



OHIO AUDITOR OF STATE
KEITH FABER

**SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY
JUNE 30, 2024**

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SANDUSKY COUNTY
JUNE 30, 2024**

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INDEPENDENT AUDITOR'S REPORT

Sandusky Metropolitan Housing Authority
Sandusky County
1358 Mosser Drive
Fremont, Ohio 43420

To the Board of Commissioners:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sandusky Metropolitan Housing Authority, Sandusky County, Ohio (the Authority), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Sandusky Metropolitan Housing Authority, Sandusky County, Ohio as of June 30, 2024, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Financial Data Schedule and the Schedule of Expenditures of Federal Awards 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Schedule 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 January 10, 2025, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Authority's 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.



Keith Faber
Auditor of State
Columbus, Ohio

January 10, 2025

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SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
(UNAUDITED)

The Sandusky Metropolitan Housing Authority's (the Authority) Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual issues or concerns.

Since the MD&A is designed to focus on the fiscal year-end 2024 activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's total net position decreased by \$23,431 (or 1.10 percent) during the fiscal year ended 2024. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net position. Net position was \$2,104,623 and \$2,128,054 for 2024 and 2023, respectively.
- The business-type activities revenue increased by \$181,306 (or 8.41 percent) during the fiscal year ended 2024. Revenues were \$2,337,027 and \$2,155,721 for 2024 and 2023, respectively.
- The total expenses of all Authority programs increased by \$185,143 (or 8.51 percent). Total expenses were \$2,360,458 and \$2,175,315 for 2024 and 2023, respectively.
- The Authority executed modifications of its contracts for housing services relationship with the Sandusky County Board of Developmental Disabilities (SCBDD) and the Ohio Department of Developmental Disabilities. Additional funding increments totaling \$248,425 was provided the Authority to expand the Program through which the parties work together to develop, acquire, renovate, and manage residential rental properties for persons with disabilities for Sandusky County, Ohio.

USING THE FINANCIAL REPORT

The focus is on the Authority as a single enterprise fund. This format will allow the user to address relevant questions, broaden a basis for comparison (fiscal year to fiscal year or Authority to Authority) and enhance the Authority's accountability.

Basic Financial Statements

The basic financial statements are designed to be corporate-like in that all business-type activities are consolidated to an entity-wide total for the Authority.

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

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
(UNAUDITED)

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

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

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

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

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

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities, and from non-cash investing, capital, and financing activities.

The Authority’s programs that are consolidated into a single enterprise fund are as follows:

Project Total (PH and CFP) – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30 percent of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority’s properties.

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

Mainstream Voucher Program – The Mainstream Voucher Program assist non-elderly persons with disabilities. Aside from serving a special population, mainstream vouchers are administered using the same rules as other Housing Choice Voucher Program.

State & Local – The State & Local Fund was set up to track grant money received for low-income housing programs through state and local sources.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
(UNAUDITED)

AUTHORITY STATEMENTS

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

Table 1- Condensed Statement of Net Position

	2024	2023
<u>Current Assets and Deferred Outflows of Resources</u>		
Current and Other Assets	\$ 773,223	\$ 722,590
Capital Assets	2,296,141	2,182,330
Other Noncurrent Assets	4,693	0
Deferred Outflows of Resources	39,193	37,449
Total Assets and Deferred Outflows of Resources	<u>\$ 3,113,250</u>	<u>\$ 2,942,369</u>
<u>Current Liabilities, Deferred Inflows of Resources, and Net Position Liabilities</u>		
Current Liabilities	\$ 118,931	\$ 106,591
Non current Liabilities	886,600	705,547
Deferred Inflows of Resources	3,096	2,177
Total Liabilities and Deferred Inflows of Resources	<u>1,008,627</u>	<u>814,315</u>
<u>Net Position</u>		
Net Investment in Capital Assets	1,431,880	1,494,429
Restricted Net Position	10,622	3,169
Unrestricted Net Position	662,121	630,456
Total Net Position	<u>2,104,623</u>	<u>2,128,054</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 3,113,250</u>	<u>\$ 2,942,369</u>

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

Major Factors Affecting the Statement of Net Position:

The notable changes on the statement are the change to capital assets and the change to noncurrent liabilities. The Authority expanded its program with the Sandusky County Board of Developmental Disabilities and Ohio Department of Developmental Disabilities in the period, accepting loans of \$248,425 to use to acquire and renovate a property in Sandusky County that will be used as rental housing for persons with disabilities. Repayment of the loans is not required as long as the Authority uses the properties for the agreed upon purposes, and are amortized over a 15-year period.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
(UNAUDITED)

Table 2 - Change of Net Position

	Unrestricted	Investment in Capital Assets	Net Restricted
Beginning Balance	\$ 630,456	\$ 1,494,429	\$ 3,169
Results of Operations	(30,884)	0	7,453
Adjustments:			
Current Year Depreciation Expense (1)	158,967	(158,967)	0
Capital Expenditures (2)	(272,778)	272,778	0
Retirement of Debt (2)	(69,903)	69,903	0
New Debt Incurred (2)	248,425	(248,425)	0
Change in Lease Liability (2)	(2,162)	2,162	0
Ending Balance	\$ 662,121	\$ 1,431,880	\$ 10,622

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

(2) Capital and related expenditures of debt represent an outflow of Unrestricted Net Position, but are not treated as an expense against Results of Operations and, therefore, are adjusted against Unrestricted Net Position.

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Position provides a clearer change of financial position.

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

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

	2024	2023
Revenues		
Total Tenant Revenues	\$ 168,117	\$ 164,348
Operating Subsidies	2,048,722	1,809,366
Capital Grants	50,309	121,702
Interest Income	225	206
Other Revenues	69,654	60,099
Total Revenues	2,337,027	2,155,721
Expenses		
Administrative	308,684	277,773
Utilities	13,423	15,396
Maintenance	286,586	279,280
General and Interest	66,175	47,491
Housing Assistance Payments	1,526,623	1,402,087
Depreciation	158,967	153,288
Total Expenses	2,360,458	2,175,315
Net (Decrease) in Net Position	(23,431)	(19,594)
Beginning Net Position	2,128,054	2,147,648
Ending Net Position	\$ 2,104,623	\$ 2,128,054

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
(UNAUDITED)

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

Overall incomes and expenses increased modestly, both increasing about 8.5%. The notable changes were to operating subsidies and capital grants on the income side, and HAP expense on the expense side of the statement. Capital grant revenue comes from the Capital Fund Program. It represents how much of the grant spent in the period was for capital improvements to the Public Housing properties. In total revenue from the Capital Fund Program only decreased \$17,431 from the prior fiscal year-end, but the part of the spending on what is considered capital improvements decreased \$71,393. So much of the \$71,393 reduction in capital grant revenue is reflected in the increase in operating subsidies revenue. Otherwise, the increase in operating subsidies revenue was in the funding provided for the Housing Choice Voucher program to be used by the Authority to make rental assistance payments on behalf of program participants. HUD provides that part of the funding for the Housing Choice Voucher program based on spending for that purpose. The expense recorded when the Authority makes the rental assistance payments is HAP expense, so the increase in HAP expense is tied to the increase in this revenue. And the increase in HAP expense is largely related to increasing rental rates in the area served by the Authority. Rents in the program are based on what program participants can afford to pay, so as rental rates increase more than family incomes, the rental assistance payments and the HAP expense also increases.

CAPITAL ASSETS

As of year-end, the Authority had \$2,296,141 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase of \$113,811, or 5.22 percent, from the end of 2023.

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

	2024	2023
Land	\$ 757,978	\$ 741,875
Building and Improvement	5,418,673	5,161,998
Equipment	248,662	248,662
Accumulated Depreciation	(4,129,172)	(3,970,205)
Total	<u>\$ 2,296,141</u>	<u>\$ 2,182,330</u>

The following reconciliation identified the change in Capital Assets:

Table 5 - Change in Capital Assets

Beginning Balance	\$ 2,182,330
Current Year Additions	272,778
Current Year Deletions	0
Current Year Depreciation Expense	(158,967)
Ending Balance	<u>\$ 2,296,141</u>

For additional information see Note 4.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
(UNAUDITED)

The Authority has an equipment lease liability at June 20, 2024. The following summarizes the change in the lease liability from last fiscal year-end.

Table 6 - Change in Lease Liability

Beginning Balance	\$ 5,545
Current Year Additions	0
Current Year Retired	(2,162)
Ending Balance	\$ 3,383

As of year-end, the change in the Authority's outstanding debt was as follows:

Table 7 - Debt Outstanding

Beginning Balance	\$ 682,356
Current Year Debt Incurred	248,425
Current Year Debt Retired	(69,903)
Ending Balance	\$ 860,878

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local inflationary, recessionary, and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies, and other costs
- Unknown financial and operational impacts.

FINANCIAL CONTACT

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
STATEMENT OF NET POSITION
JUNE 30, 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets

Cash and Cash Equivalents:	\$ 640,032
Restricted Cash and Cash Equivalents	24,685
Receivables, Net	94,074
Prepaid Expenses and Other Assets	14,432
Total Current Assets	773,223

Non-Current Assets

Capital Assets

Non-Depreciable Capital Assets	757,978
Depreciable Capital Assets, Net	1,538,163
Total Capital Assets	2,296,141
Net OPEB Asset	4,693
Total Non-Current Assets	2,300,834

Deferred Outflows of Resources

Pension	34,137
OPEB	5,056
Total Deferred Outflows of Resources	39,193
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,113,250

TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION

LIABILITIES

Current Liabilities

Accounts Payable	\$ 23,390
Accrued Liabilities	1,622
Tenant Security Deposits	18,756
Unearned Revenue	4,326
Lease Liability - Current Portion	1,420
Long-Term Debt - Current Portion	69,417
Total Current Liabilities	118,931

Non-Current Liabilities

Long-Term Debt - Net of Current	791,461
Lease Liability - Net of Current	1,963
Accrued Compensated Absences - Net of Current	4,163
Net Pension Liability	89,013
Total Non-Current Liabilities	886,600
TOTAL LIABILITIES	1,005,531

DEFERRED INFLOW OF RESOURCES

Pension	412
OPEB	2,684
Total Deferred Inflow of Resources	3,096

NET POSITION

Net Investment in Capital Assets	1,431,880
Restricted Net Position	10,622
Unrestricted Net Position	662,121
TOTAL NET POSITION	2,104,623
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 3,113,250

See accompanying notes to the basic financial statements.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

Operating Revenues

Tenant Revenue	\$ 168,117
Government Operating Grants	2,048,722
Other Revenue	11,868
Total Operating Revenue	<u>2,228,707</u>

Operating Expenses

Administrative	308,684
Utilities	13,423
Maintenance	286,586
General and Insurance	61,880
Housing Assistance Payments	1,526,623
Depreciation	158,967
Total Operating Expenses	<u>2,356,163</u>
Operating Loss	<u>(127,456)</u>

Non-Operating Revenues (Expenses)

Capital Grant Revenue	50,309
Debt Forgiven	57,786
Interest Income	225
Interest Expense	(4,295)
Total Non-Operating Revenues (Expenses)	<u>104,025</u>
Change in Net Positon	<u>(23,431)</u>

Beginning Net Position	<u>2,128,054</u>
Ending Net Position	<u>\$ 2,104,623</u>

See accompanying notes to the basic financial statements.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

Cash Flows from Operating Activities

Operating Grants Received	\$ 2,051,961
Receipts from Tenants	176,623
Other Revenue Received	12,221
Cash Payments for Operating Expenses	(663,913)
Cash Payments for HAP	(1,526,623)
Net Cash Provided by Operating Activities	50,269

Cash Flows from Investing Activities

Interest Earned	225
Net Cash Provided by Investing Activities	225

Cash Flows from Capital and Financing Activities

Debt Proceeds	160,000
Payments on Lease Liability	(2,162)
Lease Liability Interest Payments	(67)
Capital Grant Funds Received	50,309
Capital Asset Purchases	(272,778)
Debt Interest Payments	(4,228)
Retirement of Debt	(12,117)
Net Cash Used by Capital and Related Financing Activities	(81,043)
Net Decrease in Cash	(30,549)

Cash and Cash Equivalents - Beginning of Year	695,266
Cash and Cash Equivalents - End of Year	\$ 664,717

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Net Operating Loss	\$ (127,456)
Adjustments to Reconcile Operating Loss to	
Net Cash Provided by Operating Activities	
Depreciation	158,967
(Increase) Decrease in:	
Accounts Receivable	9,470
Prepaid Expenses	(2,227)
OPEB Assets	(4,693)
Deferred Outflows	(1,744)
Increase (Decrease) in:	
Accounts Payable	2,596
Accrued Liabilities	(919)
Tenant Security Deposits	1,729
Unearned Revenue	899
Pension/OPEB Liability	12,728
Deferred Inflows	919
Net Cash Used by Operating Activities	\$ 50,269

See accompanying notes to the basic financial statements.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

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

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

Basis of Presentation

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

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

The Authority’s basic financial statements consist of a statement of net position, a statement of revenues, expenses, and change 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 changes in net position, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024
(CONTINUED)

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

Measurement Focus and Basis of Accounting

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

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

Property and Equipment

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

Useful life of property and equipment is as follows:

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

Depreciation is recorded on the straight-line method. Total depreciation expense for the 2024 fiscal year was \$158,967.

Cash and Cash Equivalents

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

Investments

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings, or other liabilities incurred, used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024
(CONTINUED)

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

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability(asset), 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 plan. 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 plans report investments at fair value.

Deferred Outflows/Inflows of Resources

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

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

Use of Estimates

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

Budgetary Accounting

The Authority annually prepares funding requests as prescribed by HUD. Budgets are submitted to HUD when applicable. Budgets are adopted by the Board of the Authority.

Allocation of Costs

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024
(CONTINUED)

NOTE 2: DEPOSITS AND INVESTMENTS

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

Deposits

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

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

Inactive deposits are public deposits that the Authority had identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

At June 30, 2024, the Authority had undeposited cash on hand (petty cash) of \$120.

At June 30, 2024, the carrying amount of the Authority's cash deposits was \$664,717 and the bank balance was \$726,655. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2024, deposits totaling \$250,000 were covered by Federal Depository Insurance, while the balance of \$476,217 was collateralized by securities pledged in the name of the Authority.

Custodial credit is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits held by fiscal and escrow agents are collateralized with eligible securities in amounts equal to at least 102 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve system in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at a Federal Reserve bank in the name of the Authority.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024
(CONTINUED)

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

Investments

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

The Authority has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At June 30, 2024, the Authority has no investments.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

Generally, the Authority places no limit on the amount it may invest in any one financial institution. The Authority's investment policy limits investments in a single security type or with a single financial institution to 50 percent of the total investment portfolio. The Authority's deposits in financial institutions represent 100 percent of its deposits.

Foreign Currency Risk

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024
(CONTINUED)

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

Restricted Cash

Restricted cash at June 30, 2024 is as follows:

Tenant Security Deposits	\$ 18,756
Unspent Funding to make Housing Assistance Payments	5,929
Total Restricted Cash	<u>\$ 24,685</u>

NOTE 3: **CAPITAL ASSETS**

A summary of capital assets at June 30, 2024, by class is as follows:

Land	\$ 757,978
Building and Building Improvements	5,418,673
Furniture, Equipment - Dwelling	47,451
Furniture, Equipment - Administration	192,684
Intangible Right to use Lease Equipment	8,527
Total	<u>6,425,313</u>
Less Accumulated Depreciation	(4,129,172)
Net Property and Equipment	<u>\$ 2,296,141</u>

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

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 741,875	\$ 16,103	\$ 0	\$ 757,978
Total Capital Assets Not Being Depreciated	<u>741,875</u>	<u>16,103</u>	<u>0</u>	<u>\$ 757,978</u>
<u>Capital Assets Being Depreciated</u>				
Buildings and Improvements	5,161,998	256,675	0	5,418,673
Furniture, Equipment, and Machinery				
Dwelling	47,451	0	0	47,451
Administration	192,684	0	0	192,684
Intangible Right-to-use Lease - Equipment	8,527	0	0	8,527
Total Capital Assets Being Depreciated	<u>5,410,660</u>	<u>256,675</u>	<u>0</u>	<u>5,667,335</u>
<u>Accumulated Depreciation</u>				
Buildings and Improvements	(3,765,669)	(147,130)	0	(3,912,799)
Furniture, Equipment, and Machinery	(201,414)	(9,670)	0	(211,084)
Intangible Right-to-use Lease - Equipment	(3,122)	(2,167)	0	(5,289)
Total Accumulated Depreciation	<u>(3,970,205)</u>	<u>(158,967)</u>	<u>0</u>	<u>(4,129,172)</u>
Depreciable Assets, Net	1,440,455	97,708	0	1,538,163
Total Capital Assets, Net	<u>\$ 2,182,330</u>	<u>\$ 113,811</u>	<u>\$ 0</u>	<u>\$ 2,296,141</u>

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024
(CONTINUED)

NOTE 4: LONG-TERM LIABILITIES

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

	Amounts				
	Balance 6/30/2023	Additions	Deletions	Balance 6/30/2024	Due In One Year
<u>Business-Type Activities</u>					
Mortgages Payable	\$ 64,084	\$ 0	\$ (12,117)	\$ 51,967	\$ 9,152
Forgivable Loans	618,272	248,425	(57,786)	808,911	60,265
Net Pension Liability	73,555	15,458	0	89,013	0
OPEB Liability	2,730	0	(2,730)	0	0
Lease Liability	5,545	0	(2,162)	3,383	1,420
Compensated Absence Liability	5,674	0	(1,511)	4,163	0
Total Long-Term Liabilities	\$ 769,860	\$ 263,883	\$ (76,306)	\$ 957,437	\$ 70,837

The Authority entered into a sixty-month lease for copier equipment calling for monthly payments of \$137.48 beginning January 1, 2020. The equipment is being amortized over the life of the lease. The annual interest rate charged on the lease is 4.00 percent.

The Authority entered into a five-year lease for a postage machine calling for quarterly payments of \$174.42 beginning April 1, 2023. The equipment is being amortized over the life of the lease. The annual interest rate charged on the lease is 4.00 percent.

Lease commitments for the fiscal years ending June 30 are as follows:

	Principal	Interest	Total
2025	\$ 1,420	\$ 102	\$ 1,522
2026	629	69	698
2027	654	44	698
2028	680	18	698
	\$ 3,383	\$ 233	\$ 3,616

Direct borrowings consist of mortgages payable as follows:

The Authority has a note payable to the Croghan Colonial Bank of Fremont. The original principal of the loan was \$123,500 and the current rate is 5.76 percent annually. Principal and interest payments, currently \$423 began in October 2002 with the final payment due on July 2032. The loan is secured by an open-end mortgage on real estate property located at 562 Crestwood, Fremont, Ohio.

\$ 32,723

The Authority has a note payable to the Croghan Colonial Bank of Fremont. The original principal of the loan was \$70,000 and the current rate is 7.50 percent annually. Principal and interest payments, currently \$572, began in March 2003 with the final payment due on August 2027. The loan is secured by an open-end mortgage on real estate property located at 728 Nickle Street, Fremont, Ohio.

19,244

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024
(CONTINUED)

NOTE 4: LONG-TERM LIABILITIES (Continued)

The Authority entered into an agreement for housing services with the Sandusky County Board of Developmental Disabilities in the amount of \$80,000 to acquire and renovate property on 908 Bush Street in Fremont, Ohio. The agreement calls for the parties to work together to develop, acquire, renovate, establish, and maintain a youth respite home for persons with disabilities in Sandusky County, Ohio. The term of the loan is 15 years after the property is acquired, repairs are completed, and persons with disabilities begin occupying the rental units. The parties agree that the loan is forgiven 1/180th each month the property is used for the provision of the approved development disability services licensed by DODD. In the event the Authority discontinues to provide the property for the agreed-upon procedures or if the Authority sells the property prior to the expiration of the amortization period, an amount equal to the unamortized balance of the loan is payable immediately to the Sandusky County Board of Developmental Disabilities.

52,889

On April 15, 2019, the Authority entered into contractual agreements with the Ohio Department of Development Disabilities to reimburse the Authority for renovation costs at 728 Nickel Street property in the amount of \$60,360. The term of the loan is for 15 years commencing on October 1, 2019, and terminating October 1, 2031. The parties agree that the loan is forgiven 1/180th of the funds received for every month that the project is used for the provision of the approved development disability services licensed by DODD. In the event the Authority discontinues to provide the property for the agreed-upon purposes or if the Authority sells the property prior to the end of the amortization period, an amount equal to the remaining unamortized balance of the loan is payable immediately to the Ohio Department of Developmental Disabilities.

40,911

On February 5, 2020, the Authority entered into contractual agreements with the Ohio Department of Development Disabilities to reimburse the Authority for renovation costs at 908 Bush Street property in the amount of \$47,050. The term of the loan is for 15 years commencing on March 1, 2020, and terminating March 1, 2035. The parties agree that the loan is forgiven 1/180th of the funds received for every month that the project is used for the provision of the approved development disability services licensed by DODD. In the event the Authority discontinues to provide the property for the agreed-upon purposes or if the Authority sells the property prior to the end of the amortization period, an amount equal to the remaining unamortized balance of the loan is payable immediately to the Ohio Department of Developmental Disabilities.

33,458

On January 19, 2021, the Authority entered into contractual agreements with the Ohio Department of Development Disabilities to reimburse the Authority for renovation costs at 408 South Pennsylvania Avenue property in the amount of \$19,854. The term of the loan is for 15 years commencing on February 1, 2021, and terminating February 1, 2036. The parties agree that the loan is forgiven 1/180th of the funds received for every month that the project is used for the provision of the approved development disability services licensed by DODD. In the event the Authority discontinues to provide the property for the agreed-upon purposes or if the Authority sells the property prior to the end of the amortization period, an amount equal to the remaining unamortized balance of the loan is payable immediately to the Ohio Department of Developmental Disabilities.

15,260

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024
(CONTINUED)

NOTE 4: LONG-TERM LIABILITIES (Continued)

On September 3, 2021, the Authority entered into contractual agreements with the Ohio Department of Development Disabilities to reimburse the Authority for renovation costs at 1407 Rosewood property in the amount of \$28,500. The term of the loan is for 15 years commencing on October 1, 2021, and terminating October 1, 2036. The parties agree that the loan is forgiven 1/180th of the funds received for every month that the project is used for the provision of the approved development disability services licensed by DODD. In the event the Authority discontinues to provide the property for the agreed-upon purposes or if the Authority sells the property prior to the end of the amortization period, an amount equal to the remaining unamortized balance of the loan is payable immediately to the Ohio Department of Developmental Disabilities. Proceeds of \$22,259 were collected in July of 2021 with \$6,241 received in fiscal year 2020 but not amortized as the project agreement was not completed.

23,275

The Authority executed an addendum to contract for housing services with the Sandusky County Board of Developmental Disabilities in the amount of \$200,000 to acquire and renovate property on Martin Street in Fremont, Ohio. The agreement calls for the parties to work together to develop, acquire, renovate, establish, and maintain a youth respite home for persons with disabilities in Sandusky County, Ohio. The term of the loan is 15 years after the property is acquired, repairs are completed, and persons with disabilities begin occupying the rental units. The parties agree that the loan is forgiven 1/180th each month the property is used for the provision of the approved development disability services licensed by DODD. In the event the Authority discontinues to provide the property for the agreed-upon procedures or if the Authority sells the property prior to the expiration of the amortization period, an amount equal to the unamortized balance of the loan is payable immediately to the Sandusky County Board of Developmental Disabilities.

151,111

The Authority executed an addendum to contract for housing services with the Sandusky County Board of Developmental Disabilities in the amount of \$200,000 to acquire and renovate property on Celek Drive in Fremont, Ohio. The agreement calls for the parties to work together to develop, acquire, renovate, establish, and manage residential properties for persons with disabilities in Sandusky County, Ohio. The term of the loan is 15 years after the property is acquired, repairs are completed, and persons with disabilities begin occupying the rental units. The parties agree that the loan is forgiven 1/180th each month the property is used for the provision of the approved development disability services licensed by DODD. In the event the Authority discontinues to provide the property for the agreed-upon procedures or if the Authority sells the property prior to the expiration of the amortization period, an amount equal to the unamortized balance of the loan is payable immediately to the Sandusky County Board of Developmental Disabilities.

158,889

The Authority executed an addendum to contract for housing services with the Sandusky County Board of Developmental Disabilities in the amount of \$50,000 used to acquire and renovate property on Celek Drive, in Fremont, Ohio. The agreement calls for the parties to work together to develop, acquire, renovate, establish, and manage residential properties for persons with disabilities in Sandusky County, Ohio. The term of the loan is 15 years after the property is acquired, repairs are completed and persons with disabilities begin occupying the rental units. The parties agree that the loan is forgiven 1/180th each month the property is used for the provision of the approved development disability services licensed by DODD. In the event the Authority discontinues to provide the property for the agreed-upon purposes or if the Authority sells the property prior to the expiration of the amortization period, an amount equal to the unamortized balance of the loan is payable immediately to the Sandusky County Board of Developmental Disabilities.

40,555

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024
(CONTINUED)

NOTE 4: **LONG-TERM LIABILITIES** (Continued)

The Authority executed an Open End Mortgage and Security Agreement to contract for housing services with the Ohio Department of Developmental Disabilities in the amount of \$58,500 used to property on Celek Drive in Fremont, Ohio. The agreement calls for the parties to work together to develop, acquire, renovate, establish, and manage residential properties for persons with disabilities in Sandusky County, Ohio. The term of the loan is 15 years after the repairs are completed, and persons with disabilities begin occupying the rental units. The parties agree that the loan is forgiven 1/180th each month the property is used for the provision of the approved development disability services licensed by DODD. In the event the Authority discontinues to provide the property for the agreed-upon purposes or if the Authority sells the property prior to the expiration of the amortization period, an amount equal to the unamortized balance of the loan is payable immediately to the Ohio Department of Developmental Disabilities.

52,325

The Authority executed an addendum to contract for housing services with the Sandusky County Board of Developmental Disabilities in the amount of \$160,000 used to acquire and renovate property on Sunrise Boulevard, in Fremont, Ohio. The agreement calls for the parties to work together to develop, acquire, renovate, establish, and manage residential properties for persons with disabilities in Sandusky County, Ohio. The term of the loan is 15 years after the property is acquired, repairs are completed and persons with disabilities begin occupying the rental units. The parties agree that the loan is forgiven 1/180th each month the property is used for the provision of the approved development disability services licensed by DODD. In the event the Authority discontinues to provide the property for the agreed-upon purposes or if the Authority sells the property prior to the expiration of the amortization period, an amount equal to the unamortized balance of the loan is payable immediately to the Sandusky County Board of Developmental Disabilities.

153,778

The Authority executed an Open End Mortgage and Security Agreement to contract for housing services with the Ohio Department of Developmental Disabilities in the amount of \$88,425 used to renovate property on Sunrise Boulevard in Fremont, Ohio. The agreement calls for the parties to work together to develop, acquire, renovate, establish, and manage residential properties for persons with disabilities in Sandusky County, Ohio. The term of the loan is 15 years after the repairs are completed, and persons with disabilities begin occupying the rental units. The parties agree that the loan is forgiven 1/180th each month the property is used for the provision of the approved development disability services licensed by DODD. In the event the Authority discontinues to provide the property for the agreed-upon purposes or if the Authority sells the property prior to the expiration of the amortization period, an amount equal to the unamortized balance of the loan is payable immediately to the Ohio Department of Developmental Disabilities.

86,460

\$ 860,878

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024
(CONTINUED)

NOTE 4: LONG-TERM LIABILITIES (Continued)

The following is a summary of the Authority's future debt service requirements as of June 30, 2024:

For the Year Ended June 30	Principal	Interest	Total Payments
2025	\$ 9,152	\$ 2,783	\$ 11,935
2026	9,723	2,212	11,935
2027	10,298	1,637	11,935
2028	4,392	1,185	5,577
2029	4,125	952	5,077
2030-2033	14,277	1,336	15,613
Totals	51,967	\$ 10,105	\$ 62,072
Debt expected to be retired without cash payments	<u>808,911</u>		
Total Debt	<u>\$ 860,878</u>		

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 Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024
(CONTINUED)

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

Net Pension Liability (Continued)

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple employer public employee retirement system which 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. Effective January 1, 2022, the Combined Plan is no longer available for member selection. In October 2023, the legislature approved House Bill (HB) 33, which allows for the consideration of the Combined Plan with the Traditional Pension Plan with the timing of the consolidation at the discretion of OPERS. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan and the Combined 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 in the Traditional Pension Plan and the Combined Plan 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 Pension Plan and the Combined Plan as per the reduced benefits adopted by SB 343 (see OPERS' Annual Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024
(CONTINUED)

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

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 62 with 60 months of service credit or Age 57 with 25 years of service credit
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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

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

When a Traditional Pension Plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the Combined Plan receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the COLA is 3 percent. For those retiring on or after January 7, 2013, beginning in 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the members' contributions plus or minus the investment gains or losses resulting from the members' investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed Plan participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of their benefit account (which includes joint and survivor options and will continue to be administered by OPERS), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

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

	State and Local		
	Traditional Pension Plan	Combined Plan	Member- Directed Plan
2023-2024 Statutory Maximum Contribution Rates			
Employer	14.0 %	14.0 %	14.0 %
Employee *	10.0 %	10.0 %	10.0 %
2023-2024 Actual Contribution Rates			
Employer:			
Pension	14.0 %	14.0 %	14.0 %
Post-Employment Health Care Benefits	0.0 %	0.0 %	0.0 %
Total Employer	<u>14.0 %</u>	<u>14.0 %</u>	<u>14.0 %</u>
Employee	<u>10.0 %</u>	<u>10.0 %</u>	<u>10.0 %</u>

* Member contributions within the Combined Plan are not used to fund the defined benefit retirement allowance

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

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

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

For fiscal year ending June 30, 2024, the Authority's contractually required contributions used to fund pension benefits was \$8,392 for the Traditional Pension Plan.

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

The net pension liability for OPERS was measured as of December 31, 2023, 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	0.000249%
Current Measurement Date	0.000340%
Change in Proportionate Share	<u>0.000091%</u>
Proportionate Share of the Net Pension Liability	\$ 89,013
Pension Expense	\$ 16,643

At June 30, 2024, 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	
Net difference between projected and actual earnings on pension plan investments	\$ 17,964
Differences between expected and actual experience	1,455
Changes in proportion and differences between Authority contributions and proportionate share of contributions	10,629
Authority contributions subsequent to the measurement date	4,089
Total Deferred Outflows of Resources	<u>\$ 34,137</u>
Deferred Inflows of Resources	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	\$ 412
Total Deferred Inflows of Resources	<u>\$ 412</u>

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

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

\$4,089 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 June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>Traditional</u>	<u>Pension Plan</u>
Year Ending June 30:			
2025	\$ 11,480		
2026		9,251	
2027		11,465	
2028		(2,560)	
Total	<u>\$ 29,636</u>		

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2023, 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. Key actuarial assumptions and methods used in the latest actuarial valuation, reflecting experience study results, are presented below:

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

Actuarial Assumptions – OPERS (Continued)

Traditional Pension Plan	
Wage Inflation	
Current Measurement Date:	2.75 percent
Prior Measurement Date:	2.75 percent
Future Salary Increases, including inflation	
Current Measurement Date:	2.75 to 10.75 percent including wage inflation
Prior Measurement Date:	2.75 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	
Pre 1/7/2013 retirees:	3 percent, simple
Post 1/7/2013 retirees:	
Current Measurement Date:	2.3 percent simple through 2024, then 2.05 percent simple
Prior Measurement Date:	3 percent, simple through 2023, then 2.05 percent simple
Investment Rate of Return	
Current Measurement Date:	6.9 percent
Prior Measurement Date:	6.9 percent
Actuarial Cost Method	Individual Entry Age

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

The most recent experience study was completed for the five-year period ended December 31, 2020.

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 was a gain of 11.2 percent for 2023.

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

Actuarial Assumptions – OPERS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of the geometric real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2023, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00 %	2.85 %
Domestic Equities	21.00	4.27
Real Estate	13.00	44.46
Private Equity	15.00	7.52
International Equities	20.00	5.16
Risk Parity	2.00	4.38
Other investments	5.00	3.46
Total	<u>100.00 %</u>	

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

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

	Current		
	1% Decrease (5.90%)	Discount Rate (6.90%)	1% Increase (7.90%)
Authority's proportionate share of the net pension liability	\$ 140,131	\$ 89,013	\$ 46,498

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NOTE 6: **DEFINED BENEFIT OPEB PLAN**

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 the 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 related to 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 any liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB 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*. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in current liabilities.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, the 115 Health Care Trust, which was established in 2014 to fund health care for the Traditional Pension, Combined, and Member-Directed plans. With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

Retirees and eligible dependents enrolled in Medicare Parts A and B, and non-Medicare retirees beginning in 2022, are able to participate in the OPERS Connector in lieu of comprehensive health care coverage. The Connector, a vendor selected by OPERS, assist eligible retirees, spouses, and dependents in the evaluation, selection and purchase of a health care plan on the open market. Eligible retirees may receive a monthly allowance in their health reimbursement arrangement (HRA) account that can be used to reimburse eligible health care expenses.

OPERS members enrolled in the Traditional Pension Plan or Combined Plan retiring with an effective date of January 1, 2022 or after must meet the following health care eligibility requirements to receive an HRA allowance:

1. **Age 65 or older** – minimum of 20 years of qualified health care service credit.
2. **Age 60 to 64** – based on the following age-and-service criteria:
 - a. Group A – 30 years of total service with at least 20 years of qualified health care service credit;
 - b. Group B – 31 years of total service with at least 20 years of qualified health care service credit; or
 - c. Group C – 32 years of total service with at least 20 years of qualified health care service credit.
3. **Age 59 or younger** – based on the following age-and-service criteria:
 - a. Group A – 30 years of qualified health care service credit;
 - b. Group B - 32 years of qualified health care service credit at any age or 31 years of qualified health care service credit and at least age 52; or
 - c. Group C – 32 years of qualified health care service credit and at least age 55.

Retirees who do not meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service. Members with a retirement date prior to January 1, 2022 who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022, as summarized in the following table:

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

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

Retirement Date	Group A		Group B		Group C	
	Age	Service	Age	Service	Age	Service
December 1, 2014 or Prior	Any	10	Any	10	Any	10
January 1, 2015 through December 31, 2021	60	20	52 60	31 20	55	32
	Any	30	Any	32	60	20

Participants in the Member-Directed Plan have access to the Connector and have a separate health care funding mechanism. A portion of employer contributions for these participants is allocated to a retiree medical account (RMA). Upon separation or retirement, participants may use vested RMA funds for reimbursement of qualified medical expenses.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of covered payroll. In 2023 and 2024, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2023-2024, no portion of the employer contribution rate was allocated to health care for the Traditional Pension Plan. The employer contribution as a percent of covered payroll deposited for the Combined Plan and Member-Directed Plan health care programs in 2023-2024 was 2.0 percent and 4.0 percent, respectively.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution allocated to health care was \$1,500 for the year ending June 30, 2024.

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

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

The net OPEB asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2022, rolled forward to the measurement date of December 31, 2023, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Authority's proportion of the net OPEB asset was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability/Asset:	
Prior Measurement Date	0.000433%
Current Measurement Date	<u>0.000520%</u>
Change in Proportionate Share	<u>0.000087%</u>
Proportionate Share of the Net OPEB Liability (Asset)	\$ (4,693)
OPEB Expense	\$ 198

At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on	
OPEB plan investments	\$ 2,815
Changes of assumptions	1,209
Changes in proportion and differences between Authority contributions and proportionate share of contributions	281
Authority contributions subsequent to the measurement date	751
Total Deferred Outflows of Resources	<u>\$ 5,056</u>
Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 667
Changes of assumptions	2,017
Total Deferred Inflows of Resources	<u>\$ 2,684</u>

\$751 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending June 30, 2025. Other 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 June 30:	
2025	\$ 141
2026	239
2027	2,192
2028	(951)
Total	<u>\$ 1,621</u>

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NOTE 6: **DEFINED BENEFIT OPEB PLAN** (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 health care costs for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2022, rolled forward to the measurement date of December 31, 2023. The actuarial valuation used the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

	December 31, 2023	December 31, 2022
Wage Inflation	2.75 percent	2.75 percent
Projected Salary Increases	2.75 to 10.75 percent, including wage inflation	2.75 to 10.75 percent, including wage inflation
Single Discount Rate	5.70 percent	5.22 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	3.77 percent	4.05 percent
Health Care Cost Trend Rate	5.50 percent initial, 3.50 percent ultimate in 2038	5.50 percent initial, 3.50 percent ultimate in 2036
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

The most recent experience study was completed for the five-year period ended December 31, 2020.

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

Actuarial Assumptions – OPERS (Continued)

During 2023, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a gain of 14.0 percent for 2023.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The 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. The table below displays the Board-approved asset allocation policy for 2023 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	37.00 %	2.82 %
Domestic Equities	25.00	4.27
Real Estate Investment Trust	5.00	4.68
International Equities	25.00	5.16
Risk Parity	3.00	4.38
Other investments	5.00	2.43
Total	<u>100.00 %</u>	

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

Actuarial Assumptions – OPERS (Continued)

Discount Rate A single discount rate of 5.70 percent was used to measure the OPEB liability on the measurement date of December 31, 2023; however, the single discount rate used at the beginning of the year was 5.22 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.77 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 2070. As a result, the actuarial long-term expected rate of return on health care investments was applied to projected costs through the year 2070, 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 5.70 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 1.0 percent lower or 1.0 percent higher than the current rate:

	1% Decrease (4.70%)	Current Discount Rate (5.70%)	1% Increase (6.70%)
Authority's proportionate share of the net OPEB liability (asset)	\$ 2,579	\$ (4,693)	\$ (10,717)

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 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 2024 is 5.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024
(CONTINUED)

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

Actuarial Assumptions – OPERS (Continued)

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability (asset)	\$ (4,888)	\$ (4,693)	\$ (4,472)

NOTE 7: **RESTRICTED NET POSITION**

Restricted net position of \$10,622 is composed of the following:

Unspent Funding to make Housing Assistance Payments	\$ 5,929
Restricted for the GASB 75 Net OPEB Asset	4,693
Total	\$ 10,622

NOTE 8: **COMPENSATED ABSENCES**

Vacation and sick leave policies are established by the Board of Authority based on local and state laws. All permanent employees will earn 4.6 hours of sick leave per eighty (80) hours of service. Unused sick leave may accumulate without limit. At the time of separation from active service with the Authority due to disability or retirement, employees shall be paid an amount equal to one-fourth (1/4) of 120 days of sick leave. All permanent employees will earn vacation hours accumulated based on length of service. Employees will be paid for all unused vacation time upon their separation from service.

NOTE 9: **RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; damage to and theft or destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public official's liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance pool comprised of forty (40) housing authorities in Ohio, of which the Authority is a member.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year. Health, dental, vision, and life insurance is offered to Authority employees through a commercial insurance company.

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

NOTE 10: **CONTINGENCIES**

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2024
(CONTINUED)

NOTE 10: **CONTINGENCIES** (Continued)

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's Proportion of the Net Pension Liability	0.000340%	0.000249%	0.000261%	0.000259%	0.000255%	0.000275%	0.000261%	0.000174%	0.000540%	0.000514%
Authority's Proportionate Share of the Net Pension Liability	\$ 89,013	\$ 73,555	\$ 22,708	\$ 38,352	\$ 50,402	\$ 75,317	\$ 40,945	\$ 39,511	\$ 93,534	\$ 61,955
Authority's Covered Payroll	\$ 56,020	\$ 38,546	\$ 37,928	\$ 36,479	\$ 35,937	\$ 37,103	\$ 34,497	\$ 22,472	\$ 67,189	\$ 62,959
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	158.90%	190.82%	59.87%	105.13%	140.25%	202.99%	118.69%	175.82%	139.21%	98.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.01%	75.74%	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%

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

See accompanying notes to the required supplementary information.

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contributions	\$ 8,392	\$ 6,295	\$ 5,289	\$ 5,250	\$ 4,995	\$ 5,255	\$ 5,030	\$ 3,614	\$ 5,485	\$ 7,588
Contributions in Relation to the Contractually Required Contribution	<u>\$ (8,392)</u>	<u>\$ (6,295)</u>	<u>\$ (5,289)</u>	<u>\$ (5,250)</u>	<u>\$ (4,995)</u>	<u>\$ (5,255)</u>	<u>\$ (5,030)</u>	<u>\$ (3,614)</u>	<u>\$ (5,485)</u>	<u>\$ (7,588)</u>
Contribution Deficiency / (Excess)	<u><u>\$ 0</u></u>									
Authority's Covered Payroll	\$ 59,943	\$ 44,964	\$ 37,779	\$ 37,500	\$ 35,679	\$ 37,539	\$ 37,265	\$ 28,793	\$ 45,705	\$ 63,231
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.50%	12.55%	12.00%	12.00%	12.00%

See accompanying notes to the required supplementary information.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY/(ASSET)
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST EIGHT FISCAL YEARS (1)

	2024	2023	2022	2021	2020	2019	2018	2017
Authority's Proportion of the Net OPEB Liability/Asset	0.000520%	0.000433%	0.000452%	0.000453%	0.000442%	0.000447%	0.000440%	0.000440%
Authority's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (4,693)	\$ 2,730	\$ (14,157)	\$ (8,071)	\$ 61,052	\$ 58,278	\$ 47,781	\$ 44,441
Authority's Covered Payroll	\$ 91,814	\$ 72,030	\$ 70,497	\$ 68,487	\$ 66,721	\$ 64,819	\$ 61,942	\$ 56,722
Authority's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	5.11%	3.79%	-20.08%	-11.78%	91.50%	89.91%	77.14%	78.35%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	107.76%	94.79%	128.23%	115.57%	47.80%	46.33%	54.14%	54.05%

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

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

See accompanying notes to the required supplementary information.

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 1,500	\$ 1,366	\$ 1,313	\$ 1,296	\$ 1,250	\$ 1,138	\$ 1,332	\$ 1,509	\$ 1,696	\$ 1,265
Contributions in Relation to the Contractually Required Contribution	<u>(1,500)</u>	<u>(1,366)</u>	<u>(1,313)</u>	<u>(1,296)</u>	<u>(1,250)</u>	<u>(1,138)</u>	<u>(1,332)</u>	<u>(1,509)</u>	<u>(1,696)</u>	<u>(1,265)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>									
Authority's Covered Payroll	\$ 97,442	\$ 79,103	\$ 70,607	\$ 69,897	\$ 66,931	\$ 65,977	\$ 65,896	\$ 56,093	\$ 65,259	\$ 63,231
Contributions as a Percentage of Covered Payroll	1.54%	1.73%	1.86%	1.85%	1.87%	1.72%	2.02%	2.69%	2.60%	2.00%

See accompanying notes to the required supplementary information.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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 2014-2023.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%. For 2020, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 3.00% simple through 2018 to 1.40% simple through 2020, then 2.15% simple. For 2021, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 1.40% simple through 2020 to 0.50% simple through 2021, then 2.15% simple. For 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75% (b) the cost-of-living adjustments for post-1/7/2013 retirees were increased from 0.50% simple through 2021 to 3.00% simple through 2022, then 2.05% simple (c) the expected investment return was reduced from 7.20% to 6.90%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2023.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY, OHIO
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2023.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00% (b) In January 2019, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time (c) the single discount rate changed from 3.85% to 3.96%. For 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.96% to 3.16%. For 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.16% to 6.00% (b) the municipal bond rate changed from 2.75% to 2.00% (c) the health care cost trend rate changed from 10.50% initial and 3.50% ultimate in 2030 to 8.50% initial and 3.50% ultimate in 2035. For 2022, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75%. (b) the municipal bond rate changed from 2.00% to 1.84% (c) the health care cost trend rate changed from 8.50% initial and 3.50% ultimate in 2035 to 5.50% initial and 3.50% ultimate in 2034. For 2023, the following changes in assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 6.00% to 5.22% (b) the municipal bond rate changed from 1.84% to 4.05% (c) the health care cost trend rate changed from 5.50% initial and 3.50% ultimate in 2034 to 5.50% initial and 3.50% ultimate in 2036.

Sandusky Metropolitan Housing Authority Financial Data Schedule For the Year Ended June 30, 2024							
	Project Total	2 State/Local	14,879 Mainstream Vouchers	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	139,415	19,054	52,253	429,310	640,032		640,032
112 Cash - Restricted - Modernization and Development					0		0
113 Cash - Other Restricted				5,929	5,929		5,929
114 Cash - Tenant Security Deposits	13,350	5,406			18,756		18,756
115 Cash - Restricted for Payment of Current Liabilities					0		0
100 Total Cash	152,765	24,460	52,253	435,239	664,717		664,717
121 Accounts Receivable - PHA Projects					0		0
122 Accounts Receivable - HUD Other Projects			546		546		546
124 Accounts Receivable - Other Government					0		0
125 Accounts Receivable - Miscellaneous		88,425		806	89,231		89,231
126 Accounts Receivable - Tenants	370	987			1,357		1,357
126.1 Allowance for Doubtful Accounts - Tenants	-100	0			-100		-100
126.2 Allowance for Doubtful Accounts - Other	-1,800	0	0	0	-1,800		-1,800
127 Notes, Loans, & Mortgages Receivable - Current	4,840				4,840		4,840
128 Fraud Recovery					0		0
128.1 Allowance for Doubtful Accounts - Fraud					0		0
129 Accrued Interest Receivable					0		0
120 Total Receivables, Net of Allowances for Doubtful Accounts	3,310	89,412	546	806	94,074		94,074
131 Investments - Unrestricted					0		0
132 Investments - Restricted					0		0
135 Investments - Restricted for Payment of Current Liability					0		0
142 Prepaid Expenses and Other Assets	10,806	2,258		1,368	14,432		14,432
143 Inventories					0		0
143.1 Allowance for Obsolete Inventories					0		0
144 Inter Program Due From					0		0
145 Assets Held for Sale					0		0
150 Total Current Assets	166,881	116,130	52,799	437,413	773,223		773,223

Sandusky Metropolitan Housing Authority Financial Data Schedule For the Year Ended June 30, 2024							
	Project Total	2 State/Local Vouchers	14,879 Mainstream Vouchers	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
161 Land	596,650	153,214		8114	757,978		757,978
162 Buildings	3,716,967	1,701,706			5,418,673		5,418,673
163 Furniture, Equipment & Machinery - Dwellings	47,451				47,451		47,451
164 Furniture, Equipment & Machinery - Administration	152,635	6,051		33,997	192,683		192,683
165 Leasehold Improvements	2985	2132		3411	8,528		8,528
166 Accumulated Depreciation	-3,325,924	-767,116		-36,132	-4,129,172		-4,129,172
167 Construction in Progress					0		0
168 Infrastructure					0		0
160 Total Capital Assets, Net of Accumulated Depreciation	1,190,764	1,095,987	0	9,390	2,296,141		2,296,141
171 Notes, Loans and Mortgages Receivable - Non-Current					0		0
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due					0		0
173 Grants Receivable - Non Current					0		0
174 Other Assets	2,597	577		1,519	4,693		4,693
176 Investments in Joint Ventures					0		0
180 Total Non-Current Assets	1,193,361	1,096,564	0	10,909	2,300,834		2,300,834
200 Deferred Outflow of Resources	21,684	4,822	0	12,687	39,193		39,193
290 Total Assets and Deferred Outflow of Resources	1,381,926	1,217,516	52,799	461,009	3,113,250		3,113,250

Sandusky Metropolitan Housing Authority Financial Data Schedule For the Year Ended June 30, 2024							
	Project Total	2 State/Local	14,879 Mainstream Vouchers	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
311 Bank Overdraft					0		0
312 Accounts Payable <= 90 Days	4,471	10,979		2,280	17,730		17,730
313 Accounts Payable >90 Days Past Due		1,622			1,622		1,622
321 Accrued Wage/Payroll Taxes Payable					0		0
322 Accrued Compensated Absences - Current Portion					0		0
324 Accrued Contingency Liability					0		0
325 Accrued Interest Payable					0		0
331 Accounts Payable - HUD PHA Programs					0		0
332 Account Payable - PHA Projects					0		0
333 Accounts Payable - Other Government	5,660				5,660		5,660
341 Tenant Security Deposits	13,350	5,406			18,756		18,756
342 Unearned Revenue	637	3,689			4,326		4,326
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	497	69,555		785	70,837		70,837
344 Current Portion of Long-term Debt - Operating Borrowings					0		0
345 Other Current Liabilities					0		0
346 Accrued Liabilities - Other					0		0
347 Inter Program - Due To					0		0
348 Loan Liability - Current					0		0
310 Total Current Liabilities	24,615	91,251	0	3,065	118,931		118,931
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	687	792,169		568	793,424		793,424
352 Long-term Debt, Net of Current - Operating Borrowings					0		0
353 Non-current Liabilities - Other					0		0
354 Accrued Compensated Absences - Non Current	2,155	405		1,603	4,163		4,163
355 Loan Liability - Non Current					0		0
356 FASB 5 Liabilities					0		0
357 Accrued Pension and OPEB Liabilities	49,248	10,952		28,813	89,013		89,013
350 Total Non-Current Liabilities	52,090	803,526	0	30,984	886,600		886,600
300 Total Liabilities	76,705	894,777	0	34,049	1,005,531		1,005,531

Sandusky Metropolitan Housing Authority Financial Data Schedule For the Year Ended June 30, 2024							
	Project Total	2 State/Local	14,879 Mainstream Vouchers	14,871 Housing Choice Vouchers	Subtotal	ELIM	Total
400 Deferred Inflow of Resources	1,713	381	0	1,002	3,096		3,096
508.4 Net Investment in Capital Assets	1,189,580	234,263	0	8,037	1,431,880		1,431,880
511.4 Restricted Net Position	2597	577	0	7,448	10,622		10,622
512.4 Unrestricted Net Position	111,331	87,518	52,799	410,473	662,121		662,121
513 Total Equity - Net Assets / Position	1,303,508	322,358	52,799	425,958	2,104,623		2,104,623
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	1,381,926	1,217,516	52,799	461,009	3,113,250		3,113,250

		Sandusky Metropolitan Housing Authority Financial Data Schedule For the Year Ended June 30, 2024							
		Project Total	2 State/Local	14,879 Mainstream Vouchers	14,871 Housing Choice Vouchers	14,239 HOME Investment Partnership Program	Subtotal	ELIM	Total
70300	Net Tenant Rental Revenue	70,024	88,432				\$158,456		158,456
70400	Tenant Revenue - Other	5,208	4,453				9,661		9,661
70500	Total Tenant Revenue	75,232	92,885	0	0	0	168,117	0	168,117
70600	HUD PHA Operating Grants	297,117		300,561	1,446,856		2,044,534		2,044,534
70610	Capital Grants	50,309					50,309		50,309
70710	Management Fee						0		0
70720	Asset Management Fee						0		0
70730	Book Keeping Fee						0		0
70740	Front Line Service Fee						0		0
70750	Other Fees						0		0
70700	Total Fee Revenue	347,426	-	300,561	1,446,856	0	2,094,843	0	2,094,843
70800	Other Government Grants					4188	4,188		4,188
71100	Investment Income - Unrestricted	47	57		121		225		225
71200	Mortgage Interest Income						0		0
71300	Proceeds from Disposition of Assets Held for Sale						0		0
71310	Cost of Sale of Assets						0		0
71400	Fraud Recovery				5,592		5,592		5,592
71500	Other Revenue	815	57,798		5,449		64,062		64,062
71600	Gain or Loss on Sale of Capital Assets						0		0
72000	Investment Income - Restricted						0		0
70000	Total Revenue	423,520	150,740	300,561	1,458,018	4,188	2,337,027	0	2,337,027
91100	Administrative Salaries	19,663	3,424	7,899	23,698		54,684		54,684
91200	Auditing Fees	4,678	3,341	1,337	4,010		13,366		13,366
91300	Management Fee	56,860	17,716	9,929	29,788		114,293		114,293
91310	Book-keeping Fee						0		0
91400	Advertising and Marketing	142	102	41	122		407		407
91500	Employee Benefit contributions - Administrative	7,559	1,361	2,879	10,217		22,016		22,016
91600	Office Expenses	20,218	8,840	7,479	15,686		52,223		52,223
91700	Legal Expense	959	581	233	698		2,471		2,471
91800	Travel	4,598	577	26	77		5,278		5,278
91810	Allocated Overhead						0		0
91900	Other	4,158	1,536	9,563	28,689		43,946		43,946
91000	Total Operating - Administrative	118,835	37,478	39,386	112,985	0	308,684	0	308,684

		Sandusky Metropolitan Housing Authority Financial Data Schedule For the Year Ended June 30, 2024							
		Project Total	2 State/Local	14,879 Mainstream Vouchers	14,871 Housing Choice Vouchers	14,239 HOME Investment Partnership Program	Subtotal	ELIM	Total
92000	Asset Management Fee						0		0
92100	Tenant Services - Salaries						0		0
92200	Relocation Costs						0		0
92300	Employee Benefit Contributions - Tenant Services						0		0
92400	Tenant Services - Other						0		0
92500	Total Tenant Services	0	0	0	0	0	0	0	0
93100	Water	2,198					2,198		2,198
93200	Electricity	7,989					7,989		7,989
93300	Gas	3,236					3,236		3,236
93400	Fuel						0		0
93500	Labor						0		0
93600	Sewer						0		0
93700	Employee Benefit Contributions - Utilities						0		0
93800	Other Utilities Expense						0		0
93000	Total Utilities	13,423	0	0	0	0	13,423	0	13,423
94100	Ordinary Maintenance and Operations - Labor	34,345	8,586				42,931		42,931
94200	Ordinary Maintenance and Operations - Materials and Other	45,328	8,744				54,072		54,072
94300	Ordinary Maintenance and Operations Contracts	129,134	43,835				172,969		172,969
94500	Employee Benefit Contributions - Ordinary Maintenance	13,202	3,412				16,614		16,614
94000	Total Maintenance	222,009	64,577	0	0	0	286,586	0	286,586
95100	Protective Services - Labor						0		0
95200	Protective Services - Other Contract Costs	27					27		27
95300	Protective Services - Other						0		0
95500	Employee Benefit Contributions - Protective Services						0		0
95000	Total Protective Services	27	0	0	0	0	27	0	27
96110	Property Insurance	21,015	4,704				25,719		25,719
96120	Liability Insurance	1,284	141	607	1,823		3,855		3,855
96130	Worker's Compensation	747	149	149	448		1,493		1,493
96140	All Other Insurance	1,619		224	672		2,715		2,715
96100	Total Insurance Premiums	24,865	4,994	980	2,943	0	33,782	0	33,782

Sandusky Metropolitan Housing Authority Financial Data Schedule For the Year Ended June 30, 2024								
	Project Total	2 State/Local	14,879 Mainstream Vouchers	14,871 Housing Choice Vouchers	14,239 HOME Investment Partnership Program	Subtotal	ELIM	Total
96200 Other General Expenses	1974	4438		6,314		12,726		12,726
96210 Compensated Absences						0		0
96300 Payments in Lieu of Taxes	5,660	395				6,055		6,055
96400 Bad debt - Tenant Rents	9,290					9,290		9,290
96500 Bad debt - Mortgages						0		0
96600 Bad debt - Other						0		0
96800 Severance Expense						0		0
96000 Total Other General Expenses	16,924	4,833	0	6,314	0	28,071	0	28,071
96710 Interest of Mortgage (or Bonds) Payable	65	4156		74		4,295		4,295
96720 Interest on Notes Payable (Short and Long Term)						0		0
96730 Amortization of Bond Issue Costs						0		0
96700 Total Interest Expense and Amortization Cost	65	4156	0	74	0	4,295	0	4,295
96900 Total Operating Expenses	396,148	116,038	40,366	122,316	0	674,868	0	674,868
97000 Excess of Operating Revenue over Operating Expenses	27,372	34,702	260,195	1,335,702	4,188	1,662,159	0	1,662,159
97100 Extraordinary Maintenance						0		0
97200 Casualty Losses - Non-capitalized						0		0
97300 Housing Assistance Payments			258,160	1,263,679		1,521,839		1,521,839
97350 HAP Portability-In				4,784		4,784		4,784
97400 Depreciation Expense	90,398	64,879		3,690		158,967		158,967
97500 Fraud Losses						0		0
97600 Capital Outlays - Governmental Funds						0		0
97700 Debt Principal Payment - Governmental Funds						0		0
97800 Dwelling Units Rent Expense						0		0
90000 Total Expenses	486,546	180,917	298,526	1,394,469	0	2,360,458	0	2,360,458

		Sandusky Metropolitan Housing Authority Financial Data Schedule For the Year Ended June 30, 2024							
		Project Total	2 State/Local	14,879 Mainstream Vouchers	14,871 Housing Choice Vouchers	14,239 HOME Investment Partnership Program	Subtotal	ELIM	Total
10010	Operating Transfer In	103,972			4188		108,160	-108,160	0
10020	Operating transfer Out	-103,972			-4188		-108,160	108,160	0
10030	Operating Transfers from/to Primary Government						0		0
10040	Operating Transfers from/to Component Unit						0		0
10050	Proceeds from Notes, Loans and Bonds						0		0
10060	Proceeds from Property Sales						0		0
10070	Extraordinary Items, Net Gain/Loss						0		0
10080	Special Items (Net Gain/Loss)						0		0
10091	Inter Project Excess Cash Transfer In						0		0
10092	Inter Project Excess Cash Transfer Out						0		0
10093	Transfers between Program and Project - In						0		0
10094	Transfers between Project and Program - Out						0		0
10100	Total Other financing Sources (Uses)	0	0	0	4188	-4188	0	0	0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-63,026	-30,177	2,035	67,737	0	-23,431	0	-23,431
11020	Required Annual Debt Principal Payments	554	12,657	0	633		13,844		13,844
11030	Beginning Equity	1,366,534	352,535	50,764	358,221		2,128,054		2,128,054
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	0					0		0
11050	Changes in Compensated Absence Balance						0		0
11060	Changes in Contingent Liability Balance						0		0
11070	Changes in Unrecognized Pension Transition Liability						0		0
11080	Changes in Special Term/Severance Benefits Liability						0		0
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents						0		0
11100	Changes in Allowance for Doubtful Accounts - Other						0		0
11170	Administrative Fee Equity				420,029		420,029		420,029
11180	Housing Assistance Payments Equity				5,929		5,929		5,929
11190	Unit Months Available	576	116	552	4092		5,336		5,336
11210	Number of Unit Months Leased	567	116	512	2556		3,751		3,751
11270	Excess Cash	99,614					99,614		99,614
11610	Land Purchases	0					0		0
11620	Building Purchases	50,309					50,309		50,309
11630	Furniture & Equipment - Dwelling Purchases	0					0		0
11640	Furniture & Equipment - Administrative Purchases	0					0		0
11650	Leasehold Improvements Purchases	0					0		0
11660	Infrastructure Purchases	0					0		0
13510	CFFP Debt Service Payments	0					0		0
13901	Replacement Housing Factor Funds	0					0		0

**SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal AL Number	Total Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
<i>Direct Programs</i>		
Public Housing Operating Fund	14.850	\$ 179,155
Public Housing Capital Fund	14.872	168,271
Housing Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	1,446,856
Mainstream Vouchers	14.879	300,561
Total Housing Voucher Cluster		<u>1,747,417</u>
<i>Passed Through Sandusky County</i>		
HOME Investment Partnerships	14.239	4,188
Total U.S. Department of Housing and Urban Development		<u>2,099,031</u>
Total Expenditures of Federal Awards		<u>\$ 2,099,031</u>

The accompanying notes are an integral part of this schedule.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Sandusky Metropolitan Housing Authority (the Authority) under programs of the federal government for the year ended June 30, 2024. The information on this Schedule is prepared 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 the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C – INDIRECT COST RATE

The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



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

Sandusky Metropolitan Housing Authority
Sandusky County
1358 Mosser Drive
Fremont, Ohio 43420

To the Board of Commissioners:

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 (*Government Auditing Standards*), the financial statements of Sandusky Metropolitan Housing Authority, Sandusky County, Ohio (the Authority) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated January 10, 2025.

Report on 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2024-001 that we consider to be a material weakness.

Sandusky Metropolitan Housing Authority
Sandusky County
Independent Auditor's Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Required By *Government Auditing Standards*
Page 2

Report on 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 financial statements. 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*.

Authority's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the finding identified in our audit and described in the accompanying schedule of findings and corrective action plan. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



Keith Faber
Auditor of State
Columbus, Ohio

January 10, 2025



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Sandusky Metropolitan Housing Authority
Sandusky County
1358 Mosser Drive
Fremont, Ohio 43420

To the Board of Commissioners:

Report on Compliance for the Major Federal Program

Qualified Opinion

We have audited Sandusky Metropolitan Housing Authority, Sandusky County, Ohio's (Authority) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Sandusky Metropolitan Housing Authority's major federal program for the year ended June 30, 2024. Sandusky Metropolitan Housing Authority's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

Qualified Opinion on Housing Voucher Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified and Unmodified Opinions* section of our report, Sandusky Metropolitan Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Housing Voucher Cluster for the year ended June 30, 2024.

Basis for Qualified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on Housing Voucher Cluster

As described in finding 2024-002 in the accompanying schedule of findings, the Authority did not comply with requirements regarding Housing Quality Standards (HQS) Enforcement applicable to its Housing Voucher Cluster major federal program.

Compliance with such requirements is necessary, in our opinion, for the Authority to comply with requirements applicable to that program.

Responsibilities of Management for Compliance

The Authority's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Sandusky Metropolitan Housing Authority
Sandusky County
Independent Auditor's Report on Compliance with Requirements
Applicable to the Major Federal Program and on Internal Control Over
Compliance Required by the Uniform Guidance
Page 3

Other Matter

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and corrective action plan. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2024-002 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and corrective action plan. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Sandusky Metropolitan Housing Authority
Sandusky County
Independent Auditor's Report on Compliance with Requirements
Applicable to the Major Federal Program and on Internal Control Over
Compliance Required by the Uniform Guidance
Page 4

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 this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 10, 2025

**SANDUSKY METROPOLITAN HOUSING AUTHORITY
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2024**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Housing Voucher Cluster
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	Yes

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

FINDING NUMBER 2024-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

Cash payments for Housing Assistance Payments (HAP) were understated by \$862,710 and cash payments for operating expenses were overstated by \$862,710 on the statement of cash flows.

These errors were not identified and corrected prior to the Authority preparing its financial statements and notes to the financial statements due to deficiencies in the Authority's internal controls over financial statement monitoring. Failing to prepare accurate financial statements could lead the Board of Commissioners to make misinformed decisions. The accompanying financial statements have been adjusted to correct these errors. In addition to the adjustments noted above, we also identified an additional immaterial misstatement in the amount of \$5,914, which we have brought to the Authority's attention.

The Authority should adopt policies and procedures over financial reporting, including a final review of the financial statements and notes to the financial statements by the Finance Director and Board of Commissioners to help identify and correct errors and omissions.

3. FINDINGS FOR FEDERAL AWARDS

Special Tests and Provisions – Housing Quality Standards (HQS) Enforcement

Finding Number:	2024-002
Assistance Listing Number and Title:	AL # 14.871/14.879 Housing Choice Voucher Cluster
Federal Award Identification Number / Year:	OH054AF0148 / 2023
Federal Agency:	U.S. Department of Housing and Urban Development
Compliance Requirement:	HQS Enforcement
Pass-Through Entity:	None
Repeat Finding from Prior Audit?	No

Noncompliance and Material Weakness

2 CFR § 2400.101 gives regulatory effect to the Department of Housing & Urban Development for **2 CFR § 200.303** which requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain effective internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

24 CFR § 982.404(d)(2) provides that when the Public Housing Authority (PHA) discovers housing quality standards deficiencies during an inspection other than the initial inspection, the PHA may withhold the Housing Assistance Payment (HAP) once the PHA has notified the owner in writing of the deficiencies. If the owner fails to make the repairs within the applicable cure period (within 24 hours of notification for life-threatening deficiencies and within 30 days of notification (or other reasonable period established by the PHA) for non-life-threatening deficiencies), then the Owner must abate the HAP, including amounts that had been withheld.

Due to deficiencies in the Authority's internal controls over compliance requirements, seven percent of inspections tested for Housing Quality Standards compliance did not abate HAP payments after the owner failed to make the repairs noted in the inspection report within the 30 period.

Failing to properly abate HAP payments could result in the Authority making payments to owners who do not meet Housing Quality Standards.

The Authority should adopt policies and procedures for HAP payments to ensure compliance with 24 CFR § 982.404(d)(2).

Officials' Response:

See Corrective Action Plan



SANDUSKY METROPOLITAN HOUSING AUTHORITY

1358 MOSSER DRIVE, FREMONT, OH 43420
PHONE: (419) 334-4426 FAX: (419) 334-6933

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2024

Finding Number:	2024-001
Planned Corrective Action:	The Finance Director will review the financial report prior to its submission to the Auditor of State.
Anticipated Completion Date:	3/31/2025
Responsible Contact Person:	Cyndy Frankart, Finance Director
Finding Number:	2024-002
Planned Corrective Action:	The Housing Choice Voucher Program administrator will review the HQS Inspection report upon receiving to ensure all units are following Federal requirements.
Anticipated Completion Date:	3/31/2025
Responsible Contact Person:	Cyndy Frankart, Finance Director



OHIO AUDITOR OF STATE KEITH FABER



SANDUSKY METROPOLITAN HOUSING AUTHORITY

SANDUSKY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/23/2025

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov