

**HANCOCK METROPOLITAN
HOUSING AUTHORITY
HANCOCK COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2022**

**HANCOCK METROPOLITAN HOUSING AUTHORITY
HANCOCK COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

This Management's Discussion and Analysis (MD&A) for the Hancock Metropolitan Housing Authority (Hancock MHA) is intended to assist the reader identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify and offer a discussion about changes in Hancock MHA's financial position. It is designed to focus on the financial activity for the fiscal year ended December 31, 2022, resulting changes and currently known facts. Please read it in conjunction with the financial statements found elsewhere in this report.

Overview of the Financial Statements

The basic financial statements included elsewhere in this report are:

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

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

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

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

The balance in Net Investment in Capital Assets reflects the value of capital assets, that is assets such as land, buildings, and equipment, reported in the top part of the statement reduced by the amount of accumulated depreciation of those assets and by the outstanding balances of debt or other borrowings or liabilities incurred to acquire those assets.

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

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

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

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

Hancock MHA's Business Type Funds

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

Hancock MHA's programs include the following:

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

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

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

**HANCOCK METROPOLITAN HOUSING AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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THE AUTHORITY'S STATEMENTS

Statement of Net Position

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

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

	2022	2021
<u>Assets and Deferred Outflows of Resources</u>		
<u>Assets</u>		
Current and Other Assets	\$ 471,000	\$ 364,000
Capital Assets	45,000	20,000
Net OPEB Asset	46,000	26,000
Total Assets	<u>562,000</u>	<u>410,000</u>
Deferred Outflows	<u>70,000</u>	<u>68,000</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 632,000</u>	<u>\$ 478,000</u>
<u>Liabilities, Deferred Inflows of Resources, and Net Position</u>		
<u>Liabilities</u>		
Current Liabilities	\$ 30,000	\$ 6,000
Long-Term Liabilities	156,000	245,000
Total Liabilities	<u>186,000</u>	<u>251,000</u>
Deferred Inflows of Resources	<u>214,000</u>	<u>182,000</u>
<u>Net Position</u>		
Net Investment in Capital Assets	17,000	20,000
Restricted	139,000	89,000
Unrestricted	76,000	(64,000)
Total Net Position	<u>232,000</u>	<u>45,000</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 632,000</u>	<u>\$ 478,000</u>

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

Current assets increased by about \$107,000, with the increase primarily in cash. Current liabilities also increased though not by as much, increasing only \$24,000. The increase in current liabilities is primarily due to the implementation in this fiscal reporting period of the new accounting pronouncement GASB 87, *Leases*. Hancock MHA leases the office space for its main administrative offices, and the current part of the lease liability is \$19,514, the biggest part of the increase in current liabilities. The increase in cash is related to the increase in net position. The increase in restricted net position of \$50,000 is the result of a routine fluctuation in how much unspent funding provided by HUD for the Authority has to use to make HAP payments, rental assistance payments on behalf of families being helped by the Housing Choice Voucher and Mainstream Voucher programs. The increase in unrestricted net position is due to favorable results from operations in this fiscal period.

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FOR THE YEAR ENDED DECEMBER 31, 2022**

Otherwise, notable changes on the Statement of Net Position were changes to the net OPEB asset on the asset side of the statement, and non-current liabilities and deferred inflows of resources on the liabilities and net position side of the statement, balances reported in accordance with GASB 68 and GASB 75 related to pension and postemployment benefits (OPEB) liabilities/assets). GASB 68 and GASB 75 are accounting standards that essentially require government entities like Hancock MHA to report what is determined to be its share of the unfunded pension and health insurance (OPEB) liability(asset) of the pension system. The pension system is the Ohio Public Employees Retirement System (PERS) and the changes in these balances reflect changes in the retirement system financials, and not changes in operations at Hancock MHA. Employees of Hancock MHA are required by state law to be members of PERS, and Hancock MHA is required to make retirement contributions to PERS on behalf of its employees. The net pension liability, a noncurrent liability, decreased \$92,796 from last year. The pension liability is unlike other liabilities the agency has in that it does not represent invoices or debts to be paid by the agency but rather is an attempt to estimate the extent to which contributions to PERS would have to increase in order for PERS to fully fund its future pension obligations. Contribution rates for employees and employers are set by state law, so any change in contribution rates would require a change in state law. In Ohio there is no legal means to enforce the unfunded liability of the pension plan against a public employer like Hancock MHA, and there is no means for Hancock MHA to access the net OPEB asset.

Reporting of these balances in accordance with GASB 68 and GASB 75 greatly affects Hancock MHA's unrestricted net position. Unrestricted Net Position at December 31, 2022 is \$75,522. That Unrestricted Net Position balance is made lower by \$235,602 due to the reporting of these balances in accordance with the accounting standards GASB 68 and GASB 75.

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

(Values rounded to nearest Thousand)		
	2022	2021
<u>Revenues</u>		
Operating Subsidies and Grants	\$ 3,696,000	\$ 3,582,000
Other Revenues	20,000	40,000
Total Revenues	<u>3,716,000</u>	<u>3,622,000</u>
<u>Expenses</u>		
Administrative	352,000	263,000
General and Maintenance	11,000	16,000
Housing Assistance Payments	3,141,000	3,066,000
Depreciation	25,000	8,000
Total Expenses	<u>3,529,000</u>	<u>3,353,000</u>
Net Decrease	187,000	269,000
Beginning Net Position	45,000	(224,000)
Total Net Position - Ending	<u><u>\$ 232,000</u></u>	<u><u>\$ 45,000</u></u>

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

**HANCOCK METROPOLITAN HOUSING AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Overall income increased modestly, by less than 3%. Expenses overall increased by about 5%. HAP expense is one where a larger increase was realized, increasing by \$75,000, but that was only a 2% increase. And that increase was more than fully offset by the increase in funding for the Authority to use to make these rental assistance payments on behalf of program participants, which increased by \$114,479, the primary reason incomes increased as much as they did. This difference in the amount the HAP funding increased compared to how much HAP expense increased is why restricted net position, addressed in the section following Table 1 of this MD&A, increased as much as it did.

The other notable increase to an expense was to administrative expenses which increased about \$89,000 (or 34 percent). This considerable increase was almost fully due to the change in pension expense from the prior year. Pension expense is the expense that is incurred by changes in the balances reported in accordance with GASB 68 & GASB 75, which also was addressed in the section following Table 1 of this MD&A. The changes in those balances were so significant this year that pension expense this year was negative \$82,489, but in the previous year the changes were even more drastic that the expense was negative \$168,439 in 2021. The change in this negative expense means that expense increased \$85,950, accounting for almost all of the change in administrative expenses. As was mentioned in the previous section, this change in pension expense does not reflect changes in operations at Hancock MHA but rather reflect changes in funding of the pension liability and net OPEB (healthcare) asset of the pension system.

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

(Values rounded to nearest Thousand)		
	2022	2021
Intangible Right-to-Use-Buildings	\$ 45,000	\$ 0
Equipment	137,000	132,000
Accumulated Depreciation	(137,000)	(112,000)
Total	<u>\$ 45,000</u>	<u>\$ 20,000</u>

Additions in the period were related to implementing GASB Statement No. 87. The increase in intangible right-to-use assets is related to new accounting treatment of leasing activities of the Authority,

Debt

The Authority has no outstanding debt at December 31, 2022. However, due to the implementation of GASB Statement No. 87, the Authority has office space intangible right-to-use lease liability at year-end 2022. The following summarizes the change in the lease liability from last fiscal year-end.

Intangible Right-to-use Office Space Lease Liability, December 31, 2021	\$ 0
Additions in Period	45,000
Liability Retirement in Period	(17,000)
Intangible Right-to-use Office Space Lease Liability, December 31, 2022	<u>\$ 28,000</u>

Intangible right-to-use equipment lease liabilities are presented in detail in Note 5.

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COVID-19

In March 2020, the United States and the State of Ohio declared a state of emergency due to the COVID-19 pandemic. HUD provided additional funds to Hancock MHA's Housing Choice Voucher and Mainstream Voucher programs to help Hancock MHA prepare for, prevent, and respond to the coronavirus, which helped Hancock MHA maintain normal operations during the period. All CARES funding provided by HUD was expended prior to this year-ended December 31, 2022.

Economic Factors

The continued trend of deep cuts to funding for administration of Hancock MHA's programs by HUD presents significant challenges to management to find ways to continue to provide services to the clients of Hancock MHA. While Hancock MHA is always looking for opportunities to make cuts to improve results, operating with less dollars to administer programs means less staff to perform the work of Hancock MHA and ultimately fewer families in the community that are provided rental assistance by Hancock MHA.

Financial Contact

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

HANCOCK METROPOLITAN HOUSING AUTHORITY
HANCOCK COUNTY, OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Assets

Current Assets

Cash and Cash Equivalents - Unrestricted	\$ 256,538
Cash and Cash Equivalents - Restricted	139,715
Accounts Receivable, Net	59,565
Prepaid Expenses and Other Assets	15,417
Total Current Assets	471,235

Noncurrent Assets

Capital Assets:

Depreciable Capital Assets, Net	45,319
Total Capital Assets	45,319
Net OPEB Asset	46,043
Total Noncurrent Assets	91,362

Deferred Outflows of Resources

Pension	66,548
OPEB	3,365
Total Deferred Outflows of Resources	69,913

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 632,510

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Liabilities

Current Liabilities

Accounts Payable	\$ 3,127
Lease Liability	\$ 19,514
Other Current Liabilities	7,243
Total Current Liabilities	29,884

Noncurrent Liabilities

Accrued Compensated Absences	10,026
Lease Liability, Net of Current	8,703
Net Pension Liability	137,466

Total Noncurrent Liabilities

156,195

Total Liabilities

186,079

Deferred Inflow of Resources

Pension	166,523
OPEB	47,569

Total Deferred Inflows of Resources

214,092

Net Position

Net Investment in Capital Assets	17,102
Restricted Net Position	139,715
Unrestricted Net Position	75,522
Total Net Position	232,339

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

\$ 632,510

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

**HANCOCK METROPOLITAN HOUSING AUTHORITY
HANCOCK COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2022**

Operating Revenue

Government Operating Grants	\$ 3,696,071
Other Revenues	19,546
Total Operating Revenue	<u>3,715,617</u>

Operating Expenses

Administrative	352,043
Maintenance	1,033
General	9,971
Housing Assistance Payments	3,140,581
Depreciation	25,434
Total Operating Expenses	<u>3,529,062</u>
Change in Net Position	186,555

Total Net Position at Beginning of Year	<u>45,784</u>
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Total Net Position at End of Year	<u>\$ 232,339</u>
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The accompanying notes are an integral part of the basic financial statements.

**HANCOCK METROPOLITAN HOUSING AUTHORITY
HANCOCK COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2022**

Cash Flows from Operating Activities

Operating Grants Received	\$ 3,696,071
Other Revenue Received	21,544
General and Administrative Expenses Paid	(444,008)
Housing Assistance Payments	(3,143,927)
Net Cash Provided (Used) by Operating Activities	<u>129,680</u>

Cash Flows from Capital and Related Activities

Capital Assets Acquired	(50,406)
Lease Liability Incurred	45,312
Lease Liability Retired	(17,095)
Net Cash Used by Capital and Related Activities	<u>(22,189)</u>

Net Increase in Cash	107,491
Cash and Cash Equivalents at Beginning of Year	<u>288,762</u>

Cash and Cash Equivalents at End of Year	<u><u>\$ 396,253</u></u>
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**Reconciliation of Operating Income to
Net Cash Provided by Operating Activities**

Net Operating Income	\$ 186,555
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Depreciation	25,434
(Increase) Decrease in:	
Accounts Receivable	1,998
Prepaid Expenses	(1,448)
Net OPEB Asset	(20,246)
Deferred Outflows of Resources	(1,996)
Increase (Decrease) in:	
Accounts Payable	2,997
Accrued Compensated Absences	(1,408)
Other Liabilities	(1,959)
Net Pension/OPEB Liability	(92,796)
Deferred Inflows of Resources	32,549
Net Cash Provided by Operating Activities	<u><u>\$ 129,680</u></u>

**HANCOCK METROPOLITAN HOUSING AUTHORITY
HANCOCK COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

NOTE 1: SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Hancock Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

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

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

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

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

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

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

HANCOCK METROPOLITAN HOUSING AUTHORITY
HANCOCK COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)

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

Basis of Presentation

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

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

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

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

Measurement Focus

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

Enterprise Fund

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

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

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

Section 8 Programs

Under the Section 8 Housing Choice Voucher and Mainstream Voucher Programs, the Authority subsidizes the rents of low-income families that rent from private landlords. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30 percent of household income.

State and Local Program

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

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

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

Cash and Cash Equivalents

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

Investments

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

Prepaid Expenses

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

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$4,000 or more per unit. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	25-40 years
Building Improvements	15-25 years
Furniture, Equipment, and Machinery	3-7 years

Net Position

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

Operating Revenues and Expenses

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

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

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

Compensated Absences

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

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

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

Pensions/Other Postemployment Benefits (OPEB)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Authority, deferred outflows of resources are reported on the Statement of Net Position for pension/OPEB. The deferred outflows of resources related to pension/OPEB plans are explained in Notes 6 and 7.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources are reported on the Statement of Net Position for pension/OPEB. Deferred inflows of resources related to pension/OPEB plans are reported on the Statement of Net Position (See Notes 6 and 7).

**HANCOCK METROPOLITAN HOUSING AUTHORITY
HANCOCK COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 1: SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Accounting

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

Estimates

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

Change in Accounting Principle

GASB Statement No. 87, *Leases*, enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use leased asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Authority's financial statements; however, there was no effect on the beginning net position.

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits

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

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

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NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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

At fiscal year-end December 31, 2022, the carrying amount of the Authority's deposits totaled \$396,253, and its bank balance was \$406,027. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of December 31, 2022, \$250,000 was covered by the Federal Depository Insurance Corporation and \$156,027 was secured by the specific pledge collateral method.

Custodial credit risk is the risk that, in the event of a bank failure, the Authority will not be able to recover the deposits. All deposits exceeding FDIC are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve banks or at member banks of the Federal Reserve System in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

NOTE 3: RESTRICTED CASH AND INVESTMENTS

The restricted cash balance as of December 31, 2022 was \$139,715 and it represents the following:

Unspent HUD advances for Housing Assistance Payments - HCV Program	\$ 125,852
Unspent HUD advances for Housing Assistance Payments - MSV Program	13,863
Total Restricted Cash on Hand	<u>\$ 139,715</u>

NOTE 4: CAPITAL ASSETS

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

	Balance 12/31/21	Additions	Deletions	Balance 12/31/22
<u>Capital Assets Being Depreciated</u>				
Intangible Right-to-Use Lease Buildings	\$ 0	\$ 45,313	\$ 0	\$ 45,313
Furniture, Machinery, and Equipment - Admin	132,026	5,093	0	137,119
Total Capital Assets Being Depreciated	<u>132,026</u>	<u>50,406</u>	<u>0</u>	<u>182,432</u>
<u>Accumulated Depreciation</u>				
Intangible Right-to-Use Lease Buildings	0	(18,750)	0	\$ (18,750)
Furniture, Machinery, and Equipment	(111,679)	(6,684)	0	(118,363)
Total Accumulated Depreciation	<u>(111,679)</u>	<u>(25,434)</u>	<u>0</u>	<u>(137,113)</u>
Total Capital Assets, Net	<u>\$ 20,347</u>	<u>\$ 24,972</u>	<u>\$ 0</u>	<u>\$ 45,319</u>

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NOTE 5: NON-CURRENT LIABILITIES

In year-end 2021, the Authority entered into a 3 year lease for office space calling for monthly payments of \$1,452.91 beginning June 1 the first year of the agreement, \$1,598.20 beginning June 1, 2022, and \$1,758.02 beginning June 1, 2023. The leased space is being amortized over the life of the lease. The annual interest rate on the lease is estimated to be 4 percent.

Lease commitments for fiscal years ending December 31 are as follows:

	Principal	Interest	Total
2023	\$ 19,514	\$ 783	\$ 20,297
2024	8,703	87	8,790
Total	<u>\$ 28,217</u>	<u>\$ 870</u>	<u>\$ 29,087</u>

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

	Balance 12/31/2021	Additions	Deletions	Balance 12/31/2022	Current Portion
Compensated Absences	\$ 11,434	\$ 16,195	\$ (17,603)	\$ 10,026	\$ 0
Family Self-Sufficiency Escrows	3,346	0	(3,346)	0	0
Net Pension Liability	230,262	0	(92,796)	137,466	0
Intangible Right-to-Use Lease Liability	0	45,312	(17,095)	28,217	19,514
Total	<u>\$ 245,042</u>	<u>\$ 61,507</u>	<u>\$ (130,840)</u>	<u>\$ 175,709</u>	<u>\$ 19,514</u>

NOTE 6: DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

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

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(CONTINUED)**

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

Net Pension Liability (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 pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability*. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *other current liabilities*.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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(CONTINUED)**

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 62 with 60 months of service credit or Age 57 with 25 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of the annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those who retired prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in 2019, the COLA is based on the average percentage increase in the Consumer Price Index, capped at 3 percent. Cost-of living adjustments for OPERS members in 2022 will be 3 percent for all those eligible to receive the annual benefit increase.

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 the Combined Plan.

**HANCOCK METROPOLITAN HOUSING AUTHORITY
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(CONTINUED)**

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

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. 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 members' contributions plus or minus the investment gains or losses resulting from the members' 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. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Beginning in 2022, the combined plan will be consolidated under the Traditional pension plan (defined benefit plan) and the Combined plan will no longer be available for new hires beginning in 2022.

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

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(CONTINUED)**

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

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

	State and Local
2022 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2022 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-Employment Health Care Benefits **	0.0 %
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within combined plan are not used to fund the defined benefit retirement allowance

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Authority's contractually required contributions used to fund pension benefits was \$34,300 for fiscal year ending December 31, 2022.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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(CONTINUED)**

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

	OPERS Traditional Pension Plan
Proportion of the Net Pension Liability:	
Prior Measurement Date	0.001555%
Proportion of the Net Pension Liability:	
Current Measurement Date	0.001580%
Change in Proportionate Share	0.000025%
Proportionate Share of the Net Pension Liability:	\$ 137,466
Pension Expense	\$ (12,956)

At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Pension Plan
Deferred Outflows of Resources	
Differences between expected and actual experience	\$ 7,008
Changes of assumptions	17,190
Changes in proportion and differences between Authority contributions and proportionate share of contributions	8,050
Authority contributions subsequent to the measurement date	34,300
Total Deferred Outflows of Resources	\$ 66,548
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	\$ 163,509
Differences between expected and actual experience	3,014
Total Deferred Inflows of Resources	\$ 166,523

\$34,300 reported as deferred outflows of resources related to pension resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)**

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

*Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions* (Continued)

Year Ending December 31:	OPERS Traditional Pension Plan
2023	\$ (14,450)
2024	(55,366)
2025	(38,449)
2026	<u>(26,010)</u>
Total	<u>\$ (134,275)</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2% down to 6.9%, for the defined benefit investments. Key actuarial assumptions and methods used in the latest actuarial valuation, reflecting experience study results, are presented below:

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(CONTINUED)**

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

Actuarial Assumptions – OPERS (Continued)

	<u>Traditional Pension Plan</u>
Wage Inflation	
Current Measurement Date:	2.75 percent
Prior Measurement Date:	3.25 percent
Future Salary Increases, including inflation	
Current Measurement Date:	2.75 to 10.75 percent including wage inflation
Prior Measurement Date:	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	
Pre 1/7/2013 retirees:	3 percent, simple
Post 1/7/2013 retirees:	
Current Measurement Date:	3 percent, simple through 2022, then 2.05 percent simple
Prior Measurement Date:	0.50 percent, simple through 2021, then 2.15 percent simple
Investment Rate of Return	
Current Measurement Date:	6.9 percent
Prior Measurement Date:	7.2 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care 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. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 15.3 percent for 2021.

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(CONTINUED)

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

Actuarial Assumptions – OPERS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The 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 real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00 %	1.03 %
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other investments	4.00	2.85
Total	100.00 %	4.21 %

Discount Rate The discount rate used to measure the total pension liability was 6.9 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 6.9 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Authority's proportionate share of the net pension liability	\$ 362,436	\$ 137,466	\$ 49,738

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NOTE 7: DEFINED BENEFIT OPEB PLANS

Net OPEB Asset

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

The net OPEB asset represents the Authority's proportionate share of the OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of the OPEB plan's fiduciary net position. The net OPEB asset 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 these estimates annually.

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

GASB 75 assumes any liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB asset. Resulting adjustments to the net OPEB asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's funded benefits is presented as a long-term *net OPEB asset*. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *other current liabilities*.

Plan Description – Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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(CONTINUED)

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

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

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

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2021, measurement date health care valuation.

In order to qualify for postemployment health care coverage, generally, age and service retirees under the traditional pension and combined plans must be at least age sixty with twenty or more years of qualifying Ohio service credit, or thirty years of qualifying service at any age. 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 75. See OPERS' Annual Comprehensive Financial Report referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the Traditional Pension Plan and Combined Plan.

Employer contribution rates are expressed as a percentage of covered payroll. In 2022, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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(CONTINUED)**

NOTE 7: DEFINED BENEFIT OPEB PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, OPERS did not allocate any employer contributions to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2022 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. None of the Authority's contractually required contributions were allocated to health care for the fiscal year ending December 31, 2022.

Net OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Authority's proportion of the net OPEB asset was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>
Proportion of the Net OPEB Asset:	
Prior Measurement Date	0.001448%
Proportion of the Net OPEB Asset:	
Current Measurement Date	0.001470%
Change in Proportionate Share	<u>0.000022%</u>
 Proportionate Share of the Net OPEB Asset	 \$ 46,043
OPEB Expense	\$ (35,232)

At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**HANCOCK METROPOLITAN HOUSING AUTHORITY
HANCOCK COUNTY, OHIO
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(CONTINUED)**

NOTE 7: DEFINED BENEFIT OPEB PLANS (Continued)

Net OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

	<u>OPERS</u>
Deferred Outflows of Resources	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	\$ 3,365
Total Deferred Outflows of Resources	<u>\$ 3,365</u>
Deferred Inflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	\$ 21,949
Differences between expected and actual experience	6,983
Changes of assumptions	<u>18,637</u>
Total Deferred Inflows of Resources	<u>\$ 47,569</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>
2023	\$ (26,103)
2024	(10,153)
2025	(4,794)
2026	<u>(3,154)</u>
Total	<u>\$ (44,204)</u>

Actuarial Assumptions - OPERS

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

**HANCOCK METROPOLITAN HOUSING AUTHORITY
HANCOCK COUNTY, OHIO
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(CONTINUED)**

NOTE 7: DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OPERS (Continued)

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021. In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions. The actuarial valuation used the following actuarial assumptions and methods, reflecting experience study results, applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	
Current Measurement Date:	2.75 percent
Prior Measurement Date:	3.25 percent
Projected Salary Increases, including inflation	
Current Measurement Date:	2.75 to 10.75 percent, including wage inflation
Prior Measurement Date:	3.25 to 10.75 percent, including wage inflation
Single Discount Rate:	6.00 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	
Current Measurement Date:	1.84 percent
Prior Measurement Date:	2.00 percent
Health Care Cost Trend Rate	
Current Measurement Date:	5.50 percent initial, 3.50 percent ultimate in 2034
Prior Measurement Date:	8.50 percent initial, 3.50 percent ultimate in 2035
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

HANCOCK METROPOLITAN HOUSING AUTHORITY
HANCOCK COUNTY, OHIO
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(CONTINUED)

NOTE 7: DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OPERS (Continued)

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

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.3 percent for 2021.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00 %	0.91 %
Domestic Equities	25.00	3.78
Real Estate Investment Trust	7.00	3.71
International Equities	25.00	4.88
Risk Parity	2.00	2.92
Other investments	7.00	1.93
Total	100.00 %	3.45 %

**HANCOCK METROPOLITAN HOUSING AUTHORITY
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(CONTINUED)**

NOTE 7: DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OPERS (Continued)

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 1.84 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the actuarial long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what the Authority's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1.0 percent lower or 1.0 percent higher than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Authority's proportionate share of the net OPEB asset	\$ 27,077	\$ 46,043	\$ 61,784

Sensitivity of the Authority's Proportionate Share of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

**HANCOCK METROPOLITAN HOUSING AUTHORITY
HANCOCK COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 7: DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OPERS (Continued)

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB asset	\$ 46,540	\$ 46,043	\$ 45,452

NOTE 8: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During fiscal year ending December 31, 2022, the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents, general liability, fidelity, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

Additionally, workers' compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively.

NOTE 9: RESTRICTED NET POSITION

The restricted net position balance at December 31, 2022 was \$139,715 and it represents the following:

Unspent HUD advances to make Housing Choice Voucher Program Housing Assistance Payments:	\$ 125,852
Unspent HUD advances to make Mainstream 5 Voucher Program Housing Assistance Payments	13,863
Total	<u><u>\$ 139,715</u></u>

**HANCOCK METROPOLITAN HOUSING AUTHORITY
HANCOCK COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

NOTE 10: CONTINGENCIES

Grants

Amount grantor agencies pay to the Authority are subject to audit and adjustments by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at December 31, 2022.

Litigations

In the normal course of operations, the Authority may be subject to litigations and claims. At December 31, 2022, the Authority was not aware of any such matters.

NOTE 11: COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will likely impact subsequent periods of Hancock MHA. The investments of the pension and other postemployment benefit plan in which the Authority participates fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Authority's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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

Traditional Plan	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.001580%	0.001555%	0.001447%	0.001489%	0.001330%	0.001470%	0.001783%	0.002054%	0.002054%
Authority's Proportionate Share of the Net Pension Liability	\$ 137,466	\$ 230,262	\$ 286,009	\$ 407,807	\$ 208,651	\$ 333,812	\$ 308,837	\$ 247,735	\$ 242,140
Authority's Covered Payroll	\$ 229,307	\$ 219,057	\$ 203,557	\$ 201,071	\$ 180,631	\$ 190,042	\$ 221,908	\$ 251,775	\$ 247,746
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	59.95%	105.12%	140.51%	202.82%	115.51%	175.65%	139.17%	98.40%	97.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) - Information prior to 2014 is not available. Schedule is intended to show ten years of information and additional years will be displayed as the information becomes available.

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

See accompanying notes to the required supplementary information.

**HANCOCK METROPOLITAN HOUSING AUTHORITY
HANCOCK COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – TRADITIONAL PLAN
LAST TEN FISCAL YEARS**

Traditional Plan	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contributions	\$ 34,300	\$ 32,103	\$ 30,668	\$ 28,498	\$ 28,150	\$ 23,482	\$ 22,805	\$ 26,629	\$ 30,213	\$ 32,207
Contributions in Relation to the Contractually Required Contribution	(34,300)	(32,103)	(30,668)	(28,498)	(28,150)	(23,482)	(22,805)	(26,629)	(30,213)	(32,207)
Contribution Deficiency / (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Authority's Covered Payroll	\$ 245,000	\$ 229,307	\$ 219,057	\$ 203,557	\$ 201,071	\$ 180,631	\$ 190,042	\$ 221,908	\$ 251,775	\$ 247,746
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

See accompanying notes to the required supplementary information.

**HANCOCK METROPOLITAN HOUSING AUTHORITY
HANCOCK COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SIX FISCAL YEARS (1)**

	2022	2021	2020	2019	2018	2017
Authority's Proportion of the Net OPEB Liability/Asset	0.001470%	0.001448%	0.001347%	0.001386%	0.001440%	0.001590%
Authority's Proportionate Share of the OPEB Liability/(Asset)	\$ (46,043)	\$ (25,797)	\$ 186,056	\$ 180,702	\$ 156,373	\$ 160,595
Authority's Covered Payroll	\$ 229,307	\$ 219,057	\$ 203,557	\$ 201,071	\$ 204,600	\$ 220,303
Authority's Proportionate share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	20.08%	11.78%	91.40%	89.87%	76.43%	72.90%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	128.23%	115.57%	47.80%	46.33%	54.14%	54.05%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as the information becomes available.

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

See accompanying notes to the required supplementary information.

**HANCOCK METROPOLITAN HOUSING AUTHORITY
HANCOCK COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS - OPEB
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,912	\$ 5,011	\$ 4,438	\$ 6,004	\$ 2,809
Contributions in Relation to the Contractually Required Contribution	0	0	0	0	0	(2,912)	(5,011)	(4,438)	(6,004)	(2,809)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Authority Covered Payroll	\$ 245,000	\$ 229,307	\$ 219,057	\$ 203,557	\$ 201,071	\$ 204,600	\$ 220,303	\$ 254,185	\$ 285,459	\$ 280,900
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%	0.00%	1.42%	2.27%	1.75%	2.10%	1.00%

See accompanying notes to the required supplementary information.

**HANCOCK METROPOLITAN HOUSING AUTHORITY
HANCOCK COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2022.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%. For 2020, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 3.00% simple through 2018 to 1.40% simple through 2020, then 2.15% simple. For 2021, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 1.40% simple through 2020 to 0.50% simple through 2021, then 2.15% simple. For 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75% (b) the cost-of-living adjustments for post-1/7/2013 retirees were increased from 0.50% simple through 2021 to 3.00% simple through 2022, then 2.05% simple (c) the expected investment return was reduced from 7.20% to 6.90%.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2022.

**HANCOCK METROPOLITAN HOUSING AUTHORITY
HANCOCK COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022**

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS) (Continued)

Net OPEB Liability (Continued)

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00% (b) In January 2019, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time (c) the single discount rate changed from 3.85% to 3.96%. For 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.96% to 3.16%. For 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.16% to 6.00% (b) the municipal bond rate changed from 2.75% to 2.00% (c) the health care cost trend rate changed from 10.50% initial and 3.50% ultimate in 2030 to 8.50% initial and 3.50% ultimate in 2035. For 2022, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75%. (b) the municipal bond rate changed from 2.00% to 1.84% (c) the health care cost trend rate changed from 8.50% initial and 3.50% ultimate in 2035 to 5.50% initial and 3.50% ultimate in 2034.