

**SHELBY METROPOLITAN
HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

**FOR THE YEAR ENDED
DECEMBER 31, 2014**

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



Dave Yost • Auditor of State

Board of Directors
Shelby Metropolitan Housing Authority
706 North Wagner Avenue
Sidney, OH 45365

We have reviewed the *Independent Auditor's Report* of the Shelby Metropolitan Housing Authority, Shelby County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 22, 2015

This page intentionally left blank.

**SHELBY METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2014**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-9
Basic Financial Statements:	
Statement of Net Position - Proprietary Funds	10
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	11
Statement of Cash Flows - Proprietary Fund Type	12
Notes to the Basic Financial Statements	13-23
Statement of Modernization Cost - Completed	24
Financial Data Schedules:	
Entity Wide Balance Sheet Summary	25
Entity Wide Revenue and Expense Summary	26-27
Schedule of Expenditures of Federal Awards	28
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29-30
Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	31-32
Schedule of Findings and Questioned Costs	33
Status of Prior Citations and Recommendations	34

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Shelby Metropolitan Housing Authority
Sidney, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on the Financial Statements

We have audited the accompanying financial statements of the Shelby Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Shelby Metropolitan Housing Authority, as of December 31, 2014, and the respective changes in financial position, and cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Shelby Metropolitan Housing Authority, Ohio's basic financial statements. The Statement of Modernization Costs - Completed and the Financial Data Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2015, on our consideration of the Shelby Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

James G.
Zupka, CPA,
President

Digitally signed by James G. Zupka,
CPA, President
DN: cn=James G. Zupka, CPA,
President, o=James G. Zupka, CPA,
Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2015.06.24 13:41:14 -04'00'

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

June 16, 2015

**SHELBY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Unaudited)**

This Management’s Discussion and Analysis (MD&A) for the Shelby Metropolitan Housing Authority (Shelby MHA) is intended to assist the reader identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify and offer a discussion about changes in Shelby Metropolitan Housing Authority’s financial position. It is designed to focus on the financial activity for the fiscal year ended December 31, 2014, resulting changes and currently known facts. Please read it in conjunction with the financial statements found elsewhere in this report.

Overview of the Financial Statements

The basic financial statements included elsewhere in this report are:

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

The *Statement of Net Position* is very similar to, and what most people would think of as a Balance Sheet. In the first half it reports the value of assets Shelby Metropolitan Housing Authority holds at December 31, 2014, that is, the cash Shelby Metropolitan Housing Authority has, the amounts that are owed Shelby Metropolitan Housing Authority from others, and the value of the equipment Shelby Metropolitan Housing Authority owns. In the other half of the report it shows the liabilities Shelby Metropolitan Housing Authority has, that is, what Shelby Metropolitan Housing Authority owes others at December 31, 2014; and what net position (or what is commonly referred to as equity) Shelby Metropolitan Housing Authority has at December 31, 2014. The two parts of the report are in balance, thus why many might refer to this type of report as a Balance Sheet, in that the total of the assets part equals the total of the liabilities plus net position (or equity) part.

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

- Net Investment in Capital Assets
 - Restricted
 - Unrestricted

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

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

**SHELBY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014
(Unaudited)**

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

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

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

Shelby Metropolitan Housing Authority Business Type Funds

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

Shelby Metropolitan Housing Authority's programs include the following:

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

**SHELBY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014
(Unaudited)**

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

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

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

Condensed Financial Statements

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

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

	2014	2013
<u>Assets</u>		
Current and Other Assets	\$ 375,596	\$ 468,752
Capital Assets	4,837,078	5,216,793
Total Assets	<u>\$ 5,212,674</u>	<u>\$ 5,685,545</u>
<u>Liabilities</u>		
Current Liabilities	\$ 142,088	\$ 101,357
Noncurrent Liabilities	38,775	46,433
Total Liabilities	<u>180,863</u>	<u>147,790</u>
<u>Net Position</u>		
Net Investment in Capital Assets	4,837,078	5,216,793
Restricted	4,846	59,510
Unrestricted	189,887	261,452
Total Net Assets	<u>5,031,811</u>	<u>5,537,755</u>
Total Liabilities and Net Position	<u>\$ 5,212,674</u>	<u>\$ 5,685,545</u>

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

**SHELBY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014
(Unaudited)**

Current Assets dropped by more than \$93,000 (or 20 percent) from the prior period year-end. The corresponding changes were reductions in Restricted and Unrestricted Net Position offset by an increase in Current Liabilities. The increase in Current Liabilities was to Accounts Payable, the result of a timing issue. Accrued Liabilities were higher due to outstanding utility expense payables at the end of the 2014 year. The change in Restricted Net Position was the result of steps taken by the Agency to more fully spend funds HUD had advanced for the Agency to provide rental assistance to its clients in the Housing Choice Voucher program, and HUD's movement nationwide to reduce how much unspent funds provided to PHA's for making rental assistance payments under the program by changing how they provide funds for this purpose to PHA's. The change in Unrestricted Net Position is a reflection of the loss from operations the Agency suffered in the period.

Capital Assets dropped by more than 7 percent (almost \$380,000). See discussion for Table 3 in this document about that change.

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

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

	2014	2013
Revenues		
Tenant Revenues - Rents and Other	\$ 406,776	\$ 327,887
Operating Subsidies and Grants	1,444,278	1,376,205
Capital Grants	0	11,114
Investment Income	124	737
Other Revenues	5,714	47,316
Total Revenues	<u>1,856,892</u>	<u>1,763,259</u>
Expenses		
Administrative	410,146	406,928
Tenant Services	915	3,004
Utilities	211,362	169,563
Maintenance	376,613	286,066
Protective Services	7,548	0
General	89,766	79,537
Housing Assistance Payments	882,366	850,219
Depreciation	384,120	371,827
Total Expenses	<u>2,362,836</u>	<u>2,167,144</u>
Net Increase (Decrease)	<u>\$ (505,944)</u>	<u>\$ (403,885)</u>

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

**SHELBY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014
(Unaudited)**

Tenant Revenues increased by almost \$80,000 (or 24 percent), an indication of incomes of family households under lease increasing resulting in higher rents being charged, and reflecting an increase in changes to tenants for maintenance repairs. Operating subsidies and grants, net of the drop in Capital Grant revenue, increased by almost \$60,000 (or 4 percent). Funding received for all programs, Public Housing, Capital Fund and Housing Choice Voucher increased by about \$20,000 each. Capital Grant revenue dropped meaning less of the Capital Fund Program grant was spent in the current year on physical improvements to Agency buildings and rather was spent on extraordinary maintenance work items instead.

The biggest increases in expenses were to Maintenance Expense and Utilities Expense. Maintenance supplies increased from the prior year, but spending on maintenance supplies was unusually low in 2013 as the Agency reduced spending as a result of belt tightening efforts by the Agency in 2013 geared to use up stock on hand. So maintenance supplies in 2014 returned to more of a normal level of spending. Then there was an increase in maintenance contracting for snow removal and to address previously deferred maintenance work items. The increase in utilities expense was a result of both rates and consumption increasing. The other category of expenses that saw an increase of at least 10 percent was General Expense. Bad debt expense was where the primary increase was felt in that category. Overall expenses were up by more than 9 percent.

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

Table 3 - Condensed Statement of Changes in Capital Assets

	2014	2013
Land and Land Rights	\$ 1,685,579	\$ 1,685,579
Buildings and Improvements	10,384,611	10,309,628
Equipment	785,177	775,259
Construction in Progress	0	80,496
Accumulated Depreciation	<u>(8,018,289)</u>	<u>(7,634,169)</u>
Total	<u>\$ 4,837,078</u>	<u>\$ 5,216,793</u>

The overall change in capital assets in the period (a drop of about \$380,000 or 7 percent) is a reflection that depreciation on existing assets outpaced capital expenditures in the period. The change in capital assets was virtually equal to depreciation expense. Capital expenditures in the period were minimal.

This space was intentionally left blank.

**SHELBY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2014
(Unaudited)**

Debt

There is no comparison of debt outstanding at the year-end versus at the end of the prior year because Shelby Metropolitan Housing Authority had no debt as of December 31, 2014.

Economic Factors

Shelby Metropolitan Housing Authority faces the continuing prospect of HUD providing subsidies used to administer their programs at levels lower than that which the Agency is eligible due to Federal budget cuts. Since costs tend to rise every year, the effect of funding being provided at reduced levels creates an ongoing challenge for management to administer the Agency's programs. The reduction in government assistance for administration of programs despite ever increasing costs to administer the programs means Shelby Metropolitan Housing Authority continues to be challenged to provide the same level of quality service to their clients within the limits of resources available to do so.

Financial Contact

The individual to be contacted regarding this report is Judith Wells, Executive Director of the Shelby Metropolitan Housing Authority. Specific requests may be submitted to the Shelby Metropolitan Housing Authority at 706 North Wagner Avenue, Sidney, Ohio 45365.

SHELBY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 237,570
Restricted Cash and Cash Equivalents	46,592
Receivables, Net	13,758
Inventories, Net	44,276
Prepaid Expenses and Other Assets	<u>33,400</u>
Total Current Assets	<u>375,596</u>

Noncurrent Assets

Capital Assets:	
Non-Depreciable Capital Assets	1,685,579
Depreciable Capital Assets, Net	<u>3,151,499</u>
Total Noncurrent Assets	<u>4,837,078</u>

TOTAL ASSETS **\$ 5,212,674**

LIABILITIES

Liabilities

Current Liabilities

Accounts Payable	\$ 19,304
Intergovernmental Payables	30,252
Tenant Security Deposits	41,746
Accrued Wages & Payroll Taxes	16,943
Accrued Compensated Absences - Current	7,115
Accrued Liabilities - Other	<u>26,728</u>
Total Current Liabilities	<u>142,088</u>

Noncurrent Liabilities

Accrued Compensated Absences Non-Current	<u>38,775</u>
Total Noncurrent Liabilities	<u>38,775</u>
Total Liabilities	<u>180,863</u>

NET POSITION

Net Investment in Capital Assets	4,837,078
Restricted	4,846
Unrestricted	<u>189,887</u>
Total Net Position	<u>5,031,811</u>

TOTAL LIABILITIES AND NET POSITION **\$ 5,212,674**

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

SHELBY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Operating Revenues</u>	
Tenant Revenues	\$ 406,776
Government Operating Grants	1,444,278
Other Revenues	<u>5,714</u>
Total Operating Revenues	<u>1,856,768</u>
 <u>Operating Expenses</u>	
Administrative	410,146
Tenant Services	915
Utilities	211,362
Maintenance	376,613
General	97,314
Housing Assistance Payments	882,366
Depreciation	<u>384,120</u>
Total Operating Expenses	<u>2,362,836</u>
Operating Income (Loss)	<u>(506,068)</u>
 <u>Non-Operating Revenues</u>	
Interest and Investment Revenue	<u>124</u>
Total Non-Operating Revenues	<u>124</u>
Change in Net Position	(505,944)
 Total Net Position at Beginning of Year	 <u>5,537,755</u>
 Total Net Position at End of Year	 <u>\$ 5,031,811</u>

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

SHELBY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Cash Flows from Operating Activities</u>	
Operating Grants Received	\$ 1,442,278
Tenant Revenue Received	413,638
Other Revenue Received	5,714
General and Administrative Expenses Paid	(1,061,431)
Housing Assistance Payments	<u>(882,366)</u>
Net Cash Provided (Used) by Operating Activities	<u>(82,167)</u>
<u>Cash Flows from Investing Activities</u>	
Interest Income	<u>124</u>
Net Cash Provided (Used) by Investing Activities	<u>124</u>
<u>Cash Flows from Capital and Related Activities</u>	
Property and Equipment Purchased	<u>(4,405)</u>
Net Cash Provided (Used) by Capital and Related Activities	<u>(4,405)</u>
Net Increase (Decrease) in Cash	(86,448)
Cash and Cash Equivalents at Beginning of Year	<u>370,610</u>
Cash and Cash Equivalents at End of Year	<u>\$ 284,162</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Net Operating Income (Loss)	\$ (506,068)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	384,120
(Increase) Decrease in:	
Accounts Receivable	4,029
Prepaid Assets	(1,894)
Inventory	4,573
Increase (Decrease) in:	
Accounts Payable	(8,092)
Intergovernmental Payable	14,420
Accrued Compensated Absences	(543)
Accrued Expenses Payable	26,455
Tenant Security Deposits	<u>833</u>
Net Cash Provided by Operating Activities	<u>\$ (82,167)</u>

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

**SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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

Organization and Reporting Entity

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

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

Basis of Presentation

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

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

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

SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

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

Basis of Presentation (Continued)

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

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

Measurement Focus/Basis of Accounting

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

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

Estimates

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

SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

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

Cash and Cash Equivalents

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

Inventory

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

Receivable - Net of Allowance

Bad debts are provided on the allowance method based on management's evaluation of the collect ability of outstanding tenant receivable balances at the end of the year. The allowance of uncollectible receivable was \$2,000 for tenant receivables and \$3,140 for fraud receivables at December 31, 2014.

Capital Assets

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

Compensated Absences

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

SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

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

Compensated Absences (Continued)

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

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

Investments

The provisions of the HUD Regulations restrict investments. Investments are stated at fair value. Cost based measures are applied to nonnegotiable certificates of deposit and money market investments. Interest income earned in fiscal year ending December 31, 2014 totaled \$124.

Due From/To Other Programs

Inter-program receivables and payables on the FDS Schedule on pages 25-27 are eliminated on the Statement of Net Position.

Prepaid Expenses

Payments made to vendors for services that will be benefit periods beyond December 31, 2014, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits

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

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

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

At fiscal year end, December 31, 2014, the carrying amount of the Authority's deposits totaled \$284,162 (including \$100 petty cash and \$120 change fund) and its bank balance was \$299,256. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2014, \$299,256 was covered by Federal Depository Insurance.

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

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

SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

NOTE 3: RESTRICTED CASH AND INVESTMENT

The restricted cash balance as of December 31, 2014 of \$46,592 represents cash on hand for the following:

Tenant Security Deposits	\$ 41,746
Cash on Hand - Advance from HUD to be Used for Tenant's Housing Assistance Payments *	4,846
Total Restricted Cash and Investment	<u>\$ 46,592</u>

*This amount is shown as restricted net position in the financial statements.

NOTE 4: CAPITAL ASSETS

The following is a summary of changes:

	Balance 12/31/13	Reclasses	Additions	Deletions	Balance 12/31/14
<i>Capital Assets Not Being Depreciated:</i>					
Land	\$ 1,685,579	\$ 0	\$ 0	\$ 0	\$ 1,685,579
Construction-in-Progress	<u>80,496</u>	<u>(80,496)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Capital Assets Not Being Depreciated</i>	<u>1,766,075</u>	<u>(80,496)</u>	<u>0</u>	<u>0</u>	<u>1,685,579</u>
<i>Capital Assets Being Depreciated:</i>					
Buildings and Improve.	10,309,628	74,983	0	0	10,384,611
Furniture, Machinery, and Equipment	<u>775,259</u>	<u>5,513</u>	<u>4,405</u>	<u>0</u>	<u>785,177</u>
<i>Total Capital Assets Being Depreciated</i>	<u>11,084,887</u>	<u>80,496</u>	<u>4,405</u>	<u>0</u>	<u>11,169,788</u>
<i>Accumulated Depreciation:</i>					
Buildings & Improve.	(7,328,798)	0	(373,837)	0	(7,702,635)
Furniture, Machinery, and Equipment	<u>(305,371)</u>	<u>0</u>	<u>(10,283)</u>	<u>0</u>	<u>(315,654)</u>
<i>Total Accumulated Depreciation</i>	<u>(7,634,169)</u>	<u>0</u>	<u>(384,120)</u>	<u>0</u>	<u>(8,018,289)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>3,450,718</u>	<u>80,496</u>	<u>(379,715)</u>	<u>0</u>	<u>3,151,499</u>
Total Capital Assets, Net	<u>\$ 5,216,793</u>	<u>\$ 0</u>	<u>\$ (379,715)</u>	<u>\$ 0</u>	<u>\$ 4,837,078</u>

SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

NOTE 5: **DEFINED BENEFIT PENSION PLAN**

Ohio Public Employees Retirement System

All full-time Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

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

OPERS provides retirement, disability, survivor, death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377 or by using the OPERS website at <https://www.opers.org/investments/cafr.shtml>.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members were required to contribute 10 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14 percent of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2014, 2013, and 2012, were \$48,935, \$48,473 and \$52,966, respectively. The full amount has been contributed for 2014, 2013, and 2012.

SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

NOTE 6: **POST-EMPLOYMENT BENEFITS**

A. Plan Description

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the OPERS 2013 CAFR for details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide the 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 writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601, 1-800-222-7377, or by visiting, <https://www.opers.org/investments/cafr.shtml>.

B. Funding Policy

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

**SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

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

B. **Funding Policy** (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active member contributions do not fund the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2.0 percent for calendar year 2014. Effective January 1, 2015, the portion of the employer contributions allocated to healthcare remains at 2.0 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of actual Authority contributions for the year ended December 31, 2014, 2013 and 2012, which were used by OPERS to fund post-employment benefits were \$6,911, \$3,462, and \$15,133, respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care charges, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

This space intentionally left blank.

**SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)**

NOTE 7: COMPENSATED ABSENCES

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

The following is a summary of changes in compensated absences for the year ended December 31, 2014:

	<u>Balance</u>	<u>Additions</u>	<u>Used</u>	<u>Balance</u>	<u>Due</u>
	<u>01/01/14</u>			<u>12/31/14</u>	<u>Within</u>
					<u>One Year</u>
Compensated Leave	<u>\$ 46,433</u>	<u>\$ 35,740</u>	<u>\$(36,283)</u>	<u>\$ 45,890</u>	<u>\$ 7,115</u>

NOTE 8: CONTINGENCIES

Grants

The Authority received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at December 31, 2014.

Risk Management

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

SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(CONTINUED)

NOTE 9: IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

For 2014, the Authority has implemented GASB No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

The objective of GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, is to improve financial reporting by state and local governmental pension plans. The provisions of Statement No. 67 are effective for financial statements for fiscal years beginning after June 15, 2013 and did not result in any changes in the Authority's financial statements.

The objective of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. The provisions of Statement No. 69 are effective for government combinations and disposal of government operations occurring in financial reporting periods beginning after December 15, 2013 and the implementation of this statement did not result in any change in the Authority's financial statements.

The objective of GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The provisions of Statement No. 70 are effective for financial statements for reporting beginning after June 15, 2013 and the implementation of this statement did not result in any change in the Authority's financial statements.

**SHELBY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2014**

Annual Contributions Contract C-5031

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

<u>OH16P0150111</u>	
Funds Approved	\$ 213,129
Funds Expended	<u>213,129</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 213,129
Funds Expended	<u>213,129</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

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

SHELBY METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2014

	Project Total	14.871 Housing Choice Vouchers	14.228 Community Development Block Grants/States Program	State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	158,746	67,227		11,597	237,570		237,570
113 Cash - Other Restricted		4,846			4,846		4,846
114 Cash - Tenant Security Deposits	41,746				41,746		41,746
100 Total Cash	200,492	72,073	-	11,597	284,162	-	284,162
122 Accounts Receivable - HUD Other Projects	2,000				2,000		2,000
125 Accounts Receivable - Miscellaneous	100				100		100
126 Accounts Receivable - Tenants	5,808				5,808		5,808
126.1 Allowance for Doubtful Accounts - Tenants	-2,000				-2,000		-2,000
128 Fraud Recovery		10,990			10,990		10,990
128.1 Allowance for Doubtful Accounts - Fraud		-3,140			-3,140		-3,140
120 Total Receivables, Net of Allowances for Doubtful Accounts	5,908	7,850	-	-	13,758	-	13,758
142 Prepaid Expenses and Other Assets	33,400				33,400		33,400
143 Inventories	44,276				44,276		44,276
144 Inter Program Due From	9,092				9,092	-9,092	-
150 Total Current Assets	293,168	79,923	-	11,597	384,688	-9,092	375,596
161 Land	1,685,579				1,685,579		1,685,579
162 Buildings	10,384,611				10,384,611		10,384,611
163 Furniture, Equipment & Machinery - Dwellings	517,813				517,813		517,813
164 Furniture, Equipment & Machinery - Administration	253,047	14,317			267,364		267,364
166 Accumulated Depreciation	-8,003,972	-14,317			-8,018,289		-8,018,289
160 Total Capital Assets, Net of Accumulated Depreciation	4,837,078	-	-	-	4,837,078	-	4,837,078
180 Total Non-Current Assets	4,837,078	-	-	-	4,837,078	-	4,837,078
200 Deferred Outflow of Resources					-		-
290 Total Assets and Deferred Outflow of Resources	5,130,246	79,923	-	11,597	5,221,766	-9,092	5,212,674
312 Accounts Payable <= 90 Days	19,304				19,304		19,304
321 Accrued Wage/Payroll Taxes Payable	16,441	502			16,943		16,943
322 Accrued Compensated Absences - Current Portion	7,115				7,115		7,115
333 Accounts Payable - Other Government	30,252				30,252		30,252
341 Tenant Security Deposits	41,746				41,746		41,746
346 Accrued Liabilities - Other	26,728				26,728		26,728
347 Inter Program - Due To		9,092			9,092	-9,092	-
310 Total Current Liabilities	141,586	9,594	-	-	151,180	-9,092	142,088
354 Accrued Compensated Absences - Non Current	30,020	8,755			38,775		38,775
350 Total Non-Current Liabilities	30,020	8,755	-	-	38,775	-	38,775
300 Total Liabilities	171,606	18,349	-	-	189,955	-9,092	180,863
400 Deferred Inflow of Resources					-		-
508.4 Net Investment in Capital Assets	4,837,078				4,837,078		4,837,078
511.4 Restricted Net Position		4,846			4,846		4,846
512.4 Unrestricted Net Position	121,562	56,728		11,597	189,887		189,887
513 Total Equity - Net Assets / Position	4,958,640	61,574	-	11,597	5,031,811	-	5,031,811
600 Total Liab, Def Inflow of Res., and Equity - Net Assets / Position	5,130,246	79,923	-	11,597	5,221,766	-9,092	5,212,674

**SHELBY METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Project Total	14.871 Housing Choice Vouchers	14.228 Community Development Block Grants/States Program	State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	339,705				339,705		339,705
70400 Tenant Revenue - Other	67,071				67,071		67,071
70500 Total Tenant Revenue	406,776	-	-	-	406,776	-	406,776
70600 HUD/PHA Operating Grants	502,608	838,317			1,340,925		1,340,925
70800 Other Government Grants			103,353		103,353		103,353
71100 Investment Income - Unrestricted	124				124		124
71400 Fraud Recovery		4,894			4,894		4,894
71500 Other Revenue		820			820		820
70000 Total Revenue	909,508	844,031	103,353	-	1,856,892	-	1,856,892
91100 Administrative Salaries	168,400	63,765	1,980		234,145		234,145
91200 Auditing Fees	6,769	1,486			8,255		8,255
91500 Employee Benefit contributions - Administrative	70,785	27,765	900		99,450		99,450
91600 Office Expenses	19,096	3,612			22,708		22,708
91700 Legal Expense	2,934				2,934		2,934
91800 Travel	7,643	195			7,838		7,838
91900 Other	18,544	16,272			34,816		34,816
91000 Total Operating - Administrative	294,171	113,095	2,880	-	410,146	-	410,146
92400 Tenant Services - Other	915				915		915
92500 Total Tenant Services	915	-	-	-	915	-	915
93100 Water	47,025				47,025		47,025
93200 Electricity	72,837				72,837		72,837
93300 Gas	48,980				48,980		48,980
93600 Sewer	42,520				42,520		42,520
93000 Total Utilities	211,362	-	-	-	211,362	-	211,362
94100 Ordinary Maintenance and Operations - Labor	103,235				103,235		103,235
94200 Ordinary Maintenance and Operations - Materials and Other	24,639				24,639		24,639
94300 Ordinary Maintenance and Operations Contracts	188,145				188,145		188,145
94500 Employee Benefit Contributions - Ordinary Maintenance	43,394				43,394		43,394
94000 Total Maintenance	359,413	-	-	-	359,413	-	359,413
95200 Protective Services - Other Contract Costs	7,548				7,548		7,548
95000 Total Protective Services	7,548	-	-	-	7,548	-	7,548
96110 Property Insurance	26,877				26,877		26,877
96120 Liability Insurance		5,990			5,990		5,990
96100 Total insurance Premiums	26,877	5,990	-	-	32,867	-	32,867

**SHELBY METROPOLITAN HOUSING AUTHORITY
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Project Total	14,871 Housing Choice Vouchers	14,228 Community Development Block Grants/States Program	State/Local	Subtotal	ELIM	Total
96200 Other General Expenses	811	2,431			3,242		3,242
96210 Compensated Absences	1,350				1,350		1,350
96300 Payments in Lieu of Taxes	13,520				13,520		13,520
96400 Bad debt - Tenant Rents	38,787				38,787		38,787
96000 Total Other General Expenses	54,468	2,431	-	-	56,899	-	56,899
96900 Total Operating Expenses	954,754	121,516	2,880	-	1,079,150	-	1,079,150
97000 Excess of Operating Revenue over Operating Expenses	-45,246	722,515	100,473	-	777,742	-	777,742
97100 Extraordinary Maintenance	17,200				17,200		17,200
97300 Housing Assistance Payments		781,157	100,473		881,630		881,630
97350 HAP Portability-In		736			736		736
97400 Depreciation Expense	384,120				384,120		384,120
90000 Total Expenses	1,356,074	903,409	103,353	-	2,362,836	-	2,362,836
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-446,566	-59,378	-	-	-505,944	-	-505,944
11030 Beginning Equity	5,405,206	120,952		11,597	5,537,755		5,537,755
11170 Administrative Fee Equity		56,728			56,728		56,728
11180 Housing Assistance Payments Equity		4,846			4,846		4,846
11190 Unit Months Available	2,100	2,628	311		5,039		5,039
11210 Number of Unit Months Leased	2,056	2,610	311		4,977		4,977

**SHELBY METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs:</i>		
Public Housing Program	14.850	\$ 485,408
Capital Fund Program	14.872	17,200
Section 8 Housing Choice Voucher Program	14.871	<u>838,317</u>
Total Direct Awards		<u>1,340,925</u>
<i>Passed through from City of Sidney, Ohio:</i>		
Community Development Block Grants/State's Program	14.228	<u>103,353</u>
Total Federal Awards		<u>\$ 1,444,278</u>

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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

Board of Directors
Shelby Metropolitan Housing Authority
Sidney, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Shelby Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Shelby Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated June 16, 2015

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Shelby Metropolitan Housing Authority, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Shelby Metropolitan Housing Authority, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of the Shelby 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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Shelby Metropolitan Housing Authority Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly we express no opinion on it.

James G. Zupka, CPA, President
Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2015.06.24 13:41:59 -0400

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

June 16, 2015

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

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Board of Directors
Shelby Metropolitan Housing Authority
Sidney, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Shelby Metropolitan Housing Authority, Ohio's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Shelby Metropolitan Housing Authority, Ohio's major federal program for the year ended December 31, 2014. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Shelby Metropolitan Housing Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

The management of the Shelby Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of the compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on its 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

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

James G. Zupka, CPA, President
CPA, President

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc., ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2015.06.24 13:42:28 -04'00'

James G. Zupka CPA, Inc.
Certified Public Accountants

June 16, 2015

**SHELBY METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

2014(i)	Type of Financial Statement Opinion	Unmodified
2014(ii)	Were there any material control weaknesses reported at the financial statement level? (GAGAS)?	No
2014(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2014(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2014(iv)	Were there any material internal control weaknesses reported for major Federal programs?	No
2014(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2014(v)	Type of Major Programs' Compliance Opinion	Unmodified
2014(vi)	Are there any reportable findings under .510?	No
2014(vii)	Major Programs (list): Housing Choice Vouchers - CFDA #14.871	
2014(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
2014(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**SHELBY METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: <i>Explain</i></u>
2013-001	Controls over the Tenant Receipt Process	Yes	Corrected

This page intentionally left blank.