SANDUSKY METROPOLITAN HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2015

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

Dave Yost • Auditor of State

Board of Directors
Sandusky Metropolitan Housing Authority
1358 Mosser Drive
Fremont, OH 43420

We have reviewed the *Independent Auditor's Report* of the Sandusky Metropolitan Housing Authority, Sandusky County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2014 through June 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 Sandusky Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

February 2, 2016

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BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sandusky Metropolitan Housing Authority
Fremont, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on the Financial Statements

We have audited the accompanying financial statements of the of the Sandusky Metropolitan Housing Authority, Ohio (the Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Sandusky Metropolitan Housing Authority, Ohio, as of June 30, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the basic financial statements, the Authority adopted the provision of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, and related its net pension at June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Sandusky Metropolitan Housing Authority, Ohio's basic financial statements. The Financial Data Schedules and the Statement of Modernization Costs-Completed are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2015, on our consideration of the Sandusky Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

James G. Zupka, CPA, President

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G. Zupka, CPA, Inc., ou=Accounting, email=jgzcpa@sbcglobal.net, c=US
Date: 2015.12.15 15:14:34 -05'00'

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

November 17, 2015

The Sandusky Metropolitan Housing Authority's (the Authority) 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 year challenges), and (d) identify individual issues or concerns.

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

FINANCIAL HIGHLIGHTS

- The Authority's authority-wide statements reflect a decrease in total net position of $64,783 (or 3.02 percent) during 2015. Net Position was $2.080 million and $2.145 million for 2015 and 2014 respectively.

- The business-type activity revenue increased by $24,853 (or 2.09 percent) during 2015, and was $1.216 million and $1.192 million for 2015 and 2014 respectively.

- The total expenses of all Authority programs decreased by $85,190 (or 6.23 percent). Total expenses were $1.281 million and $1.367 million for 2015 and 2014 respectively.

Authority-Wide Financial Statements

The Authority-wide financial statements 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:

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 Net Position: 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.

Authority-Wide Financial Statements (Continued)

Unrestricted Net Position: Consists of Net Position that do not meet the definition of "Net Investment in Capital Assets", or "Restricted Net Position". This account resembles the old operating reserves account.

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in 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 Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows 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

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

The Department of Housing and Urban Development requires the funds maintained by the Authority.

THE AUTHORITY'S PROGRAMS

Business-Type Activities

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

Capital Fund Program (CFP) - This is the current primary funding source for the Authority's Public Housing physical and management improvements. Funds are provided by formula allocation and based on size and age of the agency's Public Housing units.

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30 percent, and the Housing Authority subsidizes the balance.

AUTHORITY-WIDE STATEMENTS

Statement of Net Position

The following table reflects the condensed Statement of Net Position compared to prior year. The Authority is engaged only in Business-Type Activities. A restatement of the 2014 Statement of Net Position was necessary for the implementation of GASB Statement No. 68.

Table 1- Statement of Net Position

	2015	Restated 2014
Assets and Deferred Outflows of Resources		
Current and Other Assets	$ 261,340	$ 223,200
Capital Assets	2,104,173	2,349,208
Deferred Outflows of Resources	6,478	3,141
Total Assets and Deferred Outflows of Resources	$ 2,371,991	$ 2,575,549
Liabilities		
Current Liabilities	$ 77,002	$ 104,675
Long-Term Liabilities	213,853	326,043
Total Liabilities	290,855	430,718
Deferred Inflows of Resources	1,088	0
Net Position		
Net Investment in Capital Assets	1,920,421	2,041,439
Restricted	631	1,566
Unrestricted	158,996	101,826
Total Net Position	2,080,048	2,144,831
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 2,371,991	$ 2,575,549

For more detailed information, see Statement of Net Position presented on page 10.

Major Factors Affecting the Statement of Net Position:

Current assets increased by $38,140 and total liabilities decreased by $139,863. The increase in current assets was primarily due to the cash generated from operations. The decrease in current liabilities is due to the retirement of one of the mortgages.

Table 2 - Change of Unrestricted Net Position

Unrestricted Net Position, June 30, 2014, as Restated	$	101,826
Results of Operations		(64,783)
Adjustments:		
Depreciation (1)		165,979
Loss from Capital Asset Disposal		53,941
Capital Expenditures		(67,043)
Debt Principal Payments Less Cash from Asset Sale		(31,869)
Transfer from Restricted Net Position		945
Unrestricted Net Position, June 30, 2015	$	158,996

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position.

While the results of operations are 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. The Authority's unrestricted net position increased $57,170.

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

Table 3- Statement of Revenues, Expenses, and Changes in Net Position

	2015	2014
Revenues		
Tenant Revenues - Rents and Others	$ 114,633	$ 95,747
Operating Subsidies and Grants	1,087,347	1,028,055
Capital Grants	43,840	1,000
Investment Income	118	116
Loss on Capital Asset Disposals	(53,941)	0
Other Reveues	24,592	66,818
Total Revenues	1,216,589	1,191,736
Expenses		
Administrative	185,475	178,092
Utilities	17,259	18,803
Maintenance	96,023	100,438
General and Interest	29,084	46,219
Housing Assistance Payments	787,552	833,384
Depreciation	165,979	189,626
Total Expenses	1,281,372	1,366,562
Net (Decrease) in Net Position	$ (64,783)	$ (174,826)

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

REVENUES: Operating Subsidies, Grants and Capital Grants increased by $102,132, or 9.92 percent. The majority of the increase was due to increased capital fund draws.

EXPENSES: Most expenses remained constant between 2014 and 2015. Housing Assistance Payments decreased approximately $45,852 due to HUD funding reduction.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had $2.104 million invested in a variety of capital assets as reflected in the following schedule. This represents a net decrease (additions, disposals and depreciation) of $245,035 from the end of last year.

Table 4 - Capital Assets at Year-End (Net of Depreciation)

	2015	2014
Land	$ 604,764	$ 604,764
Building and Improvements	4,342,245	4,491,943
Equipment	399,724	397,030
Accumulated Depreciation	(3,242,560)	(3,144,529)
Total	$ 2,104,173	$ 2,349,208

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in Note 4 of the financial statements.

Table 5 - Change in Capital Assets

Beginning Balance, June 30, 2014	$ 2,349,208
Additions	67,043
Disposals	(146,099)
Depreciation	(165,979)
Ending Balance, June 30, 2015	$ 2,104,173

Debt Administration

The Authority's long term debt of $183,752 includes mortgages for six (6) homes purchased for the Sandusky County MRDD's Capital Assisted Housing Program.

Additional information on long-term debt can be found in Note 5 of the financial statements.

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, recessionary, and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies, and other costs

IN CONCLUSION

The Authority had a $64,783 decrease in net position in fiscal year 2015 due to the loss on the sale of property located at 3695 CR 175 Clyde, Ohio.

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Ralph Chamberlain, Executive Director of the Sandusky Metropolitan Housing Authority at (419) 334-4426.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS		
Current Assets		
Cash and Cash Equivalents:	$	217,786
Restricted Cash and Cash Equivalents		21,344
Receivables, Net		1,801
Prepaid Expenses and Other Assets		10,004
Inventory		10,405
Total Current Assets		261,340
Capital Assets		
Non-Depreciable Capital Assets		604,764
Depreciable Capital Assets, Net		1,499,409
Total Capital Assets		2,104,173
DEFERRED OUTFLOWS OF RESOURCES		6,478
TOTAL ASSETS AND DEFRRED OUTFLOWS OF RESOURCES	$	2,371,991
LIABILITIES		
Current Liabilities		
Accounts Payable	$	12,714
Accrued Liabilities		3,156
Tenant Security Deposits		20,713
Current Portion - Mortgages Payable		40,419
Total Current Liabilities		77,002
Non-Current Liabilities		
Mortgages Payable, Net of Current Portion		143,333
Accrued Pension Liability (See Note 7)		61,995
Accrued Compensated Absences - Non-Current		8,525
Total Non-Current Liabilities		213,853
TOTAL LIABILITIES		290,855
DEFERRED INFLOWS OF RESOURCES		1,088
NET POSITION		
Net Investment in Capital Assets		1,920,421
Restricted		631
Unrestricted Net Position		158,996
TOTAL NET POSITION		2,080,048
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$	2,371,991

See accompanying notes to the basic financial statements.

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

Operating Revenues	
Tenant Rental Revenue	$ 114,633
Government Operating Grants	1,087,347
Other Revenue	24,592
Total Operating Revenue	1,226,572
Operating Expenses	
Administrative	185,475
Utilities	17,259
Maintenance	96,023
General	18,936
Housing Assistance Payments	787,552
Depreciation Expense	165,979
Total Operating Expenses	1,271,224
Operating Loss	(44,652)
Non-Operating Revenues (Expenses)	
Interest and Investment Revenue	118
Interest Expense	(10,148)
Loss on Capital Asset Disposal	(53,941)
Total Non-Operating Revenues (Expenses)	(63,971)
(Loss) Before Capital Contributions and Grants	(108,623)
Capital Grants	43,840
Change In Net Position	(64,783)
Total Net Position - Beginning of Year, Restated	2,144,831
Total Net Position - End of Year	$ 2,080,048

See accompanying notes to the basic financial statements.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

Cash Flows from Operating Activities	
Cash Received- HUD Operating Subsidies and Grants	$ 1,087,347
Cash Received from Tenants and Other Sources	165,063
Cash Payments for Housing Assistance Payments	(787,552)
Cash Payments for Administrative Costs	(183,168)
Cash Payments for Other Operating Expenses	(151,478)
Net Cash Provided (Used) by Operating Activities	130,212
Cash Flows from Capital and Related Financing Activities	
Capital Additions	(67,043)
Capital Grants	43,840
Interest Expense	(10,148)
Repayment of Mortgage and Note	(124,017)
Cash from Capital Asset Sales	92,158
Net Cash Provided (Used) by Capital and Related Financing Activities	(65,210)
Cash Flows from Investing Activities	
Investment Income	118
Net Cash Provided (Used) by Investing Activities	118
Increase in Cash and Cash Equivalents	65,120
Cash and Cash Equivalents - Beginning of Year	174,010
Cash and Cash Equivalents - End of Year	$ 239,130
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Net Operating (Loss)	$ (44,652)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	165,979
(Increase) Decrease in:	
Accounts Receivable	27,028
Prepaid Expenses and Inventory	(48)
Deferred Outflows	(6,478)
Increase (Decrease) in:	
Accounts Payable	(18,364)
Compensated Absences	2,391
Security Deposits	(1,190)
Deferred Inflows	1,088
Accrued Wages and Benefits	4,458
Net Cash Provided (Used) by Operating Activities	$ 130,212

* Non-cash increase to Net Pension Liability of $57,453 not reflected in reported amount.

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

Organization and Reporting Entity

The Sandusky Metropolitan Housing Authority (SMHA) is a political subdivision of the State of Ohio, located in Fremont, Ohio, created under Section 3735.27 of the Ohio Revised Code, to engage in the acquisition, development, leasing and administration of low-rent housing program. An Annual Contributions Contract was signed by the SMHA and the United States Department of Housing and Urban Development (HUD), under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring constructing, maintenance, operating, improving, extending, and repairing housing facilities.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the “primary government”. A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. This criterion was considered in determining the reporting entity. The Authority is a political subdivision with no component units.

Basis of Presentation

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

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

The Authority’s basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows.

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

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

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

Measurement Focus and Basis of Accounting
The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the Authority are included on the statement of net position. The statement of 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 the cash flow needs of its enterprise activity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Property and Equipment
Property and equipment is recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized, while maintenance repair costs are expensed as incurred.

Useful life of property and equipment is as follows:

Buildings	40 years
Land and Building Improvements	15 years
Equipment	7 years
Autos	5 years

Depreciation is recorded on the straight-line method. Total depreciation expense for the 2015 fiscal year was $165,979.

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

Cash and Cash Equivalents
The Authority considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash and cash equivalents.

Investments
Investments are stated at fair value. Cost-based measures of fair value were applied to nonnegotiable certificates of deposit and money market investments.

Restricted Net Position
Restricted net position represent cash and cash equivalents whose use is limited by legal requirements. Restricted net position include excess Housing Choice Voucher housing assistance payments funding and security deposits collected from residents of the Agency's housing units.

Net Position
Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position includes the Housing Choice Voucher Program HAP Equity. That is funding provided to the Agency by HUD for the purpose of making rental assistance payments on behalf of program participants that has yet to be expended and was $631 at June 30, 2015.

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

Deferred Outflows/Inflows of Resources
In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until them.

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

Deferred Outflows/Inflows of Resources (Continued)
For the Authority, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 7.

In addition to liabilities, the statements of financial position report a separate section of 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 the time. For the Authority, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 7)

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Accounting
SMHA annually prepares funding requests as prescribed by HUD. After HUD approval of these requests, a budget is adopted by the Board of SMHA.

Capitalization of Interest
The Authority's policy is not to capitalize interest related to the construction or purchase of capital assets.

Financial Statement Format and Content
The format and content of the financial statements included in this report conforms to the format and content submitted to U.S. Department of Housing and Urban Development, via the Real Estate Assessment Center.

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

For fiscal year 2015, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

NOTE 2: **CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION** (Continued)

Net Position, June 30, 2014	$	2,202,284
Adjustments:		
Net Position Liability (OPERS Traditional Plan)		(60,594)
Deferred Outflow - Payment Subsequent to Measurement Date		3,141
Restated Net Position, June 30, 2014	$	2,144,831

Other than employer contributions subsequent to the measurement date, the Authority made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 3: **DEPOSITS AND INVESTMENTS**

The Authority follows the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This new standard revised the existing requirement regarding disclosure of custodial credit risk and establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Deposits

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

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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Authority had identified as not required for use within the current 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 depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

Deposits (Continued)
Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed to 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.

At June 30, 2015, the Authority had undeposited cash on hand (petty cash) of $120.

At June 30, 2015, the carrying amount of the Authority's cash deposits was $239,010 and the bank balance was $250,860. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2015, deposits totaling $250,000 were covered by Federal Depository Insurance, while the balance of $860 was collateralized by securities pledged in the name of the Authority.

Custodial credit is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 110 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution 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 a Federal Reserve bank in the name of the Authority.

Investments
HUD, State Statute, and Board resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority and must be purchased with the exception that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

NOTE 3: **DEPOSITS AND INVESTMENTS** (Continued)

Investments (Continued)
The Authority has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At June 30, 2015 the Authority has no investments.

Interest Rate Risk
As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires those funds which are not operating reserve funds to be invested in investments with a maximum term of one year or the Authority's operating cycle. For investments of the Authority's operating reserve funds, the maximum term can be up to three years. The intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk
Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority has no investment policy that would further limit is investment choices.

Concentration of Credit Risk
Generally, the Authority places no limit on the amount it may invest in any one financial institution. However, the investment policy limits the investment of HUD - approved mutual funds to no more than 20 percent of the Authority's available investment funds. The Authority's deposits in financial institutions represent 100 percent of its deposits.

Foreign Currency Risk
Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of year-end, the Authority had no exposure to foreign currency rate risk, as regulated by HUD.

Restricted Cash
Restricted cash is composed of the following restricted:

Restricted HAP Equity	$	631
Tenant Security Deposit		20,713
Total	$	21,344

NOTE 4: CAPITAL ASSETS

A summary of capital assets at June 30, 2015, by class is as follows:

Building and Building Improvements	$4,342,245
Land	604,764
Furniture, Equipment - Dwelling	82,708
Furniture, Equipment - Administration	317,016
Total	5,346,733
Less Accumulated Depreciation	(3,242,560)
Net Property and Equipment	$2,104,173

A summary of changes in capital assets during the year is as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Capital Assets Not Being Depreciated				
Land	$ 604,764	$ 0	$ 0	$ 604,764
Total Capital Assets Not Being Depreciated	604,764	0	0	$ 604,764
Capital Assets Being Depreciated				
Buildings and Improvements	4,491,943	63,340	(213,038)	4,342,245
Furniture, Equipment, and Machinery				
Dwelling	83,052	665	(1,009)	82,708
Administration	313,978	3,038	0	317,016
Total Capital Assets Being Depreciated	4,888,973	67,043	(214,047)	4,741,969
Accumulated Depreciation				
Buildings and Improvements	(2,754,776)	(161,757)	66,938	(2,849,595)
Furniture, Equipment, and Machinery	(389,753)	(4,222)	1,010	(392,965)
Total Accumulated Depreciation	(3,144,529)	(165,979)	67,948	(3,242,560)
Depreciable Assets, Net	1,744,444	(98,936)	(146,099)	1,499,409
Total Capital Assets, Net	$ 2,349,208	$ (98,936)	$ (146,099)	$ 2,104,173

NOTE 5: LONG-TERM LIABILITIES

The changes in the Authority's long-term liabilities during the year were as follows:

	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015	Amounts Due In One Year
Business-Type Activities					
Mortgages Payable	$ 307,769	$ 0	$ (124,017)	$ 183,752	$ 40,419
Compensated Absences	8,666	5,248	(2,857)	11,057	2,532
Total Capital Assets Not Being Depreciated	$ 316,435	$ 5,248	$ (126,874)	$ 194,809	$ 42,951

Mortgages payable consist of the following:

The Authority has a note payable to the Croghan Colonial Bank of Fremont. The original principal of the loan was $104,041 and the current rate is 6.25 percent annually. Principal and interest payments, currently $432.25 began in December 2001 with the final payment due on December 2016. The loan is secured by the first mortgage on the property locacted at 728 Nickel St., Fremont, Ohio.	$ 7,463
The Authority has a note payable to the Croghan Colonial Bank of Fremont. The original principal of the loan was $87,250 and the current rate is 7.125 percent annually. Principal and interest payments, currently $320.01, began in February, 2007 with the final payment due on January, 2016. The loan is secured by an open-end mortgage on real estate property located at 408 S. Pennsylvania Avenue and 1007 W. State Street, Fremont, Ohio.	2,475
The Authority has a note payable to the Croghan Colonial Bank of Fremont. The original principal of the loan was $123,500 and the current rate is 6.15 percent annually. Principal and interest payments, currently $430.06 began in October 2002 with the final payment due on July, 2032. The loan is secured by an open-end mortgage on real estate property located at 562 Crestwood, Fremont, Ohio.	54,508
The Authority has a note payable to the Croghan Colonial Bank of Fremont. The original principal of the loan was $70,000 and the current rate is 4.90 percent annually. Principal and interst payments, currently $581.64, began in March, 2003 with the final payment due on March, 2018. The loan is secured by an open-end mortgage on real estate property located at 114 S. Jefferson Street, Fremont, Ohio.	17,928
The Authority has a note payable to the Croghan Colonial Bank of Fremont, at a current rate of 4.75 percent annually. Prinicipal and interest payments of $648.67 began in January, 2004 with the final payment due on December, 2023. The loan is secured by an open-end mortgage on real estate located at 1407 Rosewood Street, Fremont, Ohio 43420	54,347

NOTE 5: **LONG-TERM LIABILITIES** (Continued)

The Authority has a note payable to the Croghan Colonial Bank of Fremont. The original principal of the loan was $104,000 and the current rate is 6.40 percent annually. Prinicpal and interest payments, currently $429.26 began in January 2002 with the final payment due in January, 2017. The loan is secured by a first mortgage on the property located at 148 W. Drew Lane, Clyde, Ohio.	7,736
Subtotal	144,457

The PHA has entered into contractual agreements with the Ohio Department of Development Disabilities through wich the agency received funds for the acquisition and/or renovation of properties. Upon receipt of the funding, the Agency is restricted to using the property as a residential facility for DODD clients for 15 years. In the event the Agency complies with this restriction, the amount of the loan is amortized at 0 percent interest by 1/180th for each month of each agreement. A summary of this debt with Ohio DODD is as follows:

Property Description	Original Loan Amount	Period	Interest Rate	Life of Loan	Balance 6/30/2015
728 Nickle Street	$ 54,041	2002-2017	0%	180 months	$ 5,404
408 S. Pennsylvania Ave.	59,874	2005-2020	0%	180 months	21,287
562 Crestwood	54,020	2002-2017	0%	180 months	7,204
148 W. Drew Lane	54,000	2002-2017	0%	180 months	5,400
Sub-Total Ohio DODD Debt					39,295
Total Debt					183,752
Less: Current Portion					(40,419)
Total Long-Term Mortgages Payable					$ 143,333

The following is a summary of the Authority's future debt service requirements as of June 30, 2015:

For the Year Ended June 30	Principal	Interest	Total Payments
2016	$ 40,419	$ 7,218	$ 47,637
2017	34,413	5,935	40,348
2018	22,784	5,099	27,883
2019	8,368	4,577	12,945
2020	8,796	4,149	12,945
2021-2025	39,401	13,646	53,047
2026-2030	19,505	6,301	25,806
2031-2033	10,066	685	10,751
Totals	$ 183,752	$ 47,610	$ 231,362

Additional information on compensated absences is detailed in Note 9 of the financial statements.

NOTE 6: ALLOCATION OF COSTS

The Authority allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program or estimated actual usage. Management considers this to be an equitable method of allocation.

NOTE 7: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually. Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

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

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

Net Pension Liability (Continued)

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – OPERS is a cost-sharing, multiple-employer public employee retirement system that provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position. That report can be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642, by calling (800) 222-7377, or by visiting the OPERS Web site at www.opers.org.

OPERS administers three retirement plans, as described below:

- The Traditional Pension Plan (TP) - a defined benefit plan;
- The Member-Directed Plan (MD) - a defined benefit contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings;
- The Combined Plan (CO) – a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula benefit similar in nature to the Traditional Pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed plan.

Pension Benefits – All benefits of the System, and any benefit increases, are established by the legislature pursuant to Ohio Revised Code Chapter 145. The Board, pursuant to ORC Chapter 145, has elected to maintain funds to provide health care coverage to eligible Traditional Pension and Combined plan retirees and survivors of members. Health care coverage does not vest and is not required under ORC Chapter 145. As a result, coverage may be reduced or eliminated at the discretion of the Board.

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

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

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 are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026. 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.

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 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 – 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.

Disability Benefits – OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members participating in the Member-Directed Plan are not eligible for disability benefits.

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

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

Survivor Benefits – Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may 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 Combined Plan. Death benefits are not available to beneficiaries of Member-Directed Plan participants.

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, subject to limits set in statute. The rates established for member and employer contribution rates were approved based upon the recommendations of the System's external actuary. All contribution rates were within the limits authorized by the Ohio Revised Code.

Member and employer contributions rates, as a percent of covered payroll, were the same for each covered group across all three plans for fiscal year ended June 30, 2015. 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 determined 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 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.

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

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

Plan members were required to contribute 10 percent of their annual covered salary. The Authority was required to contribute 14 percent, a portion of which is set aside for funding post-retirement health care coverage. The Authority's contractually required contributions to OPERS for fiscal year 2015 was $7,586 for the Traditional Plan.

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

The net pension liability was measured as of June 30, 2015, 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 on contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	Traditional
Proportionate Share of the Net Pension Liability (Asset)	$ 61,995
Proportion of the Net Pension Liability	0.000514%
Pension Expense	$ 6,769

At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 3,308
Authority Contributions Subsequent to the Measurement Date	3,170
Total Deferred Outflows of Resources	$ 6,478
Deferred Inflows of Resources	
Difference between Expected and Actual Experience	$ 1,088
Total Deferred Inflows of Resources	$ 1,088

$6,478 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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

	Traditional Plan Net Deferred Outflow of Resources
Fiscal Year Ending June 30:	
2016	$ 324
2017	324
2018	743
2019	827
2020	0
Thereafter	0
Total	$ 2,218

Actuarial Assumptions – OPERS

OPERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., future employment, mortality, cost trends). Actuarially determined amounts are subject to continual review and potential modifications, 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

Actuarial Information	Traditional Plan	Combined Plan
Valuation Date	December 31, 2014	December 31, 2014
Experience Study	5 year Period Ended December 31, 2010	5 year Period Ended 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

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

Actuarial Assumptions – OPERS (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 allocation of investment assets within the Defined Benefit portfolio is approved by the Board 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-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long-Term Expected 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	18.00%	4.59%
Total	100.00%	5.28%

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.

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

Actuarial Assumptions – OPERS (Continued)

Discount Rate 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 the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.0 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.0 percent), or one percentage point higher (9.0 percent) than the current rate.

Authority's proportionate share of the net pension liability (asset)	1% Decrease (7.0%)	Discount Rate (8.0%)	1% Increase (9.0%)
Traditional Plan	$ 114,051	$ 61,955	$ 18,149

NOTE 8: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description**

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

OPERS maintains 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 members 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.

NOTE 8: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description**

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.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

B. **Funding Policy**

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year ending 2015, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2.0 percent for fiscal year 2015.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended June 30, 2015, 2014, and 2013 which were used to fund post-employment benefits were $1,264, $928 and $1,822, respectively.

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

B. **Funding Policy** (Continued)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 9: **COMPENSATED ABSENCES**

Vacation and sick leave policies are established by the Board of Authority based on local and state laws. All permanent employees will earn 4.6 hours of sick leave per eighty (80) hours of service. Unused sick leave may accumulate without limit. At the time of retirement, employees shall be paid the value of twenty-five percent of unused sick leave subject to a maximum payment equal to 120 days of sick leave. All permanent employees will earn vacation hours accumulated based on length of service. Employees will be paid for all unused vacation time upon their separation from service.

NOTE 10: **RISK MANAGEMENT**

The Authority is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of damage to, and destruction of assets; errors and omissions; and injuries to employees.

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, and building contents. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three years.

NOTE 11: **CONTINGENCIES**

The Authority is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

The Authority has received several Federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

NOTE 12: **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Sandusky 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.*

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

Traditional Plan	2015	2014
Authority's Proportion of the Net Pension Liability/Asset	0.000514%	0.000514%
Authority's Proportionate Share of the Net Pension Liability	$ 61,955	$ 60,594
Authority's Covered-Employee Payroll	$ 63,217	$ 64,658
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	98.00%	93.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amount presented as of the Authority's measurement date which is the December 31, 2014 and 2013.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
OHIO PULBIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contributions										
Traditional Plan	$ 7,586	$ 7,759	$ 7,729	$ 8,976	$ 20,507	$ 16,537	$ 16,035	$ 20,849	$ 18,276	$ 16,033
Total Required Contributions	$ 7,586	$ 7,759	$ 7,729	$ 8,976	$ 20,507	$ 16,537	$ 16,035	$ 20,849	$ 18,276	$ 16,033
Contribution In Relation to the Contractually Required Contributions	(7,586)	(7,759)	(7,729)	(8,976)	(20,507)	(16,537)	(16,035)	(20,849)	(18,276)	(16,033)
Contribution Deficiency/(Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Authority's Covered-Employee Payroll										
Traditional Plan	$ 63,217	$ 64,658	$ 59,454	$89,760	$ 205,070	$ 183,744	$ 188,652	$ 297,843	$ 235,212	$ 177,356
Contributions as a Percentage of Covered-Employee - Payroll										
Traditonal Plan	12.00%	12.00%	13.00%	10.00%	10.00%	9.00%	8.50%	7.00%	7.77%	9.04%

SANDUSKY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COSTS – COMPLETED
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

OH12P054501-12		
Funds Approved	$	53,785
Funds Expended		53,785
Excess (Deficiency) of Funds Approved	$	0
Funds Advanced	$	53,785
Funds Expended		53,785
Excess (Deficiency) of Funds Advanced	$	0

2. All modernization work in connection with the Capital Fund Program has been completed.

3. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.

4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY
JUNE 30, 2015

	Project Total	14.871 Housing Choice Vouchers	State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	84,380	119,005	14,401	217,786		217,786
113 Cash - Other Restricted		631		631		631
114 Cash - Tenant Security Deposits	15,913		4,800	20,713		20,713
100 Total Cash	100,293	119,636	19,201	239,130	-	239,130
126 Accounts Receivable - Tenants	1,415		377	1,792		1,792
126.1 Allowance for Doubtful Accounts -Tenants	-32		-	-32		-32
129 Accrued Interest Receivable	28		13	41		41
120 Total Receivables, Net of Allowances for Doubtful Accounts	1,411	-	390	1,801	-	1,801
142 Prepaid Expenses and Other Assets	7,806	970	1,228	10,004		10,004
143 Inventories	8,195	182	2,028	10,405		10,405
150 Total Current Assets	117,705	120,788	22,847	261,340	-	261,340
161 Land	596,650	8,114		604,764		604,764
162 Buildings	3,319,113		1,023,132	4,342,245		4,342,245
163 Furniture, Equipment & Machinery - Dwellings	82,708			82,708		82,708
164 Furniture, Equipment & Machinery - Administration	261,843	50,697	4,476	317,016		317,016
166 Accumulated Depreciation	-2,702,775	-50,697	-489,088	-3,242,560		-3,242,560
160 Total Capital Assets, Net of Accumulated Depreciation	1,557,539	8,114	538,520	2,104,173	-	2,104,173
171 Notes, Loans and Mortgages Receivable - Non-Current	54,413			54,413	-54,413	-
180 Total Non-Current Assets	1,611,952	8,114	538,520	2,158,586	-54,413	2,104,173
200 Deferred Outflow of Resources	4,477	1,412	589	6,478		6,478
290 Total Assets and Deferred Outflow of Resources	1,734,134	130,314	561,956	2,426,404	-54,413	2,371,991

SANDUSKY METROPOLITAN HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY
JUNE 30, 2015

	Project Total	14.871 Housing Choice Vouchers	State/Local	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	995	3,800	7,917	12,712		12,712
321 Accrued Wage/Payroll Taxes Payable			624	624		624
322 Accrued Compensated Absences - Current Portion	1,892	640		2,532		2,532
341 Tenant Security Deposits	15,913		4,800	20,713		20,713
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds			25,623	25,623		25,623
345 Other Current Liabilities	2			2		2
348 Loan Liability - Current			14,796	14,796		14,796
310 Total Current Liabilities	18,802	4,440	53,760	77,002	-	77,002
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			118,834	118,834		118,834
353 Non-current Liabilities - Other			54,413	54,413	-54,413	-
354 Accrued Compensated Absences - Non Current	5,674	1,919	932	8,525		8,525
355 Loan Liability - Non Current			24,499	24,499		24,499
357 Accrued Pension and OPEB Liabilities	42,838	13,517	5,640	61,995		61,995
350 Total Non-Current Liabilities	48,512	15,436	204,318	268,266	-54,413	213,853
300 Total Liabilities	67,314	19,876	258,078	345,268	-54,413	290,855
400 Deferred Inflow of Resources	752	237	99	1,088		1,088
508.4 Net Investment in Capital Assets	1,557,539	8,114	354,768	1,920,421		1,920,421
511.4 Restricted Net Position	-	632		632		632
512.4 Unrestricted Net Position	108,529	101,455	-50,989	158,995		158,995
513 Total Equity - Net Assets / Position	1,666,068	110,201	303,779	2,080,048	-	2,080,048
600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net	1,734,134	130,314	561,956	2,426,404	-54,413	2,371,991

SANDUSKY METROPOLITAN HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Project Total	14.871 Housing Choice Vouchers	State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	45,029		69,604	114,633		114,633
70500 Total Tenant Revenue	45,029	-	69,604	114,633	-	114,633
70600 HUD PHA Operating Grants	191,939	895,408		1,087,347		1,087,347
70610 Capital Grants	43,840			43,840		43,840
71100 Investment Income - Unrestricted	48	61	9	118		118
71500 Other Revenue	8,146	15,189	14,968	38,303		38,303
71600 Gain or Loss on Sale of Capital Assets			-53,941	-53,941		-53,941
70000 Total Revenue	289,002	910,658	30,640	1,230,300	-	1,230,300
91100 Administrative Salaries	20,760	13,840		34,600		34,600
91200 Auditing Fees	8,615	1,824	1,824	12,263		12,263
91300 Management Fee	41,698	8,123	4,332	54,153		54,153
91310 Book-keeping Fee	14,026			14,026		14,026
91400 Advertising and Marketing	35	415	18	468		468
91500 Employee Benefit contributions - Administrative	7,683	5,236	225	13,144		13,144
91600 Office Expenses	4,991	10,159	1,189	16,339		16,339
91700 Legal Expense	1,000		390	1,390		1,390
91800 Travel	1,654		215	1,869		1,869
91900 Other	13,440	16,727	7,056	37,223		37,223
91000 Total Operating - Administrative	113,902	56,324	15,249	185,475	-	185,475
93100 Water	2,280		43	2,323		2,323
93200 Electricity	11,385		280	11,665		11,665
93300 Gas	3,244		27	3,271		3,271
93000 Total Utilities	16,909	-	350	17,259	-	17,259
94100 Ordinary Maintenance and Operations - Labor	23,917		5,775	29,692		29,692
94200 Ordinary Maintenance and Operations - Materials and Other	9,805		1,198	11,003		11,003
94300 Ordinary Maintenance and Operations Contracts	32,195		10,731	42,926		42,926
94500 Employee Benefit Contributions - Ordinary Maintenance	9,893		2,509	12,402		12,402
94000 Total Maintenance	75,810	-	20,213	96,023	-	96,023

SANDUSKY METROPOLITAN HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Project Total	14.871 Housing Choice Vouchers	State/Local	Subtotal	ELIM	Total
96110 Property Insurance	8,696		1,810	10,506		10,506
96120 Liability Insurance	616	176	88	880		880
96130 Workmen's Compensation	444	116	25	585		585
96140 All Other Insurance	2,074			2,074		2,074
96100 Total insurance Premiums	11,830	292	1,923	14,045	-	14,045
96200 Other General Expenses	1,563	72		1,635		1,635
96210 Compensated Absences	1,444	934		2,378		2,378
96300 Payments in Lieu of Taxes	395		483	878		878
96000 Total Other General Expenses	3,402	1,006	483	4,891	-	4,891
96710 Interest of Mortgage (or Bonds) Payable			10,148	10,148		10,148
96700 Total Interest Expense and Amortization Cost	-	-	10,148	10,148	-	10,148
96900 Total Operating Expenses	221,853	57,622	48,366	327,841	-	327,841
97000 Excess of Operating Revenue over Operating Expenses	67,149	853,036	-17,726	902,459	-	902,459
97300 Housing Assistance Payments		787,552		787,552		787,552
97350 HAP Portability-In		13,711		13,711		13,711
97400 Depreciation Expense	131,610		34,369	165,979		165,979
90000 Total Expenses	353,463	858,885	82,735	1,295,083	-	1,295,083
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-64,461	51,773	-52,095	-64,783	-	-64,783
11020 Required Annual Debt Principal Payments	-	-	25,907	25,907		25,907
11030 Beginning Equity	1,770,228	70,955	361,101	2,202,284		2,202,284
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-39,699	-12,527	-5,227	-57,453		-57,453
11170 Administrative Fee Equity		109,570		109,570		109,570
11180 Housing Assistance Payments Equity		631		631		631
11190 Unit Months Available	348	2,640	102	3,090		3,090
11210 Number of Unit Months Leased	346	2,429	96	2,871		2,871

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Program/Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
Direct Programs		
Low Rent Public Housing	14.850	$ 168,708
Capital Fund Program	14.872	67,071
Section 8 Housing Choice Voucher Program	14.871	895,408
Total U.S. Department of Housing and Urban Development		1,131,187
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 1,131,187

See accompanying notes to the Schedule of Expenditures of Federal Awards.

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

Board of Directors
Sandusky Metropolitan Housing Authority
Fremont, Ohio

Regional Inspector General for Audit
Department of Housing and Urban Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Sandusky Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 17, 2015, wherein we noted that the Authority adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68,* and restated its net position at June 30, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

James G. Zupka,
CPA, President

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

November 17, 2015

JAMES G. ZUPKA, C.P.A., INC.
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5240 East 98th Street
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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Sandusky Metropolitan Housing Authority
Fremont, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

Report on Compliance for Each Major Federal Program

We have audited the Sandusky Metropolitan Housing Authority, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2015. The Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States*, *Local Governments*, and *Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Sandusky Metropolitan Housing Authority, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Authority, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James G. Zupka,
CPA, President

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James G. Zupka CPA, Inc.
Certified Public Accountants

November 17, 2015

SANDUSKY METROPOLITAN HOUSING AUTHORITUY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

2015(i)	Type of Financial Statement Opinion	Unmodified
2015(ii)	Were there any material control weakneses reported at the financial statement level (GAGAS)?	No
2015(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2015(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS?)	No
2015(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2015(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2015(v)	Type of Major Programs' Compliance Opinion	Unmodified
2015(vi)	Any there any reportable findings under .510?	No
2015(vii)	Major Programs (list):	
	CFDA #14.871 - Housing Choice Voucher Program	
2015(viii)	Dollar Threshold: Type A/B Programs	Type A: > $3,000,000 Type B: all others
2015(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

SANDUSKY METROPOLITAN HOUSING AUTHORITUY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; **Explain.**
2014-001	Internal Control Over Financial Reporting	Yes	Corrective Action Taken

Management letter recommendations have been corrected, or procedures instituted to prevent occurrences in this audit report.

Dave Yost • Auditor of State

SANDUSKY COUNTY METROPOLITAN HOUSING AUTHORITY

SANDUSKY 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
FEBRUARY 16, 2016