Sandusky Metropolitan Housing Authority

Financial Statements

For the Year Ended June 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

Board of Commissioners
Sandusky County Metropolitan Housing Authority
1358 Mosser Drive
Freemont, Ohio 43420

We have reviewed the *Independent Auditor's Report* of the Sandusky County Metropolitan Housing Authority, Sandusky County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

January 23, 2019

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SANDUSKY METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Sandusky Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Sandusky Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 entity'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 entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Sandusky Metropolitan Housing Authority as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension". I did not modify my opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of Net Pension and Postemployment Benefit Liabilities and pension and postemployment benefit contributions, as listed in the table of contents, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sandusky Metropolitan Housing Authority, Ohio's basic financial statements. The accompanying financial data schedule ("FDS") is not required part of the basic financial statements. The Schedule of Expenditure 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 financial statements.

The financial data schedule (FDS) is presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is the responsibility of management and was 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 my opinion, the Schedule of Expenditure of Federal Awards and the financial data schedule ("FDS") 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*, I have also issued my report dated December 28, 2018, on my consideration of the Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 Entity's internal control over financial reporting and compliance.

Salvatore Consiglio

Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
December 28, 2018

Unaudited

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

Since the MD&A is designed to focus of the 2018 year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statement.

FINANCIAL HIGHLIGHTS

- The Authority's total net position decreased by $64,236 (or 3.21 percent) during fiscal year ended 2018. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net Position was $1,937,393 and $2,001,629 for 2018 and 2017 respectively.

- The business-type activities revenue increased by $86,991 (or 6.33 percent) during fiscal year ended 2018. The amounts were $1,461,727 and $1,374,736 for 2018 and 2017 respectively.

- The total expenses of all Authority programs increased by $125,183 (or 8.94 percent). Total expenses were $1,525,963 and $1,400,780 for fiscal year ended 2018 and 2017 respectively.

USING THE ANNUAL REPORT

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

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to be corporate-like in that all business-type programs are consolidated into one single enterprise fund for the Authority.

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

Unaudited

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

> <u>Investment in Capital Assets</u>: This component of Net Position consists of all Capital Assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Authority does not have outstanding debt related to capital assets as of June 30, 2018.
>
> <u>Restricted</u>: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.
>
> <u>Unrestricted</u>: Consists of Net Position that do not meet the definition of "Investment in Capital Assets," or "Restricted." This account resembles the old operating reserves account.

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

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

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

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

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

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

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

New GASB 75 Reporting

The net pension liability (NPL) is the largest single liability reported by the Authority at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the Authority adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OBEP liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service

2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the Authority is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2018, from $2,045,323 to $2,001,629.

Unaudited

AUTHORITY STATEMENTS

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

TABLE 1
STATEMENT OF NET POSITION

	2018	Restated 2017
Current and Other Assets	$ 367,403	$ 378,117
Capital Assets	1,842,405	1,878,900
Deferred Outflows of Resources	35,601	21,506
Total Assets and Deferred Outflows of Resources	$ 2,245,409	$ 2,278,523
Current Liabilities	$ 63,685	$ 59,756
Long-Term Liabilities	215,629	180,681
Deferred Inflows of Resources	28,702	36,457
Total Liabilities and Deferred Inflows of Resources	308,016	276,894
Net Position:		
Net Investment in Capital Assets	1,700,178	1,766,355
Restricted Net Position	19,921	5,736
Unrestricted Net Position	217,294	229,538
Total Net Position	1,937,393	2,001,629
Total Liabilities, Deferred Inflows and Net Position	$ 2,245,409	$ 2,278,523

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

Major Factors Affecting the Statement of Net Position

During 2018, current and other assets decreased by $10,714 and current liabilities increased by $3,929. The increase in current assets is mainly due to the change in cash and accounts receivable due to the result of current activities. The decrease in liability is due to the year-end vendor invoices being paid during the fiscal year.

Capital assets also changed, decreasing from $1,878,900to $1,842,405. The $36,495 decrease may be contributed primarily to a combination of total acquisitions of $97,063 less current year depreciation of $133,558.

Unaudited

The following table presents details on the change in Net Position.

TABLE 2

CHANGE OF NET POSITION

	Unrestricted	Net Investment in Capital Assets	Restricted
Beginning Balance - Restated	$229,538	$1,766,355	$5,736
Results of Operation	(78,421)	0	14,185
Adjustments:			
Current year Depreciation Expense (1)	133,558	(133,558)	0
Capital Expenditure (2)	(97,063)	97,063	0
Retirement of Debt	(20,318)	20,318	0
New Debt Issued	50,000	(50,000)	0
Ending Balance	$217,294	$1,700,178	$19,921

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

(2) Capital expenditures represent an outflow of unrestricted net position, but are not treated as an expense against Results of Operations, and therefore must be deducted.

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

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

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TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2018	Restated 2017
Revenues		
Total Tenant Revenues	$ 125,068	$ 111,167
Operating Subsidies	1,239,987	1,210,276
Capital Grants	51,760	21,601
Investment Income	212	181
Other Revenues	44,700	31,511
Total Revenues	**1,461,727**	**1,374,736**
Expenses		
Administrative	170,137	179,503
Utilities	15,859	14,669
Maintenance	265,958	141,995
General and Interest	44,606	27,211
Housing Assistance Payments	895,845	900,009
Depreciation	133,558	137,393
Total Expenses	**1,525,963**	**1,400,780**
Net Increases (Decreases)	**$ (64,236)**	**$ (26,044)**

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

Operating Subsidy reflects an increase of $29,711 or 2.45%. The increase in operating subsidy is mainly due to transfer from CFP Grants for operation. Capital grants increased by $30,159 due to capital funded activities during the year. Total tenant revenue increased by $13,901 (or 12.50 %). The increase in tenant revenue was primarily due to increase in tenant rents and units leased.

Total expenses increased $125,183 due to increase in maintenance expenses and net effect of GASB 68 and 75.

CAPITAL ASSETS

As of year-end, the Authority had $1,842,405 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of $36,495 or 1.94%

Unaudited

from the end of 2017. This decrease was due to depreciation expense net of current year capital additions.

TABLE 4

CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	2018	2017
Land	$ 706,852	$ 604,764
Building and Improvement	4,382,453	4,390,068
Equipment	403,276	401,696
Accumulated Depreciation	(3,650,176)	(3,517,628)
Total	$ 1,842,405	$ 1,878,900

The following reconciliation identifies the change in Capital Assets:

TABLE 5

CHANGE IN CAPITAL ASSETS

Beginning Balance	$ 1,878,900
Current year Additions	97,063
Current year Depreciation Expense	(133,558)
Ending Balance	$ 1,842,405

Current year Additions are summarized as follows:	
Roof replacement	$ 70,193
Capital improvements	19,780
Security cameras	4,500
Office equipment	1,685
Refrigerator	905
Total Current Year Additions	$ 97,063

Unaudited

DEBT OUTSTANDING

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

Beginning Balance	$	112,545
Current Year Debt Issued		50,000
Current Year Debt Retired		(20,318)
Ending Balance	$	142,227

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

The individual to be contacted regarding this report is Ralph Chamberlain, Executive Director, Sandusky Metropolitan Housing Authority, (419) 334-4426.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
Statement of Net Position
June 30, 2018

ASSETS		
Current assets		
Cash and cash equivalents	$	301,794
Restricted cash and cash equivalents		36,971
Receivables, net		9,382
Prepaid expenses and other assets		9,682
Inventory		9,574
Total current assets		**367,403**
Noncurrent assets		
Capital assets:		
Non-Depreciable capital assets		706,852
Depreciable capital assets, net		1,135,553
Total capital assets		1,842,405
Total noncurrent assets		**1,842,405**
Total assets	***$***	***2,209,808***
Deferred Outflows of Resources		
Pension	$	32,085
OPEB		3,516
Total Deferred Outflows of Resources	***$***	***35,601***
LIABILITIES		
Current liabilities		
Accounts payable	$	24,807
Accrued liabilities		591
Tenant security deposits		17,050
Other current liabilities		3,823
Long-Term Debt - Current Portion		17,414
Total current liabilities		**63,685**
Noncurrent liabilities		
Long-Term Debt - Noncurrent Portion		124,813
Accrued Compensated Absences		2,090
Net Pension Liability		40,945
Net OPEB Liability		47,781
Total noncurrent liabilities		**215,629**
Total liabilities	***$***	***279,314***

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
Statement of Net Position (Continued)
June 30, 2018

Deferred Inflows of Resources		
Pension	$	25,143
OPEB		3,559
Total Deferred Inflows of Resources	***$***	***28,702***
NET POSITION		
Net Invested in capital assets	$	1,700,178
Restricted net position		19,921
Unrestricted net position		217,294
Total net position	***$***	***1,937,393***

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2018

OPERATING REVENUES		
Tenant revenue	$	125,068
Government operating grants		1,239,987
Other revenue		44,700
Total operating revenues		**1,409,755**
OPERATING EXPENSES		
Administrative		170,137
Utilities		15,859
Maintenance		265,958
General and insurance		35,131
Housing assistance payment		895,845
Depreciation		133,558
Total operating expenses		***1,516,488***
Operating income (loss)		**(106,733)**
NONOPERATING REVENUES (EXPENSES)		
Capital grant revenue		51,760
Interest income		212
Interest expense		(9,475)
Total nonoperating revenues (expenses)		***42,497***
Change in net position		(64,236)
Beginning net position - Restated		2,001,629
Total net position - ending	**$**	**1,937,393**

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating grants received	$1,239,987
Receipts from tenants	119,322
Other revenue received	44,700
Cash payments for administrative	(498,382)
Cash payments for HAP	(895,845)
Net cash provided (used) by operating activities	**9,782**
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	212
Net cash provided (used) by investing activities	**212**
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Debt proceeds	50,000
Capital grant received	51,760
Capital purchases	(97,063)
Interest payment	(9,475)
Retirement of debt	(20,318)
Net cash provided (used) by capital and related activities	**(25,096)**
Net increase (decrease) in cash	(15,102)
Cash and cash equivalents - Beginning of year	353,867
Cash and cash equivalents - End of year	**$ 338,765**

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2018

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income (Loss)	$	(106,733)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities		
- Depreciation		133,558
- (Increases) Decreases in Accounts Receivable		(5,746)
- (Increases) Decreases in Prepaid Assets		2,033
- (Increases) Decreases in Inventory		(675)
- (Increases) Decreases in Other Assets		0
- (Increases) Decreases in Deferred Outflows		(14,095)
- Increases (Decreases) in Accounts Payable		7,075
- Increases (Decreases) in Accured Liabilities		(597)
- Increases (Decreases) in Tenant Security Deposit		(3,467)
- Increases (Decreases) in Other Current Liabilities		627
- Increases (Decreases) in Pension Liability		4,774
- Increases (Decreases) in Deferred Inflows		(7,755)
- Increases (Decreases) in Non-Current Liabilities Other		783
Net cash provided (used) by operating activities	**$**	**9,782**

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

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

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 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. This criterion was considered in determining the reporting entity. The Authority is a political subdivision with no component units.

Basis of Presentation

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

Property and Equipment

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

Useful life of property and equipment is as follows:

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

Depreciation is recorded on the straight-line method. Total depreciation expense for the 2018 fiscal year was $133,558.

Cash and Cash Equivalents

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

Investments

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

Restricted Net Position

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

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position includes the Housing Choice Voucher Program HAP Equity. That is funding provided to the Agency by HUD for the purpose of making rental assistance payments on behalf of program participants that has yet to be expended and was $19,921 at June 30, 2018.

Pensions/Other Postemployment Benefits (OPEB)

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

Deferred inflow/outflow of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Authority, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Note 7 and 8.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources include pension and OPEB. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. The deferred inflows of resources related to pension and OPEB are explained in Note 7 and 8.

Use of Estimates

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

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

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

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

NOTE 2: DEPOSITS AND INVESTMENTS

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

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

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

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

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

At June 30, 2018, the Authority had undeposited cash on hand (petty cash) of $120.

At June 30, 2018, the carrying amount of the Authority's cash deposits was $338,765 and the bank balance was $418,714. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2018, deposits totaling $250,000 were covered by Federal Depository Insurance, while the $168,714 was collateralized by securities pledged in the name of the Authority.

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

Investments

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

The Authority has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At June 30, 2018 the Authority has no investments.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Foreign Currency Risk

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

Restricted Cash

Restricted cash is composed of the following restricted:

- Tenant Security Deposits	$17,050
- Housing Assistance Payments received in advance	19,921
Total Restricted Cash	$36,971

NOTE 3: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

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

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

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2018:

Net Position – June 30, 2018	$2,045,323
Adjustments:	
- Net OPEB Liability	(44,441)
- Deferred Outflows – Payment subsequent to measurement date	747
Restated Net Position – June 30, 2018	$2,001,629

NOTE 4: **CAPITAL ASSETS**

A summary of capital assets at June 30, 2018, by class is as follows:

Land	$ 706,852
Building and Building Improvements	4,382,453
Furniture, Equipment - Dwelling	80,739
Furniture, Equipment - Administration	322,537
Total	5,492,581
Less Accumulated Depreciation	(3,650,176)
Net Property and Equipment	$ 1,842,405

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

	Balance 06/30/17	Additions	Adjustment	Balance 06/30/18
Capital Assets Not Being Depreciated:				
Land	$604,764	$0	$102,088	$706,852
Total Capital Assets Not Being Depreciated	**604,764**	**0**	**102,088**	**706,852**
Capital Assets Being Depreciated:				
Buildings and Improvement	4,390,068	94,473	(102,088)	4,382,453
Dwelling Equipment	81,341	408	(1,010)	80,739
Administration Equipment	320,355	2,182	0	322,537
Total Capital Assets Being Depreciated	**4,791,764**	**97,063**	**(103,098)**	**4,785,729**
Accumulated Depreciation:				
Buildings and Improvement	(3,119,919)	(131,774)	0	(3,251,693)
Furnt, Mach. and Equip.	(397,709)	(1,784)	1,010	(398,483)
Total Accumulated Depreciation	**(3,517,628)**	**(133,558)**	**1,010**	**(3,650,176)**
Total Capital Assets Being Depreciated, Net	**1,274,136**	**(36,495)**	**(102,088)**	**1,135,553**
Total Capital Assets, Net	**$1,878,900**	**($36,495)**	**$0**	**$1,842,405**

NOTE 5: **LONG-TERM LIABILITIES**

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

	Balance 06/30/17	Additions	Deletions	Balance 06/30/18	Due Within One Year
Mortgage Payable	$112,545	$50,000	($20,318)	$142,227	$17,414
Net Pension Liability	39,511	1,434	0	40,945	0
Net OPEB Liability	44,441	3,340	0	47,781	0
Compensated Absence Liability	1,743	938	0	2,681	591
Total Long-Term Liabilities	$198,240	$55,712	($20,318)	$233,634	$18,005

Mortgages payable consist of the following:

The Authority has a note payable to the Croghan Colonial Bank of Fremont. The original principal of the loan was $123,500 and the current rate is 6.15 percent annually. Principal and interest payments, currently $430.06 began in October 2002 with the final payment due on July, 2032. The loan is secured by an open-end mortgage on real estate property located at 562 Crestwood, Fremont, Ohio.	$48,491
The Authority has a note payable to the Croghan Colonial Bank of Fremont, at a current rate of 4.75 percent annually. Principal and interest payments of $648.67 began in January, 2004 with the final payment due on December, 2023. The loan is secured by an open-end mortgage on real estate located at 1407 Rosewood Street, Fremont, Ohio 43420.	37,619
The Authority entered into a $50,000 note payable with Croghan Colonial Bank of Fremont to finance the cost of repairs to roof, windows and other water damage to property located at 728 Nickel Street. Principal and interest payments of $544 began in August, 2017. The term of the loan is 5.49% interest rate due over 10-year period. The loan is secured by an open-end mortgage on real estate located at 728 Nickel Street, Fremont, Ohio 43420.	46,805
The PHA has entered into contractual agreements with the Ohio Department of Development Disabilities through which the agency received funds for the acquisition and/or renovation of properties. Upon receipt of the funding, the Agency is restricted to using the property as a residential facility for DODD clients for 15 years. In the event the Agency complies with this restriction, the amount of the loan is amortized at 0 percent interest by 1/180th for each month of each agreement. The only remaining debt balance is for the property located at 408 Pennsylvania Ave.	9,312
Total Debt	$142,227

NOTE 6: ALLOCATION OF COSTS

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

NOTE 7: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position.

The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

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 the accrual basis of accounting.

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 combined plan, substantially all employees are in the OPERS' traditional plan; therefore the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual costs-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 OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222-7377.

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

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

Final Average Salary (FAS) represents the average of the three highest years of earnings over a members' 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:

	State and Local
2018 Statutory Maximum Contribution Rates:	
Employer	14.0%
Employee	10.0%
2018 Actual Contribution Rates:	
Employer: July 1, 2017 to December 31, 2017	
Pension	13.0%
Post-employment Health Care Benefits	1.0%
Total Employer	14.0%
Employer: January 1, 2018 to June 30, 2018	
Pension	14.0%
Post-employment Health Care Benefits	0.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority’s contractually required contribution to OPERS was $9,225 for fiscal year 2018. The full amount was contributed during the fiscal year.

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

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

	Traditional Plan
Proportionate Share of Net Pension Liability	$40,945
Proportion of the Net Pension Liability	0.000261%
Change in Proportion from Prior Measurement date (0.000087%)	
Pension Expense	$20,883

At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional Plan
Deferred Outflows of Resources	
Net Difference between projected and actual earning on pension plan investments	$6,434
Assumption Changes	4,893
Difference between expected and actual experience	42
Change in proportionate share and difference between Employer contribution and proportionate share of contribution	16,180
Authority contributions subsequent to the measurement	4,536
Total Deferred Outflows of Resources	$32,085
Deferred Inflows of Resources	
Net Difference between projected and actual earning on pension plan investments	$15,225
Difference between expected and actual experience	807
Change in proportionate share and difference between Employer contribution and proportionate share of contribution	9,111
Total Deferred Inflows of Resources	$25,143

$4,536 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	Traditional Plan
Fiscal Year Ending June 30:	
2019	($13,910)
2020	4,020
2021	3,871
2022	3,613
Total	($2,406)

Actuarial Assumptions – PERS

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 was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions and methods applied to all prior periods included in the measurement:

Wage Inflation	3.25%
inflation	3.25 - 10.75 %
Single Discount Rate	3.85%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Health Care Cost Trent Rate	7.5% initial. 3.25% ultimate in 2028
Actuarial Cost Method	Individual entry age

Pre-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy 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.

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

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

Asset Class	Target Allocation for 2015	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	23.00%	2.20%
Domestic Equities	19.00%	6.37%
Real Estate	10.00%	5.26%
Private Equity	10.00%	8.97%
International Equities	20.00%	7.88%
Other Investments	18.00%	5.26%
TOTAL	100.00%	5.66%

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.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month.

Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio.

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability			
- Traditional Pension Plan	$72,709	$40,945	$14,465

NOTE 8: <u>DEFINED BENEFIT OPEB PLANS</u>

<u>Net OPEB Liability</u>

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

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

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

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

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

Plan Description – OPERS

Health Care Plan Description - The Ohio Public Employees Retirement System (OPERS. OPERS administers three separate plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit plan. The member-directed plan is a defined contribution plan and the combined plan is a cost sharing, multiple-employer defined benefit plan with defined contribution features.

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

The OPERS health care plans are reported as other post-employment benefit plans (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care program design to improve the ongoing solvency of the plans. Eligibility requirements for access to the

OPERS health care options have changed over the history of the program for Traditional Pension Plan and Combined Plan members. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage. Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Beginning 2016, Traditional Pension Plan and Combined Plan retirees enrolled in Medicare A and B were eligible to participate in the OPERS Medicare Connector (Connector). The Connector, a vendor selected by OPERS, assists eligible retirees in the selection and purchase of Medicare supplemental coverage through the Medicare market. Retirees that purchase supplemental coverage through the Connector may receive a monthly allowance in their HRA that can be used to reimburse eligible health care expenses.

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided 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 OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

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 fiscal year 2018, Authority contributed at a rate of 14 percent of earnable salary. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14 percent of covered payroll. Active member contributions do not fund health care. With the assistance of the System’s actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. The portion of employer contributions allocated to healthcare was 1.0% for calendar year 2017. As recommended by OPERSs actuary, the portion of employer contributions allocated to healthcare beginning January 1, 2018 decrease to 0%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. Authority’s contractually required contribution was $9,225 for the fiscal year 2018; of this amount, $335 was used to fund health care.

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

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

	Health Care Plan
Proportionate Share of Net OPEB Liability	$47,781
Proportion of the Net OPEB Liability	0.000440%
Pension Expense	$4,131

At June 30, 2018, The Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Health Care Plan
Deferred Outflows of Resources	
Assumption Changes	$3,479
Difference between expected and actual experience	37
Total Deferred Outflows of Resources	$3,516
Deferred Inflows of Resources	
Net Difference between projected and actual earning on pension plan investments	$3,559
Total Deferred Inflows of Resources	$3,559

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

	Health Care Plan
Fiscal Year Ending June 30:	
2019	($791)
2020	(791)
2021	736
2022	889
Total	$43

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all periods included in the measurement:

Wage Inflation	3.25%
3.25%	3.25 - 10.75%
Single Discount Rate	3.85%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Health Care Cost Trend Rate	7.5% initial, 3.25% ultimate in 2028
Actuarial Cost Method	Individual entry age

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

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

The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

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

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

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

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
Authority's proportionate share of the net pension liability	$63,479	$47,781	$35,081

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate.

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

	1% Decrease (6.50%)	Current Trent Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension liability	$45,716	$47,781	$49,914

NOTE 9: **COMPENSATED ABSENCES**

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

NOTE 10: **RISK MANAGEMENT**

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

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

NOTE 11: **CONTINGENCIES**

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

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

NOTE 12: **SUBSEQUENT EVENTS**

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through October 31, 2018, the date on which the financial statements were available to be issued.

Sandusky Metropolitan Housing Authority

FDS Schedule Submitted to REAC

June 30, 2018

	Project Total	14.871 Housing Choice Voucher	State and Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	$32,803	$260,546	$8,445	$301,794	$0	$301,794
113 Cash - Other Restricted	$0	$19,921	$0	$19,921	$0	$19,921
114 Cash - Tenant Security Deposits	$12,250	$0	$4,800	$17,050	$0	$17,050
100 Total Cash	$45,053	$280,467	$13,245	$338,765	$0	$338,765
126 Accounts Receivable - Tenants	$324	$0	$1,481	$1,805	$0	$1,805
126.1 Allowance for Doubtful Accounts -Tenants	-$16	$0	$0	-$16	$0	-$16
127 Notes, Loans, & Mortgages Receivable - Current	$7,541	$0	$0	$7,541	$0	$7,541
129 Accrued Interest Receivable	$38	$0	$14	$52	$0	$52
120 Total Receivables, Net of Allowances for Doubtful Accounts	$7,887	$0	$1,495	$9,382	$0	$9,382
142 Prepaid Expenses and Other Assets	$6,346	$1,319	$2,017	$9,682	$0	$9,682
143 Inventories	$7,433	$278	$1,863	$9,574	$0	$9,574
150 Total Current Assets	$66,719	$282,064	$18,620	$367,403	$0	$367,403
161 Land	$596,650	$8,114	$102,088	$706,852	$0	$706,852
162 Buildings	$3,441,629	$0	$940,824	$4,382,453	$0	$4,382,453
163 Furniture, Equipment & Machinery - Dwellings	$80,739	$0	$0	$80,739	$0	$80,739
164 Furniture, Equipment & Machinery - Administration	$265,182	$52,382	$4,973	$322,537	$0	$322,537
166 Accumulated Depreciation	-$3,014,567	-$50,978	-$584,631	-$3,650,176	$0	-$3,650,176
160 Total Capital Assets, Net of Accumulated Depreciation	$1,369,633	$9,518	$463,254	$1,842,405	$0	$1,842,405
171 Notes, Loans and Mortgages Receivable - Non-Current	$60,938	$0	$0	$60,938	-$60,938	$0

Sandusky Metropolitan Housing Authority

FDS Schedule Submitted to REAC

June 30, 2018

	Project Total	14.871 Housing Choice Voucher	State and Local	Subtotal	ELIM	Total
180 Total Non-Current Assets	$1,430,571	$9,518	$463,254	$1,903,343	-$60,938	$1,842,405
200 Deferred Outflow of Resources	$22,169	$9,807	$3,625	$35,601	$0	$35,601
290 Total Assets and Deferred Outflow of Resources	$1,519,459	$301,389	$485,499	$2,306,347	-$60,938	$2,245,409
312 Accounts Payable <= 90 Days	$17,411	$1,526	$5,870	$24,807	$0	$24,807
322 Accrued Compensated Absences - Current Portion	$234	$186	$171	$591	$0	$591
341 Tenant Security Deposits	$12,250	$0	$4,800	$17,050	$0	$17,050
342 Unearned Revenue	$75	$0	$0	$75	$0	$75
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	$0	$0	$17,414	$17,414	$0	$17,414
345 Other Current Liabilities	$3,748	$0	$0	$3,748	$0	$3,748
310 Total Current Liabilities	$33,718	$1,712	$28,255	$63,685	$0	$63,685
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	$0	$0	$124,813	$124,813	$0	$124,813
353 Non-current Liabilities - Other	$0	$0	$60,938	$60,938	-$60,938	$0
354 Accrued Compensated Absences - Non Current	$701	$563	$826	$2,090	$0	$2,090
357 Accrued Pension and OPEB Liabilities	$55,108	$24,371	$9,247	$88,726	$0	$88,726
350 Total Non-Current Liabilities	$55,809	$24,934	$195,824	$276,567	-$60,938	$215,629
300 Total Liabilities	$89,527	$26,646	$224,079	$340,252	-$60,938	$279,314
400 Deferred Inflow of Resources	$20,249	$5,887	$2,566	$28,702	$0	$28,702

Sandusky Metropolitan Housing Authority

FDS Schedule Submitted to REAC

June 30, 2018

	Project Total	14.871 Housing Choice Voucher	State and Local	Subtotal	ELIM	Total
508.4 Net Investment in Capital Assets	$1,369,633	$9,518	$321,027	$1,700,178	$0	$1,700,178
511.4 Restricted Net Position	$0	$19,921	$0	$19,921	$0	$19,921
512.4 Unrestricted Net Position	$40,050	$239,417	-$62,173	$217,294	$0	$217,294
513 Total Equity - Net Assets / Position	$1,409,683	$268,856	$258,854	$1,937,393	$0	$1,937,393
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$1,519,459	$301,389	$485,499	$2,306,347	-$60,938	$2,245,409
70300 Net Tenant Rental Revenue	$59,640	$0	$64,468	$124,108	$0	$124,108
70400 Tenant Revenue - Other	$0	$0	$960	$960	$0	$960
70500 Total Tenant Revenue	$59,640	$0	$65,428	$125,068	$0	$125,068
70600 HUD PHA Operating Grants	$213,328	$1,026,659	$0	$1,239,987	$0	$1,239,987
70610 Capital Grants	$51,760	$0	$0	$51,760	$0	$51,760
71100 Investment Income - Unrestricted	$33	$153	$26	$212	$0	$212
71400 Fraud Recovery	$0	$2,142	$0	$2,142	$0	$2,142
71500 Other Revenue	$18,744	$735	$23,079	$42,558	$0	$42,558
70000 Total Revenue	$343,505	$1,029,689	$88,533	$1,461,727	$0	$1,461,727
91100 Administrative Salaries	$7,266	$20,314	$0	$27,580	$0	$27,580
91200 Auditing Fees	$5,350	$6,407	$1,281	$13,038	$0	$13,038
91400 Advertising and Marketing	$18	$21	$13	$52	$0	$52
91500 Employee Benefit contributions - Administrative	$2,281	$5,092	$151	$7,524	$0	$7,524

Sandusky Metropolitan Housing Authority

FDS Schedule Submitted to REAC

June 30, 2018

	Project Total	14.871 Housing Choice Voucher	State and Local	Subtotal	ELIM	Total
91600 Office Expenses	$9,429	$9,611	$8,331	$27,371	$0	$27,371
91700 Legal Expense	$1,248	$562	$464	$2,274	$0	$2,274
91800 Travel	$3,376	$0	$735	$4,111	$0	$4,111
91900 Other	$53,168	$26,468	$8,551	$88,187	$0	$88,187
91000 Total Operating - Administrative	$82,136	$68,475	$19,526	$170,137	$0	$170,137
93100 Water	$2,819	$0	$0	$2,819	$0	$2,819
93200 Electricity	$9,411	$0	$0	$9,411	$0	$9,411
93300 Gas	$3,629	$0	$0	$3,629	$0	$3,629
93000 Total Utilities	$15,859	$0	$0	$15,859	$0	$15,859
94100 Ordinary Maintenance and Operations - Labor	$28,756	$0	$7,189	$35,945	$0	$35,945
94200 Ordinary Maintenance and Operations - Materials and Other	$37,865	$0	$5,286	$43,151	$0	$43,151
94300 Ordinary Maintenance and Operations Contracts	$91,061	$25,704	$61,420	$178,185	$0	$178,185
94500 Employee Benefit Contributions - Ordinary Maintenance	$5,455	$0	$1,722	$7,177	$0	$7,177
94000 Total Maintenance	$163,137	$25,704	$75,617	$264,458	$0	$264,458
96110 Property Insurance	$8,793	$0	$1,586	$10,379	$0	$10,379
96120 Liability Insurance	$552	$278	$92	$922	$0	$922
96130 Workmen's Compensation	$580	$510	$121	$1,211	$0	$1,211
96140 All Other Insurance	$1,579	$0	$0	$1,579	$0	$1,579
96100 Total insurance Premiums	$11,504	$788	$1,799	$14,091	$0	$14,091

Sandusky Metropolitan Housing Authority

FDS Schedule Submitted to REAC

June 30, 2018

	Project Total	14.871 Housing Choice Voucher	State and Local	Subtotal	ELIM	Total
96200 Other General Expenses	$10,306	$1,396	$0	$11,702	$0	$11,702
96210 Compensated Absences	-$383	$598	-$102	$113	$0	$113
96300 Payments in Lieu of Taxes	$3,745	$0	$449	$4,194	$0	$4,194
96400 Bad debt - Tenant Rents	$5,031	$0	$0	$5,031	$0	$5,031
96000 Total Other General Expenses	$18,699	$1,994	$347	$21,040	$0	$21,040
96710 Interest of Mortgage (or Bonds) Payable	$0	$0	$4,977	$4,977	$0	$4,977
96720 Interest on Notes Payable (Short and Long Term)	$0	$0	$2,244	$2,244	$0	$2,244
96730 Amortization of Bond Issue Costs	$0	$0	$2,254	$2,254	$0	$2,254
96700 Total Interest Expense and Amortization Cost	$0	$0	$9,475	$9,475	$0	$9,475
96900 Total Operating Expenses	$291,335	$96,961	$106,764	$495,060	$0	$495,060
97000 Excess of Operating Revenue over Operating Expenses	$52,170	$932,728	-$18,231	$966,667	$0	$966,667
97200 Casualty Losses - Non-capitalized	$0	$0	$1,500	$1,500	$0	$1,500
97300 Housing Assistance Payments	$0	$895,243	$0	$895,243	$0	$895,243
97350 HAP Portability-In	$0	$602	$0	$602	$0	$602
97400 Depreciation Expense	$104,672	$281	$28,605	$133,558	$0	$133,558
90000 Total Expenses	$396,007	$993,087	$136,869	$1,525,963	$0	$1,525,963
10010 Operating Transfer In	$58,458	$0	$0	$58,458	-$58,458	$0
10020 Operating transfer Out	-$58,458	$0	$0	-$58,458	$58,458	$0

Sandusky Metropolitan Housing Authority

FDS Schedule Submitted to REAC

June 30, 2018

	Project Total	14.871 Housing Choice Voucher	State and Local	Subtotal	ELIM	Total
10100 Total Other financing Sources (Uses)	$0	$0	$0	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-$52,502	$36,602	-$48,336	-$64,236	$0	-$64,236
11020 Required Annual Debt Principal Payments	$0	$0	$17,414	$17,414	$0	$17,414
11030 Beginning Equity	$1,486,872	$246,236	$312,215	$2,045,323	$0	$2,045,323
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-$24,687	-$13,982	-$5,025	-$43,694	$0	-$43,694
11170 Administrative Fee Equity	$0	$248,935	$0	$248,935	$0	$248,935
11180 Housing Assistance Payments Equity	$0	$19,921	$0	$19,921	$0	$19,921
11190 Unit Months Available	576	2,640	96	3,312	0	3,312
11210 Number of Unit Months Leased	566	2,571	96	3,233	0	3,233
11620 Building Purchases	$51,760	$0	$0	$51,760	$0	$51,760

Sandusky Metropolitan Housing Authority
Required Supplementary Information
Schedule of Sandusky Metropolitan Housing Authority
Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years

Traditional Plan	**2018**	**2017**	**2016**	**2015**	**2014**
Authority's Proportion of the Net Pension Liability / Asset	0.000261%	0.000174%	0.000540%	0.000514%	0.000514%
Authority's Proportionate Share of the Net Pension Liability	\$40,945	\$39,511	\$93,534	\$61,955	\$60,594
Authority's Covered-Employee Payroll	\$65,896	\$56,093	\$65,258	\$63,217	\$64,658
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	62.14%	70.44%	143.33%	98.00%	93.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	89.19%

1) The amounts presented for each fiscal year were determined as of the calendar year-end occurring within the fiscal year.
2) Information prior to 2014 is not available.

Sandusky Metropolitan Housing Authority
Required Supplementary Information
Schedule of Sandusky Metropolitan Housing Authority
Proportionate Share of the Net OPEB Liability
For the Last Ten Fiscal Years

	2017	**2016**
Authority's Proportion of the Net OPEB Liability	0.000440%	0.000440%
Authority's Proportionate Share of the Net OPEB Liability	$47,781	$44,441
Authority's Covered-Employee Payroll	$65,896	$56,093
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Employee Payroll	72.51%	79.23%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	68.52%

(1) Information prior to 2016 is not available.

Sandusky Metropolitan Housing Authority
Required Supplementary Information
Schedule of Sanduskyn Metropolitan Housing Authority's
PERS Schedule of Ten Year Contributions
For the Last Ten Fiscal Years

	2018	**2017**	**2016**	**2015**
Contractually Required Contribution				
Pension	$8,890	$6,731	$7,831	$7,586
OPEB	$335	$1,122	$1,305	$1,264
Contributions in Relation to the Contractually Required Contribution	$9,225	$7,853	$9,136	$8,850
Contribution Deficiency (Excess)	$0	$0	$0	$0
Authority's Covered-Employee Payroll	$65,896	$56,093	$65,258	$63,217
Contributions as a Percentage of Covered-Employee Payroll				
Pension	13.49%	12.00%	12.00%	12.00%
OPEB	0.51%	2.00%	2.00%	2.00%

(1) Information prior to 2015 is not available

SANDUSKY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

Ohio Public Employees' Retirement System

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for the fiscal years presented.

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 years 2017 and 2018, 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.

Sandusky Metropolitan Housing Authority

Schedule of Expenditure of Federal Award
For the Year Ended June 30, 2018

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development		
Direct Program		
Low Rent Public Housing	14.850	$152,870
Housing Choice Voucher Program	14.871	1,026,659
Public Housing Capital Fund Program	14.872	112,218
Total Expenditure of Federal Award		**$1,291,747**

SANDUSKY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the full accrual basis of accounting. 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 the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

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

NOTE B – SUBRECIPIENTS

The Authority provided no federal awards to subrecipients during the year ended June 30, 2018.

NOTE C – DISCLOSURE OF OTHER FORMS OF ASSISTANCE

The Authority received no federal awards of non-monetary assistance that are required to be disclosed for the year ended June 30, 2018.

The Authority had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the year ended June 30, 2018.

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

Board of Commissioners
Sandusky Metropolitan Housing Authority

I 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 Sandusky Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Sandusky Metropolitan Housing Authority, Ohio's basic financial statements, and have issued my report thereon dated December 28, 2018.

Internal Control over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sandusky Metropolitan Housing Authority, Ohio's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Salvatore Consiglio

Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
December 28, 2018

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

Board of Commissioners
Sandusky Metropolitan Housing Authority

Report on Compliance for Each Major Federal Program

I have audited Sandusky Metropolitan Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sandusky Metropolitan Housing Authority's major federal programs for the year ended June 30, 2018. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Sandusky Metropolitan Housing Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In my opinion, Sandusky 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 each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Sandusky Metropolitan Housing 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 my audit of compliance, I considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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, I 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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Salvatore Consiglio

Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
December 28, 2018

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unmodified
Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
Were there any material weaknesses in internal control reported for major federal programs?	No
Were there any significant deficiencies in internal control reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unmodified
Are there any reportable findings under 2 CFR § 200.516(a)?	No
Major Programs (list):	• CFDA # 14.871 Housing Choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > $750,000 Type B: All Others
Low Risk Auditee under 2 CFR §200.520?	Yes

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

There are no findings or questioned costs for the year ended June 30, 2018.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There are no findings or questioned costs for the year ended June 30, 2018.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2017-001	The Financial Report filed with the Auditor of State required several audit adjustments to be fairly stated.	Yes	Corrected. The financial report filed with the Auditor of State was complete and fairly stated.

OHIO AUDITOR OF STATE
KEITH FABER

SANDUSKY COUNTY METROPOLITAN HOUSING AUTHORITY

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 5, 2019