SHELBY METROPOLITAN
HOUSING AUTHORITY
SHELBY COUNTY, OHIO

AUDIT REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2018

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

OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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(800) 282-0370

Board Members
Shelby Metropolitan Housing Authority
706 North Wagner Avenue
Sidney, Ohio 45365

We have reviewed the *Independent Auditor's Report* of the Shelby Metropolitan Housing Authority, Shelby County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2018 through December 31, 2018. 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 Shelby Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

July 23, 2019

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SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY, OHIO
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Shelby Metropolitan Housing Authority
Sidney, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Shelby Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Shelby Metropolitan Housing Authority as of December 31, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during 2018, the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

James G. Zupka, CPA, Inc.

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

June 24, 2019

This Management's Discussion and Analysis (MD&A) for the Shelby Metropolitan Housing Authority (Shelby MHA) is intended to assist the reader identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify and offer a discussion about changes in Shelby Metropolitan Housing Authority's financial position. It is designed to focus on the financial activity for the fiscal year ended December 31, 2018, resulting changes and currently known facts. Please read it in conjunction with the financial statements found elsewhere in this report.

Overview of the Financial Statements

The basic financial statements included elsewhere in this report are:

- the Statement of Net Position
- the Statement of Revenues, Expenses and Changes in Net Position
- the Statement of Cash Flows

The ***Statement of Net Position*** is very similar to, and what most people would think of as a Balance Sheet. In the first half it reports the value of assets Shelby MHA holds at December 31, 2018, that is, the cash Shelby MHA has, the amounts that are owed Shelby MHA from others, the value of the equipment Shelby MHA owns and deferred outflow of resources. In the other half of the report it shows the liabilities Shelby MHA has, that is, what Shelby MHA owes others at December 31, 2018, deferred inflow of resources, and what net position (or what is commonly referred to as equity) Shelby MHA has at December 31, 2018. The two parts of the report are in balance, thus why many might refer to this type of report as a Balance Sheet, in that the total of the assets part equals the total of the liabilities plus net position (or equity) part.

In the statement, the net position part is broken out into three broad categories:

- Investment in Capital Assets
- Restricted
- Unrestricted

The balance in Investment in Capital Assets reflects the value of capital assets, that is assets such as land, buildings, and equipment, reported in the top part of the statement reduced by the amount of accumulated depreciation of those assets and by the outstanding amount of debt yet owed on those assets.

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

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

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

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

Shelby Metropolitan Housing Authority Business Type Funds

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

Shelby MHA's programs include the following:

> the Low Rent Public Housing program,
> the Section 8 Housing Choice Voucher Program, and
> the State and Local program.

Under the Low Rent Public Housing program, Shelby MHA rents dwelling units it owns to low to moderate-income families. Through an Annual Contributions Contract (commonly referred to as an ACC) with the U.S. Department of Housing and Urban Development (HUD), HUD provides an operating subsidy to Shelby MHA to help support the operations of the program. In addition, HUD provides funds for physical improvements to Shelby MHA's properties and funds for management improvements through Capital Fund Program grants.

Under the Section 8 Housing Choice Voucher program, Shelby MHA subsidizes the rents of low to moderate-income families through Housing Assistance Payments contracts when those families rent from private landlords. This is called a tenant-based program because when the tenant family moves, the rental assistance goes with the family to the new rental unit.

Under its Local program, Shelby MHA administers a tenant based rental assistance program in essentially the same manner it does its Section 8 Housing Choice Voucher program except the funding for the program is being provided by local sources rather than by HUD.

Condensed Financial Statements

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

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

	2018	2017 Restated
Assets and Deferred Outflows of Resources		
Assets		
Current and Other Assets	$ 300,937	$ 276,614
Capital Assets	3,374,148	3,742,903
Total Assets	3,675,085	4,019,517
Deferred Outflows	126,908	243,362
Total Assets and Deferred Outflows of Resources	$ 3,801,993	$ 4,262,879
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Current Liabilities	$ 112,087	$ 118,209
Non-Current Liabilities	765,473	931,195
Total Liabilities	877,560	1,049,404
Deferred Inflows of Resources	123,845	11,981
Net Position		
Net Investment in Capital Assets	3,374,148	3,742,903
Restricted	11,472	-
Unrestricted	(585,032)	(541,409)
Total Net Position	2,800,588	3,201,494
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 3,801,993	$ 4,262,879

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

Current assets increased modestly (by a little more than $24,000). The increase corresponded to the increase in restricted net position. HUD provided slightly more funding for the agency to use to make rental assistance under the Housing Choice Voucher program than the agency used in the period. Capital Assets dropped nearly $369,000, by just about the amount of depreciation expense on existing assets. Changes in capital assets will be addressed more in a later section. Unrestricted net position dropped by almost $44,000. Changes in revenues and expenses causing that will be addressed in the following section.

Otherwise significant changes on the Statement of Net Position were to deferred outflow of resources, non-current liabilities, and deferred inflow of resources, balances reported in accordance with GASB 68 & GASB 75. In addition, the 2017 balances of deferred outflow of resources, non-current liabilities and unrestricted net position have all been restated from what was reported at 12/31/17 due to Shelby MHA implementing GASB 75 with this reporting period.

Reporting of pension and other postemployment benefits (OPEB) activity is required by GASB 68 and GASB 75. GASB 68 and GASB 75 are accounting standards that call for Shelby MHA to report what is determined to be its estimated share of the unfunded pension and health insurance liability of the pension system, the Ohio Public Employees Retirement System (PERS). Employees of Shelby MHA are required by state law to be members of PERS, and the agency is required to make retirement contributions to PERS for all of its employees. The net pension liability and OPEB liability reported as non-current liabilities are unlike other liabilities the agency has in that these liabilities do not represent invoices or debts to be paid by the agency but rather is an attempt to estimate the extent to which contributions to PERS would have to increase in order for PERS to fully fund its future pension and healthcare obligations. GASB 68 was implemented a few years ago. GASB 75 is implemented with this reporting period. Implementation of GASB 75 in this financial reporting period caused net position to be restated as of December 31, 2017 by a value of about $255,000 less than what it was reported last year.

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

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

	2018	2017
Revenues		
Tenant Revenues - rents and Other	$ 505,537	$ 535,211
Operating Subsidies and Grants	1,908,593	1,868,372
Investment Income	1,371	1,114
Other Revenues	18,397	11,054
Total Revenues	2,433,898	2,415,751
Expenses		
Administrative	488,020	516,922
Tenant Services	777	750
Utilities	214,024	198,788
Maintenance	684,361	685,433
Protective Services	12,738	13,802
General	111,674	126,794
Housing Assistance Payments	954,455	1,036,724
Depreciation	368,755	386,634
Total Expenses	2,834,804	2,965,847
Net Increase (Decrease)	(400,906)	(550,096)
Beginning Net Position	3,201,494	N/A
Ending Net Position	$ 2,800,588	$ 3,201,494

N/A - information needed to restate 2017 beginning balance and the 2017 OPEB expense related to implementation of GASB 75 is not available.

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

Revenues overall were virtually unchanged from the prior period. Expenses were reduced modestly from the prior period, by a little more than 4%. Reductions were noted in almost all lines items on the statement, all except utilities. So while the agency suffered a loss from operations, steps taken by management to slow spending resulted in a loss smaller than realized the prior year.

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

Table 3 - Condensed Statement of Changes in Capital Assets at Year End

	2018	2017
Land and Land Rights	$ 1,685,579	$ 1,685,579
Buildings and Improvements	10,832,883	10,832,883
Equipment	380,306	380,306
Accumulated Depreciation	(9,524,620)	(9,155,865)
Total Capital Assets, Net	$ 3,374,148	$ 3,742,903

The overall change in capital assets in the period (a drop of about $370,000 or 10 percent) is a reflection that depreciation on existing assets outpaced capital expenditures in the period. The change in capital assets is equal to depreciation expense because there were no capital additions in the period.

Debt

Shelby MHA has no debt at December 31, 2018.

Economic Factors

Shelby MHA faces the continuing uncertainty of the level of funding from HUD used to administer their programs. Since costs tend to rise every year, the possibility of funding continuing to be provided at reduced levels creates an ongoing challenge for management to effectively administer the agency's programs. Cuts in government assistance for administration of programs means Shelby MHA faces challenges to provide the same level of quality service to their clients within the limits of resources available to do so.

Financial Contact

Questions concerning this report or requests for additional information should be directed to Judith Wells, Executive Director of the Shelby Metropolitan Housing Authority, 706 North Wagner Avenue, Sidney, Ohio 45365.

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY, OHIO
STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

Assets		
Current Assets		
Cash and Cash Equivalents	$	121,192
Restricted Cash and Cash Equivalents		52,914
Receivables, Net		25,036
Inventories, Net		66,915
Prepaid Expenses and Other Assets		34,880
Total Current Assets		300,937
Noncurrent Assets		
Capital Assets:		
Non-depreciable Capital Assets		1,685,579
Depreciable Capital Assets, Net		1,688,569
Total Noncurrent Assets		3,374,148
Deferred Outflow of Resources		
Pension		105,201
OPEB		21,707
Total Deferred Outflows of Resources		126,908
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	$	3,801,993
LIABILITIES, DEFERRED INFLOWS AND RESOURCES, AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	$	30,982
Intergovernmental Payable		23,516
Tenanta Security Deposits		41,442
Accrued Wages and Payroll Taxes		16,147
Total Current Liabilities		112,087
Non-Current Liabilities		
Accrued Compensated Absences - Non-Current		52,000
Net Pension Liability		433,304
OPEB Liability		280,169
Total Noncurrent Liabilities		765,473
Total Liabilities		877,560
Deferred Inflow of Resources		
Pension		102,975
OPEB		20,870
Total Deferred Inflows of Resources		123,845
Net Position		
Investment in Captial Assets		3,374,148
Restricted		11,472
Unrestricted Net Position		(585,032)
Total Net Position		2,800,588
TOTAL LIABILITIES, DEFERED INFLOWS OF RESOURCES, AND NET POSITION	$	3,801,993

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

Operating Revenues	
Tenant Revenue	$ 505,537
Government Operating Grants	1,908,593
Other Revenues	18,397
Total Operating Revenue	2,432,527
Operating Expenses	
Administrative	488,020
Tenant Services	777
Utilities	214,024
Maintenance	684,361
Protection Services	12,738
General	111,674
Housing Assistance Payment	954,455
Depreciation	368,755
Total Operating Expenses	2,834,804
Income Before Depreciation	(402,277)
Non-Operating Revenues	
Interest and Investment Revenue	1,371
Total Non-Operating Revenues	1,371
Change in Net Position	(400,906)
Total Net Position at-Beginning of Year - Restated	3,201,494
Total Net Position at End of Year	$ 2,800,588

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

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows from Operating Activities	
Operating Grants Received	$ 1,906,622
Tenant Revenue Received	506,634
Other Revenue Received	13,505
General and Administrative Expenses Paid	(1,464,321)
Housing Assistance Payments	(954,455)
Net Cash Provided (Used) by Operating Activities	7,985
Cash Flows from Investing Activities	
Interest Income	1,371
Net Cash Provided (Used) by Investing Activities	1,371
Net Increase (Decrease) in Cash	9,356
Cash and Cash Equivalents at Beginning of Year	164,750
Cash and Cash Equivalents at End of Year	$ 174,106
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Net Operating Income (Loss)	$ (402,277)
Adjustments to Reconcile Operating Loss to Net Cash	
Used by Operating Activities:	
Depreciation	368,755
(Increase) Decrease in:	
Accounts Receivable	(6,863)
Prepaid Assets	1,353
Inventory	(9,457)
Deferred Outflows of Resources	116,454
Increase (Decrease) in:	
Accounts Payable	(2,213)
Accrued Compensated Absences	1,808
Accrued Expenses Payable	(5,006)
Tenant Security Deposits	1,097
Net Pension Liability/OPEB Liability	(167,530)
Deferred Inflow of Resources	111,864
Net Cash Provided by Operating Activities	$ 7,985

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

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

Organization and Reporting Entity

The Shelby Metropolitan Housing Authority (the Authority) was created under the Ohio Revised Code Section (3735.27) to engage in the acquisition, development, leasing and administration of a low-rent housing program. An Annual Contributions Contract (ACC) was signed by the Authority and the U.S. 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, maintaining, operating, improving, extending and repairing housing facilities.

The nucleus of the financial reporting entity as defined by the Government Accounting Standards Board (GASB) Statement No. 61 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. These criteria were considered in determining the reporting entity. The Authority is not a component unit of a larger entity,

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.

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 change of 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.

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

Measurement Focus/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 net position. The statement of cash flows provides information about how the Authority finances and meets the cash flow of its enterprise activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. 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 nonoperating revenues and expenses.

Estimates

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

Cash and Cash Equivalents

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

Inventory

Inventory consists of materials and supplies and are stated at cost (first-in, first-out method), which approximates market. The Management believes no allowance is needed for obsolete inventory.

Receivable - Net of Allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectibility of outstanding tenant receivable balances at the end of the year. The allowance of uncollectible receivable was $2,000 for tenant receivables, and $2,150 for fraud receivables at December 31, 2018.

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight-line method over an estimated useful life of the assets ranging from five to forty years. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The Authority capitalizes capital assets over $5,000. Lesser amounts are expensed.

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

Compensated Absences

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

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

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

Investments

The provisions of the HUD Regulations restrict investments. Investments are stated at fair value. Cost based measures are applied to nonnegotiable certificates of deposit and money market investments. Interest income earned in fiscal year ending December 31, 2018 totaled $1,371.

Due From/To Other Programs

Inter-program receivables and payables of $416 are eliminated on the Statement of Net Position.

Prepaid Expenses

Payments made to vendors for services that will be benefit periods beyond December 31, 2018, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

Pensions/Other Postemployment Benefits (OPEB)

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Authority, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 5 and 6.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources are reported on the statement of net position for pension and OPEB. The deferred inflows of resources related to pension and OPEB plans are explained in Notes 5 and 6.

Change in Accounting Principle

For fiscal year 2018, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 85, Omnibus 2017, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the Authority's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit 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 December 31, 2017:

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

Net Position December 31, 2017	$	3,456,413
Adjustments:		
Net OPEB liability		(258,569)
Deferred Outflow - Payments Subsequent to Measurement Date		3,650
Restated Net Position December 31, 2017	$	3,201,494

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 2: **DEPOSITS AND INVESTMENTS**

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

A. Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

C. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

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

At fiscal year end, December 31, 2018, the carrying amount of the Authority's deposits totaled $174,106 (including $100 petty cash) and its bank balance was $193,747. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2018, all deposits were covered by Federal Depository Insurance.

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

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

Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in a single financial institution's collateral pools at Federal Reserve banks, or at member banks of the Federal Reserve system, in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specified collateral held at the Federal Reserve bank in the name of the Authority.

NOTE 3: **RESTRICTED CASH AND INVESTMENTS**

The restricted cash balance as of December 31, 2018 was $52,914 and it represented the following:

Tenant Security Deposits	$ 41,442
Unspent HUD advances for Housing Assistance Payments - HCV Program	11,472
Total Restricted Cash on Hand	$ 52,914

NOTE 4: **CAPITAL ASSETS**

The following is a summary of changes:

	Balance 12/31/17	Additions	Deletions	Balance 12/31/18
Capital Assets Not Being Depreciated				
Land	$ 1,685,579	$ 0	$ 0	$ 1,685,579
Total Capital Assets Not Being Depreciated	1,685,579	0	0	1,685,579
Capital Assets Being Depreciated				
Buildings and Improvements	10,832,883	0	0	10,832,883
Furniture, Machinery, and Equipment	380,306	0	0	380,306
Subtotal Capital Assets Being Depreciated	11,213,189	0	0	11,213,189
Accumulated Depreciation				
Buildings and Improvements	(8,820,500)	(355,009)	0	(9,175,509)
Furniture, Machinery, and Equipment	(335,365)	(13,746)	0	(349,111)
Total Accumulated Depreciation	(9,155,865)	(368,755)	0	(9,524,620)
Total Capital Assets being Depreciated, Net	2,057,324	(368,755)	0	1,688,569
Total Capital Assets, Net	$ 3,742,903	$ (368,755)	$ 0	$ 3,374,148

NOTE 5: **DEFINED BENEFIT PENSION PLANS**

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

NOTE 5: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 62 with 5 years of service credit or Age 57 with 25 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

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

NOTE 5: **DEFINED BENEFIT PENSION PLANS** (Continued)

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

	State and Local
2017 - 2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %

With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. The portion of the Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 1.0 percent for 2017, and 0.0 percent for 2018.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.
The Authority's contractually required contribution for pension was $50,868 for fiscal year ending December 31, 2018.

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

The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Pension Plan
Proportion of the Net Pension Liability Prior Measurement Date	0.002741%
Proportion of the Net Pension Liability Current Measurement Date	0.002762%
Change in Proportionate Share	0.000021%
Proportionate Share of the Net Pension Liability	$ 433,304
Pension Expense	$ 87,243

NOTE 5: **DEFINED BENEFIT PENSION PLANS** (Continued)

At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Pension Plan
Deferred Outflows of Resources	
Differences between expected and actual experience	$ 442
Changes of assumptions	51,783
Changes in proportion and differences between Authority contributions and proportionate share of contributions	2,108
Authority contributions subsequent to the measurement date	50,868
Total Deferred Outflows of Resources	$ 105,201
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 93,026
Differences between expected and actual experience	8,539
Changes in proportion and differences between Authority contributions and proportionate share of contributions	1,410
Total Deferred Inflows of Resources	$ 102,975

$50,868 reported as deferred outflows of resources related to pension resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS Traditional Pension Plan
2019	$ 38,503
2020	(7,956)
2021	(40,963)
2022	(38,226)
Total	$ (48,642)

NOTE 5: **DEFINED BENEFIT PENSION PLANS** (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class.

NOTE 5: **DEFINED BENEFIT PENSION PLANS** (Continued)

These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTE 5: **DEFINED BENEFIT PENSION PLANS** (Continued)

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension liability	$ 769,438	$ 433,304	$ 153,070

NOTE 6: **POST-EMPLOYMENT BENEFITS**

Net OPEB Liability

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

The net OPEB liability represents the Authority’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB 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 these estimates 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 OPEB are financed; however, the Authority does receive the benefit of employees’ services in exchange for compensation including OPEB.

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

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

NOTE 6: **POST-EMPLOYMENT BENEFITS** (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features.

OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

As of December 2016, OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to initially provide a funding mechanism for a health reimbursement arrangement (HRA), as the prior trust structure could not support the HRA. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate health care assets into the 115 Trust. The 401(h) Health Care Trust (401(h) Trust) was a pre-funded trust that provided health care funding for eligible members of the Traditional Pension Plan and the Combined Plan through December 31, 2015, when plans funded through the 401(h) Trust were terminated. The Voluntary Employees' Beneficiary Association Trust (VEBA Trust) accumulated funding for retiree medical accounts for participants in the Member-Directed Plan through June 30, 2016. The 401(h) Trust and the VEBA Trust were closed as of June 30, 2016 and the net positions transferred to the 115 Trust on July 1, 2016. Beginning in 2016, the 115 Trust, established under Internal Revenue Code (IRC) Section 115, is the funding vehicle for all health care plans.

The OPERS health care plans are reported as other post-employment benefit plans (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care program design to improve the ongoing solvency of the plans. Eligibility requirements for access to the OPERS health care options have changed over the history of the program for Traditional Pension Plan and Combined Plan members. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage. Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Beginning 2016, Traditional Pension Plan and Combined Plan retirees enrolled in Medicare A and B were eligible to participate in the OPERS Medicare Connector (Connector). The Connector, a vendor selected by OPERS, assists eligible retirees in the selection and purchase of Medicare supplemental coverage through the Medicare market. Retirees that purchase supplemental coverage through the Connector may receive a monthly allowance in their HRA that can be used to reimburse eligible health care expenses.

Upon termination or retirement, Member-Directed Plan participants can use vested retiree medical account funds for reimbursement of qualified medical expenses. Members who elect the Member-Directed Plan after July 1, 2015 will vest in health care over 15 years at a rate of 10% each year starting with the sixth year of participation. Members who elected the Member-Directed Plan prior to July 1, 2015, vest in health care over a five-year period at a rate of 20% per year. Health care coverage is neither guaranteed nor statutorily required.

NOTE 6: **POST-EMPLOYMENT BENEFITS** (Continued)

The ORC permits, but does not require, OPERS to offer post-employment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. The health care portion of the employer contribution rate for the Traditional Pension Plan and Combined Plan is comparable, as the same coverage options are provided to participants in both plans.

Prior to January 1, 2015, the System provided comprehensive health care coverage to retirees with 10 or more years of qualifying service credit and offered coverage to their dependents on a premium deduction or direct bill basis. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the Connector, and may be eligible for monthly allowances deposited to an HRA to be used for reimbursement of eligible health care expenses. Coverage for non-Medicare retirees includes hospitalization, medical expenses and prescription drugs. The System determines the amount, if any, of the associated health care costs that will be absorbed by the System and attempts to control costs by using managed care, case management, and other programs. Additional details on health care coverage can be found in the Plan Statement in the OPERS 2017 CAFR.

Participants in the Member-Directed Plan are not eligible for health care coverage offered to benefit recipients in the Traditional Pension Plan and Combined Plan. A portion of employer contributions for these participants is allocated to a retiree medical account. Upon separation or retirement, participants may be reimbursed for qualified medical expenses from these accounts.

An additional retiree medical account (RMA) was also established several years ago when three health care coverage levels were available to retirees. Monthly allowance amounts in excess of the cost of the retiree's selected coverage were notionally credited to the retiree's RMA. Retirees and their dependents could seek reimbursements from the RMA balances for qualified medical expenses. In 2013, the number of health care options available to retirees was reduced from three to one, eliminating the majority of deposits to the RMA. Wellness incentive payments were the only remaining deposits made to this RMA. Wellness incentives are no longer awarded starting with the 2017 plan year. These RMA balances were transferred to the HRA for retirees with both types of accounts. In addition, OPERS initiated an automatic claims payment process for reimbursements for retiree health care costs paid through pension deduction. This process will reimburse members for eligible health care premiums paid to OPERS, currently through pension deduction, up to the member's available RMA balance.

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %

With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The portion of the Traditional Pension Plan and Combined Plan employer contributions allocated to health

NOTE 6: **POST-EMPLOYMENT BENEFITS** (Continued)

care was 1.0 percent for 2017, and decreased to 0.0 percent for 2018. The employer contribution as a percent of covered payroll deposited for Member-Directed Plan health care accounts was 4.0 percent for 2017. The Authority's contractually required contribution was $0 for fiscal year ending December 31, 2018.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of total contributions relative to the total contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability:	
Prior Measurement Date	0.002560%
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.002580%
Change in Proportionate Share	0.000020%
Proportionate Share of the Net OPEB Liability	$ 280,169
OPEB Expense	$ 24,413

At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	$ 219
Changes of assumptions	20,399
Changes in proportion and differences between Authority contributions and proportionate share of contributions	1,089
Total Deferred Outflows of Resources	$ 21,707
Deferred Inflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	$ 20,870
Total Deferred Inflows of Resources	$ 20,870

NOTE 6: **POST-EMPLOYMENT BENEFITS** (Continued)

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

	OPERS
Year Ending December 31:	
2019	$ 5,159
2020	5,159
2021	(4,265)
2022	(5,216)
Total	$ 837

Actuarial Assumptions - OPERS

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

Projections of health care costs 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The total OPEB liability was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 74. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Single Discount Rate	3.85 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Actuarial Cost Method	Individual Entry Age Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for

NOTE 6: **POST-EMPLOYMENT BENEFITS** (Continued)

disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality
improvement scale to all of the above described tables.

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

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

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
REITs	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

NOTE 6: **POST-EMPLOYMENT BENEFITS** (Continued)

Discount Rate – A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.85 percent) or one percentage point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Single Discount Rate (3.85%)	1% Increase (4.85%)
Authority's proportionate share of the net OPEB liability	$ 372,217	$ 280,169	$ 205,703

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

NOTE 6: **POST-EMPLOYMENT BENEFITS** (Continued)

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	$ 268,062	$ 280,169	$ 292,675

NOTE 7: COMPENSATED ABSENCES

Vacation and sick leave policies are established by the Board of the Authority and are 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 (25) percent of unused sick leave subject to a maximum payment equal to sixty (60) 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 8: SUMMARY OF CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended December 31, 2018:

	Balance 01/01/18	Additions	Deletions	Balance 12/31/2018	Current Portion
Net Pension Liability	$ 622,434	$ 0	$ (189,130)	$ 433,304	$ 0
OEPB Liability	$ 258,569	$ 21,600	$ 0	$ 280,169	$ 0
Compensated Absences Liability	50,192	40,958	(39,150)	52,000	0
Total	$ 931,195	$ 62,558	$ (228,280)	$ 765,473	$ 0

NOTE 9: CONTINGENCIES

Grants

The Authority received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at December 31, 2018.

NOTE 10: **RISK MANAGEMENT**

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. There was no significant reduction in coverage and no settlements exceeded insurance coverage during the past three years.

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

Traditional Plan	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.002762%	0.002741%	0.002748%	0.002851%	0.002851%
Authority's Proportionate Share of the Net Pension Liability	$433,304	$622,434	$475,989	$343,862	$336,096
Authority's Covered Payroll	$364,993	$354,350	$341,958	$349,533	$346,238
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.72%	175.66%	139.20%	98.38%	97.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

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

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

See accompanying notes to the required supplementary information

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS - PENSION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SIX FISCAL YEARS (1)

Traditional Plan	2018	2017	2016	2015	2014	2013
Contractually Required Contributions	$50,868	$47,449	$42,522	$41,035	$41,944	$45,011
Contributions in Relation to the Contractually Required Contribution	($50,868)	($47,449)	($42,522)	($41,035)	($41,944)	($45,011)
Contribution Deficiency / (Excess)	$0	$0	$0	$0	$0	$0
Authority's Covered Payroll	$363,343	$364,993	$354,350	$341,958	$349,533	$346,238
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) - Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as it becomes available.

See accompanying notes to the required supplementary information

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

	2018	2017
Authority's Proportion of the Net OPEB Liability	0.002580%	0.002560%
Authority's Proportionate Share of the Net OPEB Liability	$ 280,169	$ 258,569
Authority's Covered Payroll	$ 364,993	$ 354,350
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.76%	72.97%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.05%

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

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

See accompanying notes to the required supplementary information

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS - OPEB
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – TRADITIONAL PLAN
LAST SIX FISCAL YEARS (1)

	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	$ -	$ 3,650	$ 7,087	$ 6,839	$ 6,991	$ 3,462
Contributions in Relation to the Contractually Required Contribution	-	(3,650)	(7,087)	(6,839)	(6,991)	(3,462)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Authority Covered Payroll	$ 363,343	$ 364,993	$ 354,350	$ 341,958	$ 349,533	$ 346,238
Contributions as a Percentage of Covered Payroll	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%

(1) Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2018.

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

Net OPEB Liability

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2018.

SHELBY METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2018

	Project Total	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	59,854	-	50,157	11,181	121,192	-	121,192
113 Cash - Other Restricted	-	-	11,472	-	11,472	-	11,472
114 Cash - Tenant Security Deposits	41,442	-	-	-	41,442	-	41,442
100 Total Cash	101,296	-	61,629	11,181	174,106	-	174,106
122 Accounts Receivable - HUD Other Projects	8,675	-	-	-	8,675	-	8,675
124 Accounts Receivable - Other Government	-	416	-	-	416	-	416
126 Accounts Receivable - Tenants	5,332	-	-	-	5,332	-	5,332
126.1 Allowance for Doubtful Accounts -Tenants	-1,500	-	-	-	-1,500	-	-1,500
126.2 Allowance for Doubtful Accounts - Other	-500	-	-	-	-500	-	-500
127 Notes, Loans, & Mortgages Receivable - Current	4,763	-	-	-	4,763	-	4,763
128 Fraud Recovery	-	-	10,000	-	10,000	-	10,000
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-2,150	-	-2,150	-	-2,150
120 Total Receivables, Net of Allowances for Doubtful Accounts	16,770	416	7,850	-	25,036	-	25,036
142 Prepaid Expenses and Other Assets	34,880	-	-	-	34,880	-	34,880
143 Inventories	66,915	-	-	-	66,915	-	66,915
144 Inter Program Due From	-	-	-	416	416	-416	-
150 Total Current Assets	219,861	416	69,479	11,597	301,353	-416	300,937
161 Land	1,685,579	-	-	-	1,685,579	-	1,685,579
162 Buildings	10,832,883	-	-	-	10,832,883	-	10,832,883
163 Furniture, Equipment & Machinery - Dwellings	73,068	-	-	-	73,068	-	73,068
164 Furniture, Equipment & Machinery - Administration	292,921	-	14,317	-	307,238	-	307,238
166 Accumulated Depreciation	-9,510,303	-	-14,317	-	-9,524,620	-	-9,524,620
160 Total Capital Assets, Net of Accumulated Depreciation	3,374,148	-	-	-	3,374,148	-	3,374,148
180 Total Non-Current Assets	3,374,148	-	-	-	3,374,148	-	3,374,148
200 Deferred Outflow of Resources	102,510	-	24,398	-	126,908	-	126,908
290 Total Assets and Deferred Outflow of Resources	3,696,519	416	93,877	11,597	3,802,409	-416	3,801,993

SHELBY METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2018

	Project Total	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	30,982	-	-	-	30,982	-	30,982
321 Accrued Wage/Payroll Taxes Payable	14,120	-	2,027	-	16,147	-	16,147
333 Accounts Payable - Other Government	23,516	-	-	-	23,516	-	23,516
341 Tenant Security Deposits	41,442	-	-	-	41,442	-	41,442
347 Inter Program - Due To	-	416	-	-	416	-416	-
310 Total Current Liabilities	110,060	416	2,027	-	112,503	-416	112,087
354 Accrued Compensated Absences - Non Current	41,832	-	10,168	-	52,000	-	52,000
357 Accrued Pension and OPEB Liabilities	576,311	-	137,162	-	713,473	-	713,473
350 Total Non-Current Liabilities	618,143	-	147,330	-	765,473	-	765,473
300 Total Liabilities	728,203	416	149,357	-	877,976	-416	877,560
400 Deferred Inflow of Resources	100,037	-	23,808	-	123,845	-	123,845
508.4 Net Investment in Capital Assets	3,374,148	-	-	-	3,374,148	-	3,374,148
511.4 Restricted Net Position	-	-	11,472	-	11,472	-	11,472
512.4 Unrestricted Net Position	-505,869	-	-90,760	11,597	-585,032	-	-585,032
513 Total Equity - Net Assets / Position	2,868,279	-	-79,288	11,597	2,800,588	-	2,800,588
600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net	3,696,519	416	93,877	11,597	3,802,409	-416	3,801,993

SHELBY METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

	Project Total	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	445,419	-	-	-	445,419	-	445,419
70400 Tenant Revenue - Other	60,118	-	-	-	60,118	-	60,118
70500 Total Tenant Revenue	505,537	-	-	-	505,537	-	505,537
70600 HUD PHA Operating Grants	799,609	-	1,013,976	-	1,813,585	-	1,813,585
70800 Other Government Grants	-	95,008	-	-	95,008	-	95,008
71100 Investment Income - Unrestricted	1,371	-	-	-	1,371	-	1,371
71400 Fraud Recovery	-	-	4,218	-	4,218	-	4,218
71500 Other Revenue	11,852	-	2,327	-	14,179	-	14,179
70000 Total Revenue	1,318,369	95,008	1,020,521	-	2,433,898	-	2,433,898
91100 Administrative Salaries	174,394	14,289	57,049	-	245,732	-	245,732
91200 Auditing Fees	7,001	-	1,593	-	8,594	-	8,594
91500 Employee Benefit contributions - Administrative	117,468	6,961	39,194	-	163,623	-	163,623
91600 Office Expenses	34,369	-	12,060	-	46,429	-	46,429
91700 Legal Expense	5,387	-	-	-	5,387	-	5,387
91800 Travel	2,654	-	1,945	-	4,599	-	4,599
91900 Other	1,476	-	12,180	-	13,656	-	13,656
91000 Total Operating - Administrative	342,749	21,250	124,021	-	488,020	-	488,020
92400 Tenant Services - Other	777	-	-	-	777	-	777
92500 Total Tenant Services	777	-	-	-	777	-	777
93100 Water	55,504	-	-	-	55,504	-	55,504
93200 Electricity	79,828	-	-	-	79,828	-	79,828
93300 Gas	33,717	-	-	-	33,717	-	33,717
93600 Sewer	44,975	-	-	-	44,975	-	44,975
93000 Total Utilities	214,024	-	-	-	214,024	-	214,024
94100 Ordinary Maintenance and Operations - Labor	85,706	-	-	-	85,706	-	85,706
94200 Ordinary Maintenance and Operations - Materials and Other	14,150	-	-	-	14,150	-	14,150
94300 Ordinary Maintenance and Operations Contracts	204,416	-	-	-	204,416	-	204,416

SHELBY METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

	Project Total	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
94500 Employee Benefit Contributions - Ordinary Maintenance	57,729	-	-	-	57,729	-	57,729
94000 Total Maintenance	362,001	-	-	-	362,001	-	362,001
95200 Protective Services - Other Contract Costs	12,738	-	-	-	12,738	-	12,738
95000 Total Protective Services	12,738	-	-	-	12,738	-	12,738
96110 Property Insurance	32,531	-	-	-	32,531	-	32,531
96120 Liability Insurance	-	-	6,918	-	6,918	-	6,918
96100 Total insurance Premiums	32,531	-	6,918	-	39,449	-	39,449
96200 Other General Expenses	1,088	-	3,814	-	4,902	-	4,902
96210 Compensated Absences	2,093	-	-	-	2,093	-	2,093
96300 Payments in Lieu of Taxes	23,516	-	-	-	23,516	-	23,516
96400 Bad debt - Tenant Rents	41,714	-	-	-	41,714	-	41,714
96000 Total Other General Expenses	68,411	-	3,814	-	72,225	-	72,225
96900 Total Operating Expenses	1,033,231	21,250	134,753	-	1,189,234	-	1,189,234
97000 Excess of Operating Revenue over Operating Expenses	285,138	73,758	885,768	-	1,244,664	-	1,244,664
97100 Extraordinary Maintenance	322,360	-	-	-	322,360	-	322,360
97300 Housing Assistance Payments	-	73,758	878,583	-	952,341	-	952,341
97350 HAP Portability-In	-	-	2,114	-	2,114	-	2,114
97400 Depreciation Expense	368,755	-	-	-	368,755	-	368,755
90000 Total Expenses	1,724,346	95,008	1,015,450	-	2,834,804	-	2,834,804
10010 Operating Transfer In	19,242	-	-	-	19,242	-19,242	-
10020 Operating transfer Out	-19,242	-	-	-	-19,242	19,242	-
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-405,977	-	5,071	-	-400,906	-	-400,906

SHELBY METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

	Project Total	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
11020 Required Annual Debt Principal Payments	-	-	-	-	-	-	-
11030 Beginning Equity	3,480,168	-	-35,352	11,597	3,456,413	-	3,456,413
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-205,912	-	-49,007	-	-254,919	-	-254,919
11170 Administrative Fee Equity	-	-	-90,760	-	-90,760	-	-90,760
11180 Housing Assistance Payments Equity	-	-	11,472	-	11,472	-	11,472
11190 Unit Months Available	2,100	213	2,760	-	5,073	-	5,073
11210 Number of Unit Months Leased	2,066	213	2,593	-	4,872	-	4,872

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

FEDERAL GRANTOR/ *Pass-Through Grantor/* Program/Title	**Federal CFDA Number**	**Federal Expenditures**
U.S. Department of Housing and Urban Development		
Direct Programs:		
Public and Indian Housing	14.850	$ 458,007
Capital Fund Program	14.872	341,602
Housing Voucher Cluster:		
Sectin 8 Housing Choice Voucher Program	14.871	1,013,976
Total Housing Voucher Cluster		1,013,976
Total Direct U.S. Department of Housing and Urban Development		1,813,585
Pass-Through Programs:		
Passed through City of Sidney, Ohio:		
Community Development Block Grants State's/ Program and non-entitlements grants in Hawaii	14.228	95,008
Total Passed Through Programs		95,008
Total U.S. Department of Housing and Urban Development		1,908,593
Total Expenditures of Federal Awards		$ 1,908,593

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Shelby Metropolitan Housing Authority under programs of the Federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Shelby Metropolitan Housing Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Shelby Metropolitan Housing Authority.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3: INDIRECT COST RATE

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

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

To the Members of the Board
Shelby Metropolitan Housing Authority
Sidney, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Shelby Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 24, 2019, wherein we noted the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

James G. Zupka, CPA, Inc.

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

June 24, 2019

JAMES G. ZUPKA, C.P.A., INC.
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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Members of the Board
Shelby Metropolitan Housing Authority
Sidney, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

Report on Compliance for Each Major Federal Program

We have audited the Shelby Metropolitan Housing Authority, Ohio's (the Authority) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2018. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Shelby Metropolitan Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Report on Internal Control over Compliance

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

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

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

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

James G. Zupka, CPA, Inc.

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

June 24, 2019

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2018

1. SUMMARY OF AUDITOR'S RESULTS

2018(i)	Type of Financial Statement Opinion	Unmodified
2018(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2018(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2018(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2018(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2018(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2018(v)	Type of Major Programs' Compliance Opinion	Unmodified
2018(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2018(vii)	Major Programs (list): Housing Voucher Cluster: Section 8 Housing Choice Vouchers - CFDA #14.871	
2018(viii)	Dollar Threshold: Type A\B Programs	Type A: $750,000 Type B: All Others
2018(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.

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018

The audit report for the fiscal year ending December 31, 2017, did not include any findings. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

OHIO AUDITOR OF STATE
KEITH FABER

SHELBY COUNTY METROPOLITAN HOUSING AUTHORITY

SHELBY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 6, 2019