been met.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over the estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The capitalization threshold used by the Authority is \$500. The following are the useful lives used for depreciation purposes:

Description	Estimated Useful Lives – Years
Furniture	7
Equipment	7
Computer hardware	3
Computer software	3
Vehicles	5

Total depreciation expense for the 2015 fiscal year was \$5,662.

Cash and Cash Equivalents

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

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. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1) The employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee, 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 current liability.

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

Net Position

Net Position represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislature adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulation of other governments. The amount reported as restricted Net Position at fiscal year end represents the amounts restricted by HUD for future Housing Assistance Payments. When an expense is incurred for purposes which both restricted and unrestricted Net Position are available, the Authority first applies restricted Net Position. The Authority did not have Net Position restricted by enabling legislature at September 30, 2015.

DELAWARE METROPOLITAN HOUSING AUTHORITY
DELAWARE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — (CONTINUED)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Prepaid Items

Payments made to vendors for services that will benefit beyond fiscal year-end are recorded as prepaid items. Payments are accounted for using the consumption method.

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Authority had restricted assets for Family Self-Sufficiency Deposits of \$43,263; Accounts Payable – HOME of \$151 and Housing Assistance Payment equity balance of \$65,635. See Note 4 for additional information concerning Family Self-Sufficiency restricted assets.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are for Housing and Urban Development Grants and other revenues. Operating expenses are necessary costs to provide the goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenues.

Accounts Receivable

Management considers all accounts receivable (excluding fraud recovery receivable) to be collected in full.

Accrued Interest Receivable

Accrued interest receivable represents the amount of interest earned but not collected on certificates of deposits as of the balance sheet date. Interest is collected upon maturity.

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria has been satisfied.

Grants associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as a receivable or revenue, or unearned revenue of the current fiscal year.

DELAWARE METROPOLITAN HOUSING AUTHORITY
 DELAWARE COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
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 (CONTINUED)

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

All monies are deposited into banks as determined by the Authority. Funds are deposited in either interest bearing or non-interest bearing accounts at the Authority's discretion. Security shall be furnished for all accounts in the Authority's name.

Cash and cash equivalents included in the Authority's cash position at September 30, 2015 are as follows:

Demand deposits:

Bank balance - Checking	\$122,964	Bank balance - Savings	\$241,560
Items-in-transit	(5,745)	Items-in-transit	<u>0</u>
Carrying balance	<u>\$117,219</u>	Carrying balance	<u>\$241,560</u>

Of the fiscal year-end bank balance, \$250,000 of deposits of the total checking and saving account balances were covered by federal deposit insurance and the remaining balance of \$114,524 were covered by pledged and pooled securities held by third-party trustees maintaining collateral for all public funds on deposit. \$25 was maintained in petty cash funds

Based on the Authority having only demand deposits at September 30, 2015, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

NOTE 3 - 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 the fiscal year 2015, the Authority purchased commercial insurance for public officials and employment practices liability for general insurance, property, crime, electronic equipment, and automobile insurance

Public officials liability and employment practices liability insurance each carries a \$2,500 deductible. Property and electronic equipment insurance each carries a \$500 deductible. Vehicle carries a \$250 deductible for comprehensive damages and \$500 deductible for collision.

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.

DELAWARE METROPOLITAN HOUSING AUTHORITY
DELAWARE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(CONTINUED)

NOTE 4 - CAPITAL ASSETS

The following is a summary of capital assets at September 30, 2015:

	<u>Balance</u> <u>10/1/ 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>9/30/15</u>
Business – Type Activities – Cost				
Furniture and Equipment	\$34,297	\$	\$(5,500)	\$ 28,797
Vehicles	35,421			35,421
Leasehold Improvements	<u>1,192</u>	_____	_____	<u>1,192</u>
Total at Cost	70,910		(5,500)	65,410
Less: accumulated depreciation				
Furniture and Equipment	(19,875)	(2,957)	1,832	(21,000)
Vehicles	(20,657)	(2,625)		(23,282)
Leasehold Improvements	<u>(559)</u>	<u>(80)</u>	_____	<u>(639)</u>
Total accumulated depreciation	(41,091)	(5,662)	1,832	(44,921)
Capital assets, net	<u>\$ 29,819</u>	<u>\$(5,662)</u>	<u>\$(3,668)</u>	<u>\$ 20,489</u>

NOTE 5 - FSS ESCROW PAYABLE

The Authority is involved in the Family Self-Sufficiency program through the Housing Choice Vouchers Program. Each month contributions are deposited into the Authority's savings account on behalf of the program participants. Participants are limited to a five year contract (with a two year extension option) at which time, they either meet their program goals and may withdraw their money earned from the savings account, or they fail to meet their goals and forfeit their money. If a forfeiture occurs, the money earned is used by the Authority to reinvest into the Housing Choice Voucher Program.

NOTE – 6 DEFINED BENEFIT PENSION PLANS — OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68” were effective. These GASB pronouncements had a significant impact on beginning net position as reported September 30, 2015 (see Note 15).

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 net pension liability represents the Authority’s proportionate share of the Ohio Public Employee Retirement System (OPERS) Pension Plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of its 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.

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NOTE – 6 DEFINED BENEFIT PENSION PLANS — OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

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 OPERS to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, the OPERS Board of Trustees 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.

Plan Description

Organization - OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: The Traditional Plan, a defined benefit plan; the Combined Plan, a combination defined benefit/contribution plan; and the Member-Directed Plan, a defined contribution plan. All public employees in Ohio, except those covered by one of the other state or local retirement systems in Ohio, are members of OPERS. New public employees (those who establish membership in OPERS on or after January 1, 2003) have 180 days from the commencement of employment to select membership in one of the three pension plans. Contributions to OPERS are effective with the first day of the employee's employment. Contributions made prior to the employee's plan selection are maintained in the Traditional Pension Plan and later transferred to the plan elected by the member, as appropriate.

All public employees, except those covered by another state retirement system in Ohio or the Cincinnati Retirement System, are required to become contributing members of OPERS when they begin public employment unless they are exempted or excluded as defined by the Ohio Revised Code. For actuarial purposes, employees who have earned sufficient service credit (60 contributing months) are entitled to a future benefit from OPERS. Employer, employee and retiree data as of December 31, 2015 can be found in the OPERS 2015 Comprehensive Annual Financial Report.

Pension Benefits – All benefits of the OPERS, and any benefit increases, are established by the legislature pursuant to Ohio Revised Code Chapter 145.

DELAWARE METROPOLITAN HOUSING AUTHORITY
DELAWARE COUNTY
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(CONTINUED)

NOTE – 6 DEFINED BENEFIT PENSION PLANS — OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under law in effect prior to SB 343 or will be eligible to retire no later than five years after January 7, 2013, comprise transition Group A. Members who have 20 years of service credit prior to January 7, 2013, or will be eligible to retire no later than 10 years after January 7, 2013, are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

Age-and-Service Defined Benefits – Benefits in the Traditional Pension Plan are calculated on the basis of age, final average salary (FAS), and service credit. Members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 35 or more years of service credit. Group C is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. 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. Refer to the age-and-service tables located in the OPERS 2015 CAFR Plan Statement for additional information regarding the requirements for reduced and unreduced benefits. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.

Prior to 2000, payments to OPERS benefit recipients were limited under Section 415(b) of the Internal Revenue Code (IRC). OPERS entered into a Qualified Excess Benefit Arrangement (QEBA) with the Internal Revenue Service (IRS) to all OPERS benefit recipients to receive their full statutory benefit even when the benefit exceeds IRC 415(b) limitations. Monthly QEBA payments start when the total amount of benefits received by the recipients exceeds the IRC limit each year. The portion of the benefit in excess of the IRC 415(b) limit is paid out of the QEBA and taxed as employee payroll in accordance with IRS regulations.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the members' FAS for the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit.

DELAWARE METROPOLITAN HOUSING AUTHORITY
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(CONTINUED)

NOTE – 6 DEFINED BENEFIT PENSION PLANS — OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Defined Contribution Benefits – Defined contribution plan benefits are established in the plan documents, which may be amended by the Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits.

The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employee contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the purchase of a monthly annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vest account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Disability Benefits – OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members in the plan as of July 29, 1992, could elect, by April 7, 1993, coverage under either the original plan or the revised plan. All members who entered OPERS after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. After the disability benefit ends, the member may apply for a service retirement benefit or a refund of contributions, which are not reduced by the amount of disability benefits received. Members participating in the Member-Directed Plan are not eligible for disability benefits.

DELAWARE METROPOLITAN HOUSING AUTHORITY
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NOTE – 6 DEFINED BENEFIT PENSION PLANS — OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

Survivor Benefits – Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may qualify for survivor benefits if the deceased employee had at least one and a half years of service credit with the plan, and at least one quarter year of credit within the two and one-half years prior to the date of death. Ohio Revised Code Chapter 145 specifies the dependents and the conditions under which they qualify for survivor benefits. Other Benefits – Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit. Members retiring under the Combined Plan receive a 3% cost-of-living adjustment on the defined benefit portion of their benefit. A death benefit of \$500-\$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional Pension Plan and Combed Plan. Death benefits are not available to beneficiaries of Member-Direct Plan participants.

Money Purchase Annuity - Age-and-service retirees who become re-employed in an OPERS-covered position must contribute the regular contribution rates, which are applied towards a money purchase annuity. The money purchase annuity calculation is based on the accumulated contributions of the retiree for the period of re-employment, and an amount of the employer contributions determined by the Board of Trustees. Upon termination of service, members over the age of 65 can elect to receive a lump-sum payout or a monthly annuity. Members under age 65 may leave the funds on deposit with OPERS to receive an annuity benefit at age 65, or may elect to receive a refund of their employee contributions made during the period of reemployment, plus interest.

Refunds – Members who have terminated service in OPERS-covered employment may file an application for refund of their account. The Ohio Revised Code requires a three-month waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's rights and benefits in OPERS.

Refunds processed for the Traditional Pension Plan members include the member's accumulated contributions, interest and any qualifying employer funds. A Combined Plan member's refund may consist of member contributions for the purchase of service plus interest, qualifying employer funds, and the value of their account in the defined contribution plan consisting of member contributions adjusted by the gains or losses incurred based on their investment selections. Refunds paid to members in the Member-Direct Plan include member contributions and vested employer contributions adjusted by the gains or losses incurred based on their investment selections.

Contributions – The OPERS funding policy provides for periodic employee and employer contributions to all three plans (Traditional Pension, Combined and Member-Directed) at rates established by the Board of Trustees, subject to limits set in statute. The rates established for member and employer contributions were approved based upon the recommendations of the OPERS external actuary. All contribution rates were within the limits authorized by the Ohio Revised Code. Member and employer contribution rates, as a percent of covered payroll, were the same for each covered group across all three plans for the year ended December 31, 2015.

DELAWARE METROPOLITAN HOUSING AUTHORITY
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NOTE – 6 DEFINED BENEFIT PENSION PLANS — OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

Within the Traditional Pension Plan and Combined Plan, member and employer contributions (employer contributions only for the Combined Plan) and an actuarially determined rate of return are adequate to accumulate sufficient assets to pay defined benefits when due. Employee contributions within the Combined Plan are not used to fund the defined benefit retirement allowance. Employer contribution rates as a level percent of payroll dollars are determined using the entry age actuarial funding method. This formula determines the amount of contributions necessary to fund: (1) the current service cost, representing the estimated amount necessary to pay for defined benefits earned by the employees during the current service year; and (2) the prior service cost for service earned prior to the current year and subsequent benefit increases. These contributions represent the amount necessary to fund accrued liabilities for retirement allowances and survivor benefits over a period of time.

The employee and employer contribution rates are currently set at the maximums authorized by Ohio Revised Code of 10% and 14%, respectively. Based upon the recommendation of the OPERS external actuary, a portion of each employer's contributions to OPERS is set aside for the funding of post-employment health care coverage. The portion of Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 2.0% for fiscal year 2015. The employer contribution as a percent of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for fiscal year 2015 was 4.5%. The amount of contributions recognized by the OPERS from the Authority during calendar year 2015 was \$19,777, which represented 100% of the Authority's required contribution, and the Authority's proportionate share of pension expense during the same period was \$14,126. The Authority did not make any contributions to the Combined Plan during calendar year 2015.

Ohio Revised Code Chapter 145 assigned authority to the Board of Trustees to amend the funding policy. As of December 31, 2015, the Board of Trustees adopted the contribution rates that were recommended by the external actuary. The contribution rates were included in a new funding policy adopted by the Board of Trustees in October 2013, and are certified biennially by the Board of Trustees as required by the Ohio Revised Code.

As of December 31, 2015, the date of the last actuarial study, the funding period for all defined benefits of the OPERS was 21 years.

Net Pension Liability

The net pension liability was measured as of December 31, 2015, and the total pension liabilities were determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on both member and employer contributions to OPERS relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

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NOTE – 6 DEFINED BENEFIT PENSION PLANS — OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

Net Pension Liability (continued)

Proportionate Share of the Net Pension Liability	\$ 136,050
Proportion of the Net Pension Liability	0.0011280%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the 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 was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requires of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below:

Actuarial Information	Traditional Pension Plan	Combined Plan
Valuation Date	December 31, 2015	December 31, 2015
Experience Study	5 Year Period Ending December 31, 2010	5 Year Period Ending December 31, 2010
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Investment Rate of Return	8.00%	8.00%
Wage Inflation	3.75%	3.75%
Projected Salary Increases	4.25-10.05% (includes wage inflation at 3.75%)	4.25–8.05% (includes wage inflation at 3.75%)
Cost-of-living Adjustments	3.00% Simple	3.00% Simple

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NOTE – 6 DEFINED BENEFIT PENSION PLANS — OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

Actuarial Methods and Assumptions (continued)

Mortality rates are the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% 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% of the disabled female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used.

The discount rate, used to measure the total pension liability was 8.0% for both the Traditional pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for both the Traditional Pension Plan and the Combined Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate - The following table presents the net pension liability calculated using the discount rate of 8.0% and the expected net pension liability if it were calculated using a discount rate that is 1.0% lower or higher than the current rate.

	<u>1% Decrease</u> <u>(7.00%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(8.00%)</u>	<u>1% Increase</u> <u>(9.00%)</u>
Authority's proportionate share of the net pension liability	\$ 250,292	\$ 136,050	\$39,830

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

Asset Class	Allocation	Real Rate of Return
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	<u>18.00%</u>	4.59%
Total	<u>100%</u>	5.28%

DELAWARE METROPOLITAN HOUSING AUTHORITY
DELAWARE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(CONTINUED)

NOTE – 6 DEFINED BENEFIT PENSION PLANS — OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

Actuarial Methods and Assumptions (continued)

The long-term expected 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 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 Benefit 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 Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first 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 investment expense, for the Defined Benefit portfolio was 6.95% for 2015.

Average Remaining Service Life

GASB 68 requires that changes arising from differences between expected and actual experience or from changes in actuarial assumptions be recognized in pension expense over the average remaining service life of all employees provided with benefits through the pension plan (active and inactive). This is to consider these differences on a pooled basis, rather than an individual basis, to reflect the expected remaining service life of the entire pool of employees with the understanding that inactive employees have no remaining service period. As of December 31, 2015, the average of the expected remaining service lives of all employees calculated by our external actuaries for the Traditional Pension Plan was 3.1673 years and for the Combined Plan was 9.4080 years.

Deferred Inflows and Deferred Outflows

The deferred inflows and outflows reported in the Statement of Net Position do not include the layer of amortization that is recognized in current year pension expense and represents the balances of deferred amounts as of December 31, 2015. The table below discloses the original amounts of the deferred inflows and outflows, calculated by OPERS external actuaries, and the current year amortization on those amounts included in pension expense as of and for the year ended December 31, 2015.

DELAWARE METROPOLITAN HOUSING AUTHORITY
 DELAWARE COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
 (CONTINUED)

NOTE – 6 DEFINED BENEFIT PENSION PLANS — OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (continued)

Deferred Inflows and Deferred Outflows (continued)

Deferred Inflows/(Outflows)	Total Deferred Inflows/(Outflows) Arising in Current Reporting Period	2015 Amortization Period	First Year of Amortization Recognized in Pension Expense	Balance of Deferred Inflows/(Outflows) in Current Reporting Period
Traditional Pension Plan				
Difference between Expected and Actual Experience	\$ 3,493	3.1673 years	\$ 1,103	\$ 2,390
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ (9,074)	5 years	\$ (1,815)	\$ (7,259)

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date is recognized as a reduction of the net pension liability in the Authority's financial statements. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as disclosed in the table below:

Calendar Year Ending December 31	Traditional Pension Plan Net Deferred Outflows of Resources
2015	\$ (712)
2016	(712)
2017	(1,674)
2018	(1,815)
2019	-
Thereafter	-
Total	<u>\$ (4,913)</u>

DELAWARE METROPOLITAN HOUSING AUTHORITY
DELAWARE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(CONTINUED)

NOTE – 7 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age- and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2015 CAFR for details.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS(7377).

Funding Policy

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In fiscal year 2015, the Authority contributed at a rate of 14 percent of earnable salary. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14 percent of covered payroll. Active member contributions do not fund the OPEB Plan.

DELAWARE METROPOLITAN HOUSING AUTHORITY
 DELAWARE COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
 (CONTINUED)

NOTE – 7 OTHER POST-EMPLOYMENT BENEFITS (continued)

OPERS’ Post-employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2.0% for both plans, as recommended by OPERS’actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

In fiscal year 2015, the Authority’s contributions to OPERS totaled \$19,777. Of this amount, \$7,063 was allocated to the health care plan. The portion of the Authority’s fiscal year 2015 and 2014 contributions that were allocated to the health care plan were \$7,063 and \$6,825, respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2015. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

NOTE – 8 COMPENSATED ABSENCES

Employees earn annual vacation and sick leave per anniversary year, based on years of service. Annual vacation leave may be carried forward to the next fiscal year and paid upon termination or retirement. Sick leave may be accumulated and is paid out based on Board policy upon termination or retirement. As of September 30, 2015, the accrual for compensated absences totaled \$43,666 and has been included in the accompanying Statement of Net Position.

The following is a summary of compensated absences at September 30, 2015:

<u>Balance</u> <u>at 10/1/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>at 9/30/15</u>	<u>Due Within</u> <u>One Year</u>
\$ 36,595	\$ 24,439	\$(17,368)	\$ 43,666	\$ 7,072

NOTE 9 - LEASES

The Delaware Metropolitan Housing Authority leases office space under a long-term lease that expired on the 30th day of April 2015. The Authority opted to renew the lease for a five-year term as allowed per the original agreement. The Authority pays the lessor, the Hidden Ridge Limited Partnership, \$1 per year for the office space.

DELAWARE METROPOLITAN HOUSING AUTHORITY
DELAWARE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(CONTINUED)

NOTE 10 - CONTINGENT LIABILITIES

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any such disallowed claims could have a material adverse effect on the overall financial position of the Authority at September 30, 2015.

Litigation

The Authority is unaware of any outstanding lawsuits or other contingencies.

NOTE 11 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Delaware Metropolitan Housing Authority and is presented on the accrued basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

NOTE 12 - SUBSEQUENT EVENTS

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through February 14, 2015, the date on which the financial statements were available to be issued.

NOTE 13 - FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended September 30, 2015, the Authority electronically submitted an unaudited balance sheet summary, revenue and expense summary, and other data to HUD as required on the GAAP basis. The audited version of the entity wide balance sheet summary and entity wide revenue and expense summary are included as supplemental data. The schedules are presented in the manner prescribed by U. S. Department of Housing and Urban Development.

NOTE 14 – Change in Accounting Principles

For fiscal year 2015, the Authority has implemented the following:

GASB Statement No. 68 “Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27” improves the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and enhances its value for assessing accountability and interperiod equity by requiring recognition of the entire pension liability and a more comprehensive measure of pension expense. This statement also replaces GASB Statement No. 27 as it relates to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The implementation of this statement had a significant effect on the financial statements of the Authority.

DELAWARE METROPOLITAN HOUSING AUTHORITY
 DELAWARE COUNTY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
 (CONTINUED)

NOTE 14 – Change in Accounting Principles (continued)

GASB Statement No. 69 “Government Combinations and Disposals of Government Operations” provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also 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 this statement did not have an effect on the financial statements of the Authority.

GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68” eliminates the source of potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. The implementation of this statement had a significant effect on the financial statements of the Authority.

NOTE 15 – Restatement of Beginning Net Position

For the fiscal year ended September 30, 2015, the Authority implemented 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”. The implementation of these standards had the following impact on beginning Net Position:

Net Position, September 30, 2014	\$ 210,197
Net Pension Liability	<u>(132,977)</u>
Net Position, October 1, 2014, Restated	<u>\$ 77,220</u>

**DELAWARE METROPOLITAN HOUSING AUTHORITY
DELAWARE COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014 AND 2015
(UNAUDITED)**

	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability	0.0011280%	0.0011280%
Authority's Proportionate Share of the Net Pension Liability	\$ 136,050	\$ 132,977
Authority's Covered Employee Payroll	\$ 141,261	\$ 136,493
Authority's Proportionate Share of the Net Pension Liability as a percentage of its covered employee payroll	96.31%	97.42%
Plan Fiduciary Net Position as a percentage of the total Pension Liability	86.45%	89.19%

**DELAWARE METROPOLITAN HOUSING AUTHORITY
DELAWARE COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
LAST TEN YEARS
(UNAUDITED)**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required employer contribution	\$ 19,777	\$ 19,109	\$ 18,794	\$ 22,396	\$ 24,083	\$ 23,940	\$ 20,735	\$ 18,888	\$ 16,092	\$ 13,103
Contributions in relation to the contractually required contribution	\$ (19,777)	\$ (19,109)	\$ (18,794)	\$ (22,396)	\$ (24,083)	\$(23,940)	\$ (20,735)	\$ (18,888)	\$ (16,092)	\$ (13,103)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority covered-employee payroll	\$ 141,264	\$ 136,493	\$ 134,243	\$ 159,971	\$ 172,021	\$ 171,000	\$ 148,107	\$ 135,690	\$ 115,603	\$ 94,131
Contribution as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	13.92%	13.92%	13.92%

**DELAWARE METROPOLITAN HOUSING AUTHORITY
DELAWARE COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015
(UNAUDITED)**

Ohio Public Employees' Retirement System

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 and 2015.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

Delaware Metropolitan Housing Authority
Statement of Net Assets
September 30, 2015

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Housing Choice Voucher	HOME Program	TOTALS
111	Cash - Unrestricted	\$ 249,755		\$ 249,755
113	Cash - Other Restricted	108,898	\$ 151	109,049
100	Total Cash	358,653	151	358,804
122	Acct Rec-HUD	7,475		7,475
124	Acct Rec-Other Government	1,930		1,930
128	Fraud Recovery	6,716		6,716
128.1	Allow Doubtful Accounts	(6,716)		(6,716)
120	Net Total Receivables	9,405		9,405
142	Prepaid Expenses	377		377
150	Total Current Assets	368,435	151	368,586
164	F/E/M Admin.	64,218		64,218
165	Leasehold Improvements	1,192		1,192
166	Accum Depreciation	(44,921)		(41,091)
160	Net Fixed Assets	20,489	-	20,489
200	Deferred Outflow of Resources	7,259	-	7,259
190	TOTAL ASSETS & DEFERRED OUTFLOW OF RESOURCES	396,183	151	396,334
312	A/P <= 90 days	5,749		5,749
321	Accrued Wage/Taxes Payable	2,622		2,622
322	Accrued Comp Abs - current	7,072		7,072
333	Acct. Pay. - Other Governments	-	151	151
357	Accrued Pension and OPEB Liabilities	136,050		136,050
310	Total Current Liabilities	151,493	151	151,644
353	Non-Current Liabilities - Other	43,263		43,263
354	Accrued Comp Abs. - Noncurrent	36,594		36,594
	Total Liabilities	231,350	151	231,501
400	Deferred Inflow of Resources	2,390	-	2,390
508.1	Invested in Capital Assets Net	20,489		20,489
511.1	Restricted Net Assets	65,635		65,635
512.1	Unrestricted Net Assets	76,319		76,319
513	Total Equity/Net Assets	162,443	-	162,443
600	TOTAL LIAB., DEFERRED INFLOWS OF RESOURCES & EQUITY	\$ 396,183	\$ 151	\$ 396,334

Delaware Metropolitan Housing Authority
Statement of Revenue and Expenses
September 30, 2015

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Housing Choice Voucher	Business Activities	TOTALS
706	HUD PHA Operating Grants	\$ 2,438,415	\$ -	\$ 2,438,415
711	Investment Income - PHA	255		255
714.01	Fraud Recovery - PHA	8,328		8,328
715	Other Revenue	16,719	11,785	28,504
716	Gain or Loss on Sale of Capital Assets	(3,667)		(3,667)
700	TOTAL REVENUE	2,460,050	11,785	2,471,835
911	Admin. Salaries	99,418	8,250	107,668
912	Audit	5,006		5,006
914	Advertising and Marketing	92		92
915	Employee Benefits Contributions	63,151	3,535	66,686
916	Office Expenses	42,133		42,133
918	Travel	2,430		2,430
919	Other	18,871		18,871
	Total Operating - Admin.	231,101	11,785	242,886
921	Tenant Services - Salaries	33,593		33,593
923	Employee Benefits Contributions	12,916		12,916
925	Total Tenant Services	46,509	-	46,509
942	Ordinary Maint.	6,130		6,130
	Total Maint.	6,130	-	6,130
961.2	Insurance – Liab. Insurance	4,520		4,520
961.3	Workmen's Compensation	155		155
	Total Insurance	4,675	-	4,675
962.1	Comp Abs	7,072		7,072
	TOTAL OPERATING EXPENSES	295,487	11,785	307,272
970	Excess Oper. Rev. over Exp.	2,164,563	-	2,164,563
973	HAP	2,066,764		2,066,764
973.5	HAP Portability-In	6,914		6,914
974	Depreciation Exp	5,662		5,662
900	TOTAL EXPENSES	2,374,827	11,785	2,386,612
1000	NET INCOME (LOSS)	\$ 85,223	\$ -	\$ 85,223

Delaware Metropolitan Housing Authority
Additional Information Required by HUD
September 30, 2015

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Housing Choice Voucher
11030	Beginning Equity	\$ 210,197
11170	Administrative Fee Equity	\$ 96,808
11180	Housing Assistance Payment Equity	\$ 65,635
11190	Unit Months Available	5,292
11210	Number of Unit Months Leased	5,456

Delaware Metropolitan Housing Authority

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2015

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Direct Program		
Section 8 Housing Choice Vouchers	14.871	\$ 2,438,415
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 2,438,415</u>

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



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

Board of Trustees
Delaware Metropolitan Housing Authority
Delaware, Ohio

I have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Delaware Metropolitan Housing Authority, Delaware County, Ohio as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued my report thereon dated February 19, 2016.

Internal Control Over Financial Reporting

As part of my financial statement audit, I considered the Delaware Metropolitan Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support my opinion(s) on the financial statements, but not to the extent necessary to opine on the effectiveness of the Delaware Metropolitan Housing Authority's internal control. Accordingly, I have not opined on it.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, I did not identify any deficiencies in internal control that I consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Delaware Metropolitan Housing Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of my audit and accordingly, I do not express an opinion. The results of my tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

I noted certain matters that I reported to management of Delaware Metropolitan Housing Authority's in a separate letter dated February 19, 2016

Purpose of this Report

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

Kevin L. Penn, Inc.

February 19, 2016



Kevin L.
enn, Inc.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees
Delaware Metropolitan Housing Authority
Delaware, Ohio

Report on Compliance for the Major Federal Program

I have audited the Delaware Metropolitan Housing Authority compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Delaware Metropolitan Housing Authority's major federal program for the year ended September 30, 2015. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Delaware Metropolitan Housing Authority's major federal program.

Management's Responsibility

The Delaware Metropolitan Housing Authority's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

My responsibility is to opine on the Delaware Metropolitan Housing Authority's compliance for each of the Delaware Metropolitan Housing Authority's major federal program based on my audit of the applicable compliance requirements referred to above. My compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require me to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Delaware Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my compliance opinion on the Delaware Metropolitan Housing Authority's major program. However, my audit does not provide a legal determination of the Delaware Metropolitan Housing Authority's compliance.

Opinion on the Major Federal Program

In my opinion, the Delaware Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal program for the year ended September 30, 2015.

Report on Internal Control Over Compliance

The Delaware Metropolitan Housing Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing my compliance audit, I considered the Delaware Metropolitan Housing Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine my auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, I have not opined on the effectiveness of the Delaware Metropolitan Housing Authority's internal control over compliance.

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

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

This report only describes the scope of my internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Kevin L. Penn, Inc.

February 19, 2016

Delaware Metropolitan Housing Authority
 Schedule of Findings
 September 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant Deficiency(ies) identified
 not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over compliance:

Material weakness(es) identified? No

Significant Deficiency(ies) identified
 not considered to be material weaknesses? None Reported

Type of auditor's report issued on compliance
 for major program: Unmodified

Any audit findings disclosed that are required
 to be reported in accordance with
 Circular A-133, Section .510(a)? No

Identification of major programs:
 14.871 Housing Choice Vouchers

Dollar threshold used to distinguish
 between Type A and Type B programs: \$300,000 (Type A)

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings

No matters were reported.

Delaware Metropolitan Housing Authority
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2015

There were no audit findings, during the 2014 fiscal year.

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Dave Yost • Auditor of State

DELAWARE METROPOLITAN HOUSING AUTHORITY

DELAWARE 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
MAY 24, 2016**