

**SHELBY METROPOLITAN  
HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS  
AND SINGLE AUDIT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2017**

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





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Shelby Metropolitan Housing Authority, Shelby County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Shelby Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

August 9, 2018

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**SHELBY METROPOLITAN HOUSING AUTHORITY  
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**INDEPENDENT AUDITOR'S REPORT**

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

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Shelby Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Shelby Metropolitan Housing Authority as of December 31, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

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



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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



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

June 22, 2018

**SHELBY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Unaudited)**

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This Management’s Discussion and Analysis (MD&A) for the Shelby Metropolitan Housing Authority (Shelby MHA) is intended to assist the reader identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify and offer a discussion about changes in Shelby Metropolitan Housing Authority’s financial position. It is designed to focus on the financial activity for the fiscal year ended December 31, 2017, resulting changes and currently known facts. Please read it in conjunction with the financial statements found elsewhere in this report.

**Overview of the Financial Statements**

The basic financial statements included elsewhere in this report are:

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

The *Statement of Net Position* is very similar to, and what most people would think of as a Balance Sheet. In the first half it reports the value of assets Shelby Metropolitan Housing Authority holds at December 31, 2017, that is, the cash Shelby Metropolitan Housing Authority has, the amounts that are owed Shelby Metropolitan Housing Authority from others, the value of the equipment Shelby Metropolitan Housing Authority owns and deferred outflow of resources. In the other half of the report it shows the liabilities Shelby Metropolitan Housing Authority has, that is, what Shelby Metropolitan Housing Authority owes others at December 31, 2017, deferred inflow of resources, and what net position (or what is commonly referred to as equity) Shelby Metropolitan Housing Authority has at December 31, 2017. The two parts of the report are in balance, thus why many might refer to this type of report as a Balance Sheet, in that the total of the assets part equals the total of the liabilities plus net position (or equity) part.

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

- Investment in Capital Assets
  - Restricted
  - Unrestricted

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

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

**SHELBY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Unaudited)**

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

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

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

**Shelby Metropolitan Housing Authority Business Type Funds**

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

Shelby Metropolitan Housing Authority’s programs include the following:

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

**SHELBY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Unaudited)**

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

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

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

**Condensed Financial Statements**

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

<b>Table 1 - Condensed Statement of Net Position Compared to Prior Year</b>		
	<u>2017</u>	<u>2016</u>
<b><u>Assets</u></b>		
Current and Other Assets	\$ 276,614	\$ 476,805
Capital Assets	3,742,903	4,089,886
Deferred Outflow of Resources	239,712	182,433
<b>Total Assets and Deferred Outflow</b>	<b><u>\$ 4,259,229</u></b>	<b><u>\$ 4,749,124</u></b>
<b><u>Liabilities</u></b>		
Current Liabilities	\$ 118,209	\$ 124,129
Long-Term Liabilities	672,626	521,087
<b>Total Liabilities</b>	<b><u>790,835</u></b>	<b><u>645,216</u></b>
<b>Deferred Inflow of Resources</b>	<b>11,981</b>	<b>97,399</b>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	3,742,903	4,089,886
Unrestricted	(286,490)	(83,377)
<b>Total Net Assets</b>	<b><u>3,456,413</u></b>	<b><u>4,006,509</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 4,259,229</u></b>	<b><u>\$ 4,749,124</u></b>

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

**SHELBY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Unaudited)**

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Current assets are sharply reduced from the prior year-end (a drop of more than \$200,000 and almost 42 percent). Part of the reason for the drop is in December of 2016, HUD provided \$84,000 in funding for the Section 8 Housing Choice Voucher program for January 2017. HUD did not similarly advance January 2018 funding in December 2017. The drop in current liabilities and deferred inflow of resources is primarily the result of this as well. Otherwise a big reason for the reduction in current assets is operating losses suffered in the Public Housing and Section 8 Housing Choice Voucher programs in the period which is also reflected in the change of unrestricted net position. Changes in incomes and expense will be addressed later in this MD&A.

Capital assets also were sharply reduced from the prior-year, but that is primarily just a reflection of depreciation on existing assets out pacing capital additions in the period. Changes to capital assets also will be addressed later in this MD&A.

Notable increases were also to long-term liabilities and deferred outflow of resources. Reporting of pension liability and related balances in accordance with GASB 68 was the reason why. State law requires employees of Shelby MHA to be members of the Ohio Public Employees Retirement System (OPERS) and requires Shelby MHA to make retirement contributions on behalf of its employees to OPERS. GASB 68 is an accounting standard that requires Shelby MHA to report what is estimated to be its share of the unfunded pension liability of OPERS and related balances. So these changes in GASB 68 balances reflects changes at OPERS and not changes at Shelby MHA. It is important to note the net pension liability which is responsible for almost the entire change in long term liabilities is unlike any other liabilities reported in that it does not represent a debt to be repaid by the agency. Instead it is an indication of how much contributions by contributors to OPERS like Shelby MHA would have to increase for OPERS to fully fund its future pension liabilities.

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**SHELBY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Unaudited)**

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

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

	2017	2016
<b>Revenues</b>		
Tenant Revenues - Rents and Other	\$ 535,211	\$ 490,767
Operating Subsidies and Grants	1,868,372	1,848,361
Investment Income	1,114	626
Other Revenues	11,054	2,986
<b>Total Revenues</b>	<u>2,415,751</u>	<u>2,342,740</u>
<b>Expenses</b>		
Administrative	516,922	474,131
Tenant Services	750	1,500
Utilities	198,788	201,317
Maintenance	685,433	669,936
Protective Services	13,802	12,740
General	126,794	104,672
Housing Assistance Payments	1,036,724	954,503
Depreciation	<u>386,634</u>	<u>382,173</u>
<b>Total Expenses</b>	<u>2,965,847</u>	<u>2,800,972</u>
Net Increase (Decrease)	(550,096)	(458,232)
Beginning Net Position	<u>4,006,509</u>	<u>4,464,741</u>
<b>Ending Net Position</b>	<u>\$ 3,456,413</u>	<u>\$ 4,006,509</u>

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

Overall revenues remained virtually unchanged from the prior period, increasing modestly by a little more than 3 percent. Expenses increased by about double what incomes did, contributing to the reduction in current assets and unrestricted net position referred to in the previous section.

Expenses with notable increases were administrative expenses, general expenses and Housing Assistance Payments (HAP) expense. Increases in the GASB 68 liability discussed in the previous section caused benefits expense to increase which is reflected in the increase in administrative expenses. The increase in general expenses is in large part due to increases in bad debt expense which grew when former residents failed to pay charges assessed when repairs were needed to units vacated. The increase in HAP expense was simply a result of actions of management to more fully utilize funding provided by HUD to make rental assistance payments under Section 8 programs, commonly called HAP payments.

**SHELBY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Unaudited)**

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

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

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**SHELBY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(Unaudited)**

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

**Table 3 - Condensed Statement of Changes in Capital Assets**

	<u>2017</u>	<u>2016</u>
Land and Land Rights	\$ 1,685,579	\$ 1,685,579
Buildings and Improvements	10,832,883	10,821,445
Equipment	380,306	352,093
Accumulated Depreciation	<u>(9,155,865)</u>	<u>(8,769,231)</u>
<b>Total</b>	<u><b>\$ 3,742,903</b></u>	<u><b>\$ 4,089,886</b></u>

The overall change in capital assets in the period (a drop of about \$360,000 or 9 percent) is a reflection that depreciation on existing assets outpaced capital expenditures in the period. The change in capital assets was just about equal to depreciation expense because net capital additions in the period were minimal.

**Debt**

Shelby Metropolitan Housing Authority has no debt at December 31, 2017.

**Economic Factors**

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

**Financial Contact**

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



**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2017**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 124,405
Restricted Cash and Cash Equivalents	40,345
Receivables, Net	18,173
Inventories, Net	57,458
Prepaid Expenses and Other Assets	<u>36,233</u>
<b>Total Current Assets</b>	<b><u>276,614</u></b>

**Noncurrent Assets**

Capital Assets:	
Non-Depreciable Capital Assets	1,685,579
Depreciable Capital Assets, Net	<u>2,057,324</u>
<b>Total Noncurrent Assets</b>	<b><u>3,742,903</u></b>

Deferred Outflow of Resources	<u>239,712</u>
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<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b><u>\$ 4,259,229</u></b>
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**LIABILITIES**

**Current Liabilities**

Accounts Payable	\$ 30,730
Intergovernmental Payables	25,981
Tenant Security Deposits	40,345
Accrued Wages & Payroll Taxes	<u>21,153</u>
<b>Total Current Liabilities</b>	<b><u>118,209</u></b>

**Noncurrent Liabilities**

Accrued Compensated Absences Non-Current	50,192
Net Pension Liability	<u>622,434</u>
<b>Total Noncurrent Liabilities</b>	<b><u>672,626</u></b>
<b>Total Liabilities</b>	<b><u>790,835</u></b>

**DEFERRED INFLOW OF RESOURCES**

Pension	<u>11,981</u>
<b>Total Deferred Inflow of Resources</b>	<b><u>11,981</u></b>

**NET POSITION**

Investment in Capital Assets	3,742,903
Unrestricted	<u>(286,490)</u>
<b>Total Net Position</b>	<b><u>3,456,413</u></b>

<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>	<b><u>\$ 4,259,229</u></b>
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The accompanying notes to the basic financial statements are an integral part of these statements.

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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<b><u>Operating Revenues</u></b>	
Tenant Revenues	\$ 535,211
Government Operating Grants	1,868,372
Other Revenues	<u>11,054</u>
<b>Total Operating Revenues</b>	<b><u>2,414,637</u></b>
<b><u>Operating Expenses</u></b>	
Administrative	516,922
Tenant Services	750
Utilities	198,788
Maintenance	685,433
Protective Services	13,802
General	126,794
Housing Assistance Payments	1,036,724
Depreciation	<u>386,634</u>
<b>Total Operating Expenses</b>	<b><u>2,965,847</u></b>
Operating Income (Loss)	<u>(551,210)</u>
<b><u>Non-Operating Revenues</u></b>	
Interest and Investment Revenue	<u>1,114</u>
<b>Total Non-Operating Revenues</b>	<b><u>1,114</u></b>
 Change in Net Position	 (550,096)
 Total Net Position at Beginning of Year	 <u>4,006,509</u>
 <b>Total Net Position at End of Year</b>	 <b><u>\$ 3,456,413</u></b>

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

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

<b><u>Cash Flows from Operating Activities</u></b>	
Operating Grants Received	\$ 1,788,863
Tenant Revenue Received	535,162
Other Revenue Received	11,054
General and Administrative Expenses Paid	(1,456,869)
Housing Assistance Payments	<u>(1,036,724)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>(158,514)</u></b>
 <b><u>Cash Flow from Capital and Related Activities</u></b>	
Acquisition of Capital Assets	<u>(39,651)</u>
<b>Net Cash Provided (Used) by Capital and Related Activities</b>	<b><u>(39,651)</u></b>
 <b><u>Cash Flows from Investing Activities</u></b>	
Interest Income	<u>1,114</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>1,114</u></b>
 Net Increase (Decrease) in Cash	 (197,051)
 Cash and Cash Equivalents at Beginning of Year	 <u>361,801</u>
 <b>Cash and Cash Equivalents at End of Year</b>	 <b><u>\$ 164,750</u></b>
 <b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u></b>	
Net Operating Income (Loss)	\$ (551,210)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	386,634
(Increase) Decrease in:	
Accounts Receivable	4,761
Prepaid Assets	(1,615)
Inventory	(6)
Deferred Outflow of Resources	(57,279)
Increase (Decrease) in:	
Accounts Payable	(2,652)
Intergovernmental Payable	3,397
Accrued Compensated Absences	5,094
Accrued Expenses Payable	3,716
Tenant Security Deposits	(49)
Unearned Revenue	(84,270)
Net Pension Liability	146,445
Deferred Inflow of Resources	<u>(11,480)</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ (158,514)</u></b>

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

**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

**Organization and Reporting Entity**

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

The nucleus of the financial reporting entity as defined by the Government Accounting Standards Board (GASB) Statement No. 61 is the “primary government”. A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity. The Authority is not a component unit of a larger entity,

**Basis of Presentation**

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

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

The Authority’s basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(CONTINUED)**

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

**Basis of Presentation** (Continued)

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

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

**Measurement Focus/Basis of Accounting**

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

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

**Estimates**

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

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(CONTINUED)**

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

**Cash and Cash Equivalents**

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

**Inventory**

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

**Receivable - Net of Allowance**

Bad debts are provided on the allowance method based on management's evaluation of the collect ability of outstanding tenant receivable balances at the end of the year. The allowance of uncollectible receivable was \$2,000 for tenant receivables and \$2,150 for fraud receivables at December 31, 2017.

**Capital Assets**

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

**Compensated Absences**

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

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(CONTINUED)**

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

**Compensated Absences** (Continued)

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

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

**Investments**

The provisions of the HUD Regulations restrict investments. Investments are stated at fair value. Cost based measures are applied to nonnegotiable certificates of deposit and money market investments. Interest income earned in fiscal year ending December 31, 2017 totaled \$1,114.

**Due From/To Other Programs**

Inter-program receivables and payables of \$20,856 are eliminated on the Statement of Net Position.

**Prepaid Expenses**

Payments made to vendors for services that will be benefit periods beyond December 31, 2017, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

**Pensions**

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

**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)**

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

**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. The deferred outflows of resources related to pension are explained in Note 5.

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. Deferred inflows of resources related to pension are explained in Note 5.

NOTE 2: **DEPOSITS AND INVESTMENTS**

**Deposits**

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

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

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



**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)**

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

At fiscal year end, December 31, 2017, the carrying amount of the Authority's deposits totaled \$164,750 (including \$100 petty cash) and its bank balance was \$227,239. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2017, all deposits were covered by Federal Depository Insurance.

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

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

NOTE 3: **RESTRICTED CASH AND INVESTMENT**

The restricted cash balance as of December 31, 2017 of \$40,345 represents cash on hand for Tenant Security Deposits.

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**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)**

NOTE 4: **CAPITAL ASSETS**

The following is a summary of changes:

	<u>Balance</u> <u>12/31/16</u>	<u>Reclasses</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/17</u>
<b><i>Capital Assets Not Being Depreciated:</i></b>					
Land	\$ 1,685,579	\$ 0	\$ 0	\$ 0	\$ 1,685,579
<b><i>Total Capital Assets Not Being Depreciated</i></b>	<u>1,685,579</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,685,579</u>
<b><i>Capital Assets Being Depreciated:</i></b>					
Buildings and Improve.	10,821,445	0	11,438	0	10,832,883
Furniture, Machinery, and Equipment	<u>352,093</u>	<u>0</u>	<u>28,213</u>	<u>0</u>	<u>380,306</u>
<b><i>Total Capital Assets Being Depreciated</i></b>	<u>11,173,538</u>	<u>0</u>	<u>39,651</u>	<u>0</u>	<u>11,213,189</u>
<b><i>Accumulated Depreciation:</i></b>					
Buildings & Improve.	(8,449,823)	0	(370,677)	0	(8,820,500)
Furniture, Machinery, and Equipment	<u>(319,408)</u>	<u>0</u>	<u>(15,957)</u>	<u>0</u>	<u>(335,365)</u>
<b><i>Total Accumulated Depreciation</i></b>	<u>(8,769,231)</u>	<u>0</u>	<u>(386,634)</u>	<u>0</u>	<u>(9,155,865)</u>
<b><i>Total Capital Assets Being Depreciated, Net</i></b>	<u>2,404,307</u>	<u>0</u>	<u>(346,983)</u>	<u>0</u>	<u>2,057,324</u>
<b>Total Capital Assets, Net</b>	<u>\$ 4,089,886</u>	<u>\$ 0</u>	<u>\$ (346,983)</u>	<u>\$ 0</u>	<u>\$ 3,742,903</u>

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**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(CONTINUED)**

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NOTE 5: **DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

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

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

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

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

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

**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)**

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

***Plan Description - Ohio Public Employees Retirement System (OPERS)***

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

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

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

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
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
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)**

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

*Plan Description - Ohio Public Employees Retirement System (OPERS)* (Continued)

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

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

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

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

	<u>State and Local</u>
<b>2017 Statutory Maximum Contribution Rates:</b>	
Employer	14.0%
Employee	10.0%
 <b>2017 Actual Contribution Rates:</b>	
Employer:	
Pension	13.0%
Post-employment Health Care Benefits	<u>1.0%</u>
Total Employer	<u><u>14.0%</u></u>
Employee	<u><u>10.0%</u></u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority’s contractually required contribution was \$47,449 for 2017.

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(CONTINUED)**

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

*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, 2016, 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
Proportionate Share of the Net Share Pension Liability/(Asset)	
Prior Measurement Date	0.002748%
Proportion of the Net Pension Liability/Asset	
Current Measurement Date	0.002741%
Change in Proportionate Share	-0.000007%
Proportionate share of the Net Pension Liability/(Asset)	\$ 622,434
Pension Expense	\$ 132,144

At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)**

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)

	<u>OPERS Traditional Pension Plan</u>
<b>Deferred Outflows of Resources</b>	
Net difference between projected and actual earnings on pension plan investments	\$92,694
Changes of assumptions	98,725
Differences between expected and actual experience	844
Changes in proportion and differences between Agency contributions and proportionate share of contributions	0
Agency contributions subsequent to the measurement date	<u>47,449</u>
Total Deferred Outflows of Resources	<u><u>\$239,712</u></u>
<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	\$3,705
Changes in proportion and differences between Agency contributions and proportionate share of contributions	<u>8,276</u>
Total Deferred Inflows of Resources	<u><u>\$11,981</u></u>

\$47,449 reported as deferred outflows of resources related to pension resulting from Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)**

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)

Year Ending March 31:	<u>OPERS Traditional Pension Plan</u>
2018	\$70,912
2019	79,159
2020	32,929
2021	(2,718)
2022	0
Thereafter	<u>0</u>
<b>Total</b>	<b><u>\$180,282</u></b>

***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, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

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



**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(CONTINUED)**

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

*Actuarial Assumptions - OPERS* (Continued)

Mortality rates were based on the RP-2014 Health Annuitant Mortality table. For males, Health Annuitant Mortality tables were used, adjusted for mortality improvement back to the observant period base of 2006 and then established the base year as 2015. For females, Health Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. 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.

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

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)**

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 table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
<b>Total</b>	<b>100.00 %</b>	<b>5.66 %</b>

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

**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)**

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

*Actuarial Assumptions - OPERS* (Continued)

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension liability	\$950,908	\$622,434	\$348,710

NOTE 6: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description**

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

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**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(CONTINUED)**

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NOTE 6: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description** (Continued)

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

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

B. **Funding Policy**

The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. 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 the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)**

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

B. **Funding Policy** (Continued)

Each year the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.0 percent. The portion of actual Authority contributions for the fiscal years ending December 31, 2017, 2016, and 2015, which were used by OPERS to fund post-employment benefits were \$3,650, \$7,087 and \$6,839, respectively.

NOTE 7: **COMPENSATED ABSENCES**

Vacation and sick leave policies are established by the Board of the Authority and are based on local and state laws. All permanent employees will earn 4.6 hours of sick leave per eighty (80) hours of service. Unused sick leave may accumulate without limit. At the time of retirement, employees shall be paid the value of twenty-five (25) percent of unused sick leave subject to a maximum payment equal to sixty (60) days of sick leave. All permanent employees will earn vacation hours accumulated based on length of service. Employees will be paid for all unused vacation time upon their separation from service.

NOTE 8: **SUMMARY OF CHANGES IN LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended December 31, 2017:

	Balance <u>01/01/2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2017</u>	Current Portion
Net Pension Liability	\$ 475,989	\$ 146,445	\$ 0	\$ 622,434	\$ 0
Compensated Absences Liability	<u>45,098</u>	<u>39,924</u>	<u>(34,830)</u>	<u>50,192</u>	<u>0</u>
Total	<u>\$ 521,087</u>	<u>\$ 186,369</u>	<u>\$ (34,830)</u>	<u>\$ 672,626</u>	<u>\$ 0</u>

**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)**

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NOTE 9: **CONTINGENCIES**

**Grants**

The Authority received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at December 31, 2017.

NOTE 10: **RISK MANAGEMENT**

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

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

Traditional Plan	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.002741%	0.002748%	0.002851%	0.002851%
Authority's Proportionate Share of the Net Pension Liability	\$622,434	\$475,989	\$343,862	\$336,096
Authority's Covered-Employee Payroll	\$354,350	\$341,959	\$349,533	\$346,238
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	175.66%	139.19%	98.38%	97.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) - Information prior to 2014 is not available.

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

**SHELBY METROPOLITAN HOUSING AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST FIVE FISCAL YEARS (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$47,449	\$42,522	\$41,035	\$41,944	\$45,011
Contributions in Relation to the Contractually Required Contribution	<u>(\$47,449)</u>	<u>(\$42,522)</u>	<u>(\$41,035)</u>	<u>(\$41,944)</u>	<u>(\$45,011)</u>
Contribution Deficiency / (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Authority's Covered-Employee Payroll	\$364,992	\$354,350	\$341,958	\$349,533	
Pension Contributions as a Percentage of Covered-Employee Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

(1) – Information prior to 2013 is not available.



**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017.

*Changes in assumptions:* There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 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.

**SHELBY METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL SCHEDULE  
ENTITY WIDE BALANCE SHEET SUMMARY  
DECEMBER 31, 2017**

	Project Total	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	47,019	-	65,789	11,597	124,405	-	124,405
114 Cash - Tenant Security Deposits	40,345	-	-	-	40,345	-	40,345
<b>100 Total Cash</b>	<b>87,364</b>	<b>-</b>	<b>65,789</b>	<b>11,597</b>	<b>164,750</b>	<b>-</b>	<b>164,750</b>
122 Accounts Receivable - HUD Other Projects	7,120	-	-	-	7,120	-	7,120
125 Accounts Receivable - Miscellaneous	2,832	-	-	-	2,832	-	2,832
126 Accounts Receivable - Tenants	2,371	-	-	-	2,371	-	2,371
126.1 Allowance for Doubtful Accounts - Tenants	-1,000	-	-	-	-1,000	-	-1,000
126.2 Allowance for Doubtful Accounts - Other	-1,000	-	-	-	-1,000	-	-1,000
128 Fraud Recovery	-	-	10,000	-	10,000	-	10,000
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-2,150	-	-2,150	-	-2,150
<b>120 Total Receivables, Net of Allowances for Doubtful Accounts</b>	<b>10,323</b>	<b>-</b>	<b>7,850</b>	<b>-</b>	<b>18,173</b>	<b>-</b>	<b>18,173</b>
142 Prepaid Expenses and Other Assets	36,233	-	-	-	36,233	-	36,233
143 Inventories	57,458	-	-	-	57,458	-	57,458
144 Inter Program Due From	20,856	-	-	-	20,856	-20,856	-
<b>150 Total Current Assets</b>	<b>212,234</b>	<b>-</b>	<b>73,639</b>	<b>11,597</b>	<b>297,470</b>	<b>-20,856</b>	<b>276,614</b>
161 Land	1,685,579	-	-	-	1,685,579	-	1,685,579
162 Buildings	10,832,883	-	-	-	10,832,883	-	10,832,883
163 Furniture, Equipment & Machinery - Dwellings	73,068	-	-	-	73,068	-	73,068
164 Furniture, Equipment & Machinery - Administration	292,921	-	14,317	-	307,238	-	307,238
166 Accumulated Depreciation	-9,141,548	-	-14,317	-	-9,155,865	-	-9,155,865
<b>160 Total Capital Assets, Net of Accumulated Depreciation</b>	<b>3,742,903</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,742,903</b>	<b>-</b>	<b>3,742,903</b>
<b>180 Total Non-Current Assets</b>	<b>3,742,903</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,742,903</b>	<b>-</b>	<b>3,742,903</b>
200 Deferred Outflow of Resources	193,628	-	46,084	-	239,712	-	239,712
<b>290 Total Assets and Deferred Outflow of Resources</b>	<b>4,148,765</b>	<b>-</b>	<b>119,723</b>	<b>11,597</b>	<b>4,280,085</b>	<b>-20,856</b>	<b>4,259,229</b>
312 Accounts Payable <= 90 Days	30,730	-	-	-	30,730	-	30,730

**SHELBY METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL SCHEDULE  
ENTITY WIDE BALANCE SHEET SUMMARY  
DECEMBER 31, 2017**

	Project Total	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
321 Accrued Wage/Payroll Taxes Payable	19,350	-	1,803	-	21,153	-	21,153
333 Accounts Payable - Other Government	25,981	-	-	-	25,981	-	25,981
341 Tenant Security Deposits	40,345	-	-	-	40,345	-	40,345
347 Inter Program - Due To	-	-	20,856	-	20,856	-20,856	-
<b>310 Total Current Liabilities</b>	<b>116,406</b>	<b>-</b>	<b>22,659</b>	<b>-</b>	<b>139,065</b>	<b>-20,856</b>	<b>118,209</b>
354 Accrued Compensated Absences - Non Current	39,739	-	10,453	-	50,192	-	50,192
357 Accrued Pension and OPEB Liabilities	502,774	-	119,660	-	622,434	-	622,434
<b>350 Total Non-Current Liabilities</b>	<b>542,513</b>	<b>-</b>	<b>130,113</b>	<b>-</b>	<b>672,626</b>	<b>-</b>	<b>672,626</b>
<b>300 Total Liabilities</b>	<b>658,919</b>	<b>-</b>	<b>152,772</b>	<b>-</b>	<b>811,691</b>	<b>-20,856</b>	<b>790,835</b>
400 Deferred Inflow of Resources	9,678	-	2,303	-	11,981	-	11,981
508.4 Net Investment in Capital Assets	3,742,903	-	-	-	3,742,903	-	3,742,903
511.4 Restricted Net Position	-	-	-	-	-	-	-
512.4 Unrestricted Net Position	-262,735	-	-35,352	11,597	-286,490	-	-286,490
<b>513 Total Equity - Net Assets / Position</b>	<b>3,480,168</b>	<b>-</b>	<b>-35,352</b>	<b>11,597</b>	<b>3,456,413</b>	<b>-</b>	<b>3,456,413</b>
<b>600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net</b>	<b>4,148,765</b>	<b>-</b>	<b>119,723</b>	<b>11,597</b>	<b>4,280,085</b>	<b>-20,856</b>	<b>4,259,229</b>

**SHELBY METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL SCHEDULE  
ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

	Project Total	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	455,091	-	-	-	455,091	-	455,091
70400 Tenant Revenue - Other	80,120	-	-	-	80,120	-	80,120
<b>70500 Total Tenant Revenue</b>	<b>535,211</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>535,211</b>	<b>-</b>	<b>535,211</b>
70600 HUD PHA Operating Grants	718,849	108,153	1,041,370	-	1,868,372	-	1,868,372
71100 Investment Income - Unrestricted	1,114	-	-	-	1,114	-	1,114
71400 Fraud Recovery	-	-	3,310	-	3,310	-	3,310
71500 Other Revenue	-365	-	8,109	-	7,744	-	7,744
<b>70000 Total Revenue</b>	<b>1,254,809</b>	<b>108,153</b>	<b>1,052,789</b>	<b>-</b>	<b>2,415,751</b>	<b>-</b>	<b>2,415,751</b>
91100 Administrative Salaries	182,529	-	71,377	-	253,906	-	253,906
91200 Auditing Fees	7,019	-	1,485	-	8,504	-	8,504
91500 Employee Benefit contributions - Administrative	130,817	-	48,162	-	178,979	-	178,979
91600 Office Expenses	39,389	-	10,699	-	50,088	-	50,088
91700 Legal Expense	4,586	-	-	-	4,586	-	4,586
91800 Travel	5,281	-	1,513	-	6,794	-	6,794
91900 Other	1,811	-	12,254	-	14,065	-	14,065
<b>91000 Total Operating - Administrative</b>	<b>371,432</b>	<b>-</b>	<b>145,490</b>	<b>-</b>	<b>516,922</b>	<b>-</b>	<b>516,922</b>
92400 Tenant Services - Other	750	-	-	-	750	-	750
<b>92500 Total Tenant Services</b>	<b>750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>750</b>	<b>-</b>	<b>750</b>
93100 Water	49,137	-	-	-	49,137	-	49,137
93200 Electricity	75,297	-	-	-	75,297	-	75,297
93300 Gas	32,361	-	-	-	32,361	-	32,361
93600 Sewer	41,993	-	-	-	41,993	-	41,993
<b>93000 Total Utilities</b>	<b>198,788</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>198,788</b>	<b>-</b>	<b>198,788</b>
94100 Ordinary Maintenance and Operations - Labor	100,660	-	-	-	100,660	-	100,660
94200 Ordinary Maintenance and Operations - Materials and Other	64,212	-	-	-	64,212	-	64,212
94300 Ordinary Maintenance and Operations Contracts	252,006	-	-	-	252,006	-	252,006
94500 Employee Benefit Contributions - Ordinary Maintenance	72,142	-	-	-	72,142	-	72,142

**SHELBY METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL SCHEDULE  
ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

	Project Total	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
<b>94000 Total Maintenance</b>	489,020	-	-	-	489,020	-	489,020
95200 Protective Services - Other Contract Costs	13,802	-	-	-	13,802	-	13,802
<b>95000 Total Protective Services</b>	13,802	-	-	-	13,802	-	13,802
96110 Property Insurance	33,409	-	-	-	33,409	-	33,409
96120 Liability Insurance	-	-	6,628	-	6,628	-	6,628
<b>96100 Total insurance Premiums</b>	33,409	-	6,628	-	40,037	-	40,037
96200 Other General Expenses	811	-	-	-	811	-	811
96210 Compensated Absences	4,335	-	759	-	5,094	-	5,094
96300 Payments in Lieu of Taxes	25,981	-	-	-	25,981	-	25,981
96400 Bad debt - Tenant Rents	54,871	-	-	-	54,871	-	54,871
<b>96000 Total Other General Expenses</b>	85,998	-	759	-	86,757	-	86,757
<b>96900 Total Operating Expenses</b>	1,193,199	-	152,877	-	1,346,076	-	1,346,076
<b>97000 Excess of Operating Revenue over Operating Expenses</b>	61,610	108,153	899,912	-	1,069,675	-	1,069,675
97100 Extraordinary Maintenance	196,413	-	-	-	196,413	-	196,413
97300 Housing Assistance Payments	-	108,153	921,194	-	1,029,347	-	1,029,347
97350 HAP Portability-In	-	-	7,377	-	7,377	-	7,377
97400 Depreciation Expense	386,634	-	-	-	386,634	-	386,634
<b>90000 Total Expenses</b>	1,776,246	108,153	1,081,448	-	2,965,847	-	2,965,847
10010 Operating Transfer In	98,863	-	-	-	98,863	-98,863	-
10020 Operating transfer Out	-98,863	-	-	-	-98,863	98,863	-
<b>10100 Total Other financing Sources (Uses)</b>	-	-	-	-	-	-	-
<b>10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	-521,437	-	-28,659	-	-550,096	-	-550,096
11030 Beginning Equity	4,001,605	-	-6,693	11,597	4,006,509	-	4,006,509

**SHELBY METROPOLITAN HOUSING AUTHORITY  
 SUPPLEMENTAL FINANCIAL SCHEDULE  
 ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

	Project Total	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
11170 Administrative Fee Equity	-	-	-29,114	-	-29,114	-	-29,114
11180 Housing Assistance Payments Equity	-	-	-6,238	-	-6,238	-	-6,238
11190 Unit Months Available	2,100	337	2,760	-	5,197	-	5,197
11210 Number of Unit Months Leased	2,075	337	2,760	-	5,172	-	5,172

**SHELBY METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF MODERNIZATION COST - COMPLETED  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017**

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**Annual Contributions Contract C-5031**

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

<u>OH16P061501-13</u>	
Funds Approved	\$ 197,287
Funds Expended	<u>197,287</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 197,287
Funds Expended	<u>197,287</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>
<u>OH16P061501-14</u>	
Funds Approved	\$ 199,072
Funds Expended	<u>199,072</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 199,072
Funds Expended	<u>199,072</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program has been completed.
3. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

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**SHELBY METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
<i>Direct Programs:</i>		
<u>Public Housing Programs</u>		
Low Rent Public Housing Program	14.850	\$ 423,573
Capital Fund Program	14.872	<u>295,276</u>
Total Public Housing Program		<u>718,849</u>
<u>Housing Choice Voucher Program Cluster</u>		
Section 8 Housing Choice Voucher Program	14.871	<u>1,041,370</u>
Total Housing Choice Voucher Program Cluster		<u>1,041,370</u>
<b>Total Direct U.S. Department of Housing and Urban Development</b>		<u>1,760,219</u>
<i>Passed through from City of Sidney, Ohio:</i>		
Community Development Block Grants/State's Program	14.228	<u>108,153</u>
<b>Total Passed Through Awards</b>		<u>108,153</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>1,868,372</u>
<b>Total Federal Awards</b>		<u>\$ 1,868,372</u>

Note - This Schedule is prepared on the accrual basis of accounting.

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**SHELBY COUNTY, OHIO**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

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**NOTE 1: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Shelby Metropolitan Housing Authority under programs of the Federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Shelby Metropolitan Housing Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of Shelby Metropolitan Housing Authority.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 3: INDIRECT COST RATE**

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

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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

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

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Shelby Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 22, 2018.

***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

### ***Purpose of This Report***

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



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

June 22, 2018

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE**

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

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

***Report on Compliance for Each Major Federal Program***

We have audited the Shelby Metropolitan Housing Authority, Ohio's (the Authority) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2017. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, the Shelby Metropolitan Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

### ***Report on Internal Control over Compliance***

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

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

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

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



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

June 22, 2018

**SHELBY METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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**1. SUMMARY OF AUDITOR'S RESULTS**

2017(i)	Type of Financial Statement Opinion	Unmodified
2017(ii)	Were there any material control weaknesses reported at the financial statement level? (GAGAS)?	No
2017(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2017(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2017(iv)	Were there any material internal control weaknesses reported for major Federal programs?	No
2017(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2017(v)	Type of Major Programs' Compliance Opinion	Unmodified
2017(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2017(vii)	Major Programs (list):  Housing Choice Vouchers - CFDA #14.871	
2017(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$750,000 Type B: all others
2017(ix)	Low Risk Auditee?	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**SHELBY METROPOLITAN HOUSING AUTHORITY  
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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The audit report for the prior year ended December 31, 2016 contained no findings or citations.





# Dave Yost • Auditor of State

**SHELBY COUNTY METROPOLITAN HOUSING AUTHORITY**

**SHELBY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 21, 2018**