

**SHELBY METROPOLITAN  
HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS  
AND SINGLE AUDIT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2016**

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





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Shelby Metropolitan Housing Authority, Shelby County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2016 through December 31, 2016. 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

August 14, 2017

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**SHELBY METROPOLITAN HOUSING AUTHORITY  
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

*Certified Public Accountants*

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

*Garfield Hts., Ohio 44125*

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Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Shelby Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Shelby Metropolitan Housing Authority as of December 31, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



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

June 20, 2017

**SHELBY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Unaudited)**

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This Management’s Discussion and Analysis (MD&A) for the Shelby Metropolitan Housing Authority (Shelby MHA) is intended to assist the reader identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify and offer a discussion about changes in Shelby Metropolitan Housing Authority’s financial position. It is designed to focus on the financial activity for the fiscal year ended December 31, 2016, 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, 2016, that is, the cash Shelby Metropolitan Housing Authority has, the amounts that are owed Shelby Metropolitan Housing Authority from others, the value of the equipment Shelby Metropolitan Housing Authority owns and deferred outflow of resources. In the other half of the report it shows the liabilities Shelby Metropolitan Housing Authority has, that is, what Shelby Metropolitan Housing Authority owes others at December 31, 2016, deferred inflow of resources, and what net position (or what is commonly referred to as equity) Shelby Metropolitan Housing Authority has at December 31, 2016. 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, 2016  
(Unaudited)**

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

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

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

**Shelby Metropolitan Housing Authority Business Type Funds**

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

Shelby Metropolitan Housing Authority’s programs include the following:

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

**SHELBY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(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**

	2016	2015
<b><u>Assets</u></b>		
Current and Other Assets	\$ 476,805	\$ 476,804
Capital Assets	4,089,886	4,448,966
Deferred Outflow of Resources	182,433	50,664
<b>Total Assets and Deferred Outflow</b>	<b><u>\$ 4,749,124</u></b>	<b><u>\$ 4,976,434</u></b>
<b><u>Liabilities</u></b>		
Current Liabilities	\$ 124,129	\$ 117,691
Long-Term Liabilities	521,087	387,961
<b>Total Liabilities</b>	<b><u>645,216</u></b>	<b><u>505,652</u></b>
<b>Deferred Inflow of Resources</b>	97,399	6,041
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	4,089,886	4,448,966
Restricted	0	20,049
Unrestricted	(83,377)	(4,274)
<b>Total Net Assets</b>	<b><u>4,006,509</u></b>	<b><u>4,464,741</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 4,749,124</u></b>	<b><u>\$ 4,976,434</u></b>

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

**SHELBY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Unaudited)**

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Total net position decreased almost \$458,000 (more than 10%) from the prior year-end. The unrestricted net position component dropped by more than \$79,000 (more than 18%). That is important to note because that is the part of net position available to the agency to further its purpose. The changes in incomes and expenses causing the changes in net position are discussed more in the next section where we discuss Table 2, the Condensed Statement of Revenues, Expenses and Changes in Net Position.

Current assets and current liabilities were virtually unchanged from the prior year. Deferred inflow of resources increased by more than \$91,000 from the prior year-end. The primary reason for that increase was that HUD provided January 2017 funding for the Housing Choice Voucher in the amount of \$84,000 late in December 2016. The change in capital assets will be addressed later in this MD&A.

Otherwise notable increases were to GASB Statement No. 68 balances, deferred outflow of resources and net pension liability (almost \$476,000 of the \$521,000 long-term liabilities reported). Last year the agency implemented GASB Statement No. 68 which essentially requires Shelby MHA to report what is calculated to be its share of the unfunded pension liability of the Public Employees Retirement System (PERS). Under state law Shelby MHA employees are required to belong to the retirement system and Shelby MHA is required to make retirement contributions to the retirement system on behalf of its employees. However, unlike other liabilities reported by SMHA, the Net Pension Liability of \$476,000 does not represent a bill to be paid by SMHA if operations were to cease today. The concept behind the accounting standard is to indicate the extent to which employers like SMHA would have to be called upon to increase contributions to PERS if PERS is going to resolve its unfunded pension liability situation. So changes in the GASB Statement No. 68 balances do not reflect results of operations at Shelby MHA from the period.

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**SHELBY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Unaudited)**

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

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

	2016	2015
<b>Revenues</b>		
Tenant Revenues - Rents and Other	\$ 490,767	\$ 477,588
Operating Subsidies and Grants	1,848,361	1,714,273
Investment Income	626	682
Other Revenues	2,986	9,320
<b>Total Revenues</b>	<u>2,342,740</u>	<u>2,201,863</u>
<b>Expenses</b>		
Administrative	474,131	422,431
Tenant Services	1,500	1,617
Utilities	201,317	205,154
Maintenance	669,936	399,664
Protective Services	12,740	12,860
General	104,672	103,774
Housing Assistance Payments	954,503	933,133
Depreciation	382,173	388,112
<b>Total Expenses</b>	<u>2,800,972</u>	<u>2,466,745</u>
Prior Period Adjustment	<u>0</u>	<u>(302,188)</u>
<b>Net Increase (Decrease)</b>	<u>\$ (458,232)</u>	<u>\$ (567,070)</u>

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

The increase in total revenues closely corresponded to the increase in operating subsidies and grants. In particular it was Capital Fund Program (CPF) grant revenue that increased. To a large degree CPF is a reimbursing grant, so the increases in revenue is often matched by increase in expenditures. In this case the large increase in maintenance expense (almost 68%) in part reflects extraordinary maintenance contracting performed by Shelby MHA using CFP funding. The remainder of the increase in maintenance expense reflects steps taken by management in the period to address maintenance work items on agency properties that have been deferred in recent years given the uncertain funding levels for agency programs.

The other notable changes was to administrative expenses (increase of more than 12%). An increase in salaries expense contributed some to that increase, but the bigger part was due to an increase in benefits expense realized as a result of recording changes in GASB Statement No. 68 balances addressed in the previous section. Again changes in GASB Statement No. 68 balances reflect changes in the Public Employees Retirement System and truly do not reflect operating activities at Shelby MHA.

**SHELBY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(Unaudited)**

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

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

	<u>2016</u>	<u>2015</u>
Land and Land Rights	\$ 1,685,579	\$ 1,685,579
Buildings and Improvements	10,821,445	10,374,322
Equipment	352,093	795,466
Accumulated Depreciation	<u>(8,769,231)</u>	<u>(8,406,401)</u>
<b>Total</b>	<u>\$ 4,089,886</u>	<u>\$ 4,448,966</u>

The overall change in capital assets in the period (a drop of about \$359,000 or 8 percent) is a reflection that depreciation on existing assets outpaced capital expenditures in the period. The change in capital assets was just about equal to depreciation expense because net capital additions in the period were minimal.

**Debt**

Shelby Metropolitan Housing Authority has no debt at December 31, 2016.

**Economic Factors**

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

**Financial Contact**

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

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2016**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 248,065
Restricted Cash and Cash Equivalents	113,736
Receivables, Net	22,934
Inventories, Net	57,452
Prepaid Expenses and Other Assets	34,618
<b>Total Current Assets</b>	<b><u>476,805</u></b>

**Noncurrent Assets**

Capital Assets:	
Non-Depreciable Capital Assets	1,685,579
Depreciable Capital Assets, Net	2,404,307
<b>Total Noncurrent Assets</b>	<b><u>4,089,886</u></b>

Deferred Outflow of Resources	<u>182,433</u>
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<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b><u>\$ 4,749,124</u></b>
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**LIABILITIES**

**Current Liabilities**

Accounts Payable	\$ 33,382
Intergovernmental Payables	22,584
Tenant Security Deposits	40,394
Accrued Wages & Payroll Taxes	17,437
Unearned Revenue	10,332
<b>Total Current Liabilities</b>	<b><u>124,129</u></b>

**Noncurrent Liabilities**

Accrued Compensated Absences Non-Current	45,098
Net Pension Liability	475,989
<b>Total Noncurrent Liabilities</b>	<b><u>521,087</u></b>
<b>Total Liabilities</b>	<b><u>645,216</u></b>

**DEFERRED INFLOW OF RESOURCES**

Housing Assistance Payments	73,938
Pension	23,461
<b>Total Deferred Inflow of Resources</b>	<b><u>97,399</u></b>

**NET POSITION**

Net Investment in Capital Assets	4,089,886
Unrestricted	(83,377)
<b>Total Net Position</b>	<b><u>4,006,509</u></b>

<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</b>	<b><u>\$ 4,749,124</u></b>
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The accompanying notes to the basic financial statements are an integral part of these statements.

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

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<b><u>Operating Revenues</u></b>	
Tenant Revenues	\$ 490,767
Government Operating Grants	1,848,361
Other Revenues	<u>1,486</u>
<b>Total Operating Revenues</b>	<b><u>2,340,614</u></b>
 <b><u>Operating Expenses</u></b>	
Administrative	474,131
Tenant Services	1,500
Utilities	201,317
Maintenance	669,936
Protective Services	12,740
General	104,672
Housing Assistance Payments	954,503
Depreciation	<u>382,173</u>
<b>Total Operating Expenses</b>	<b><u>2,800,972</u></b>
Operating Income (Loss)	<b><u>(460,358)</u></b>
 <b><u>Non-Operating Revenues</u></b>	
Interest and Investment Revenue	626
Gain on Sale of Assets	<u>1,500</u>
<b>Total Non-Operating Revenues</b>	<b><u>2,126</u></b>
 Change in Net Position	 (458,232)
 Total Net Position at Beginning of Year	 <u>4,464,741</u>
 <b>Total Net Position at End of Year</b>	 <b><u>\$ 4,006,509</u></b>

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

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**Cash Flows from Operating Activities**

Operating Grants Received	\$ 1,937,815
Tenant Revenue Received	491,951
Other Revenue Received	425
General and Administrative Expenses Paid	(1,461,614)
Housing Assistance Payments	(954,503)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>14,074</u>

**Cash Flow from Capital and Related Activities**

Acquisition of Capital Assets	(23,093)
Cash from Disposal of Capital Assets	1,500
<b>Net Cash Provided (Used) by Capital and Related Activities</b>	<u>(21,593)</u>

**Cash Flows from Investing Activities**

Interest Income	626
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>626</u>

Net Increase (Decrease) in Cash (6,893)

Cash and Cash Equivalents at Beginning of Year 368,694

**Cash and Cash Equivalents at End of Year** \$ 361,801

**Reconciliation of Operating Income to Net Cash Provided by Operating Activities**

Net Operating Income (Loss)	\$ (460,358)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	382,173
(Increase) Decrease in:	
Accounts Receivable	4,929
Prepaid Assets	(712)
Inventory	(11,111)
Deferred Outflow of Resources	(131,769)
Increase (Decrease) in:	
Accounts Payable	(1,604)
Intergovernmental Payable	1,536
Accrued Compensated Absences	999
Accrued Expenses Payable	(2,668)
Tenant Security Deposits	(1,158)
Unearned Revenue	84,270
Net Pension Liability	132,127
Deferred Inflow of Resources	17,420
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 14,074</u></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, 2016**

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

**Organization and Reporting Entity**

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

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

**Basis of Presentation**

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

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

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

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

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

**Basis of Presentation** (Continued)

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

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

**Measurement Focus/Basis of Accounting**

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

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

**Estimates**

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

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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

**Cash and Cash Equivalents**

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

**Inventory**

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

**Receivable - Net of Allowance**

Bad debts are provided on the allowance method based on management's evaluation of the collect ability of outstanding tenant receivable balances at the end of the year. The allowance of uncollectible receivable was \$3,500 for tenant receivables and \$2,150 for fraud receivables at December 31, 2016.

**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**  
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**(CONTINUED)**

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

**Compensated Absences** (Continued)

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

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

**Investments**

The provisions of the HUD Regulations restrict investments. Investments are stated at fair value. Cost based measures are applied to nonnegotiable certificates of deposit and money market investments. Interest income earned in fiscal year ending December 31, 2016 totaled \$626.

**Due From/To Other Programs**

Inter-program receivables and payables of \$20,629 are eliminated on the Statement of Net Position.

**Prepaid Expenses**

Payments made to vendors for services that will be benefit periods beyond December 31, 2016, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

**Pensions**

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

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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

**Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources are reported on the statement of net position for pension and Housing Assistance Payments. Deferred inflows of resources related to pension are explained in Note 5. Deferred inflows of resources related to Housing Assistance Payments represent 2017 payments received in 2016 and reported as such under GASB 65, "Items Previously Reported as Assets and Liabilities", as prescribed by HUD.

NOTE 2: **DEPOSITS AND INVESTMENTS**

**Deposits**

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

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

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

**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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

At fiscal year end, December 31, 2016, the carrying amount of the Authority's deposits totaled \$361,801 (including \$100 petty cash and \$120 change fund) and its bank balance was \$384,251. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2016, all deposits were covered by Federal Depository Insurance.

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

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

NOTE 3: **RESTRICTED CASH AND INVESTMENT**

The restricted cash balance as of December 31, 2016 of \$113,736 represents cash on hand for the following:

Tenant Security Deposits	\$ 40,394
Cash on Hand - Advance from HUD to be Used for Tenant's Housing Assistance Payments *	<u>73,342</u>
<b>Total Restricted Cash and Investment</b>	<b><u>\$ 113,736</u></b>

\*This amount is part of the Deferred Inflows of Resources balance reported.

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**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

**NOTE 4: CAPITAL ASSETS**

The following is a summary of changes:

	Balance 12/31/15	Reclasses	Additions	Deletions	Balance 12/31/16
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 1,685,579	\$ 0	\$ 0	\$ 0	\$ 1,685,579
<b>Total Capital Assets Not Being Depreciated</b>	<u>1,685,579</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,685,579</u>
<b>Capital Assets Being Depreciated:</b>					
Buildings and Improve.	10,374,322	447,123	0	0	10,821,445
Furniture, Machinery, and Equipment	<u>795,466</u>	<u>(447,123)</u>	<u>23,093</u>	<u>(19,343)</u>	<u>352,093</u>
<b>Total Capital Assets Being Depreciated</b>	<u>11,169,788</u>	<u>0</u>	<u>23,093</u>	<u>(19,343)</u>	<u>11,173,538</u>
<b>Accumulated Depreciation:</b>					
Buildings & Improve.	(8,079,971)	0	(369,852)	0	(8,449,823)
Furniture, Machinery, and Equipment	<u>(326,430)</u>	<u>0</u>	<u>(12,321)</u>	<u>19,343</u>	<u>(319,408)</u>
<b>Total Accumulated Depreciation</b>	<u>(8,406,401)</u>	<u>0</u>	<u>(382,173)</u>	<u>19,343</u>	<u>(8,769,231)</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>2,763,387</u>	<u>0</u>	<u>(359,080)</u>	<u>0</u>	<u>2,404,307</u>
<b>Total Capital Assets, Net</b>	<u>\$ 4,448,966</u>	<u>\$ 0</u>	<u>\$ (359,080)</u>	<u>\$ 0</u>	<u>\$ 4,089,886</u>

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**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

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NOTE 5: **DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability*

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

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

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

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

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

**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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

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

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

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

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

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

**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

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

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

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

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

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

	<u>State and Local</u>
<b>2016 Statutory Maximum Contribution Rates:</b>	
Employer	14.0%
Employee	10.0%
 <b>2016 Actual Contribution Rates:</b>	
Employer:	
Pension	12.0%
Post-employment Health Care Benefits	<u>2.0%</u>
Total Employer	<u>14.0%</u>
Employee	<u>10.0%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority’s contractually required contribution was \$42,522 for 2016.

**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

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

The net pension liability for OPERS was measured as of December 31, 2015, 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:

Proportionate Share of the Net Pension Liability	
- Prior Measurement Date	\$ 343,862
Proportionate Share of the Net Pension Liability	
- Current Measurement Date	475,989
Change in Proportionate Share	<u>\$ 132,127</u>
Proportion of the Net Pension Liability/Asset	0.002748%
Pension Expense	\$ 66,881

At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Deferred Outflows of Resources**

Net difference between projected and actual earnings	
on pension plan investments	\$ 139,911
Authority contributions subsequent to the measurement date	42,522
Total Deferred Outflows of Resources	<u>\$ 182,433</u>

**Deferred Inflows of Resources**

Differences between expected and actual experience	\$ 9,196
Changes in proportion and differences between	
Authority Contributions and proportionate share	
of Contributions	14,265
Total Deferred Inflows of Resources	<u>\$ 23,461</u>

**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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

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

\$42,522 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 December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2017	\$ 24,019
2018	26,258
2019	34,513
2020	31,660
Total	<u>\$ 116,450</u>

***Actuarial Assumptions - OPERS***

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

The total pension asset in December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 8.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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

*Actuarial Assumptions - OPERS* (Continued)

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. 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 money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.40 percent for 2015.

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**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

*Actuarial Assumptions - OPERS* (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00%	2.31%
Domestic Equities	19.90%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	19.10%	7.40%
Other Investments	18.00%	4.59%
Total	<u>100.00%</u>	<u>5.28%</u>

**Discount Rate** The discount rate used to measure the total pension liability was 8 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.

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(CONTINUED)**

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

*Actuarial Assumptions - OPERS* (Continued)

***Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 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 (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Authority's proportionate share of the net pension liability	\$ 758,366	\$ 475,989	\$ 237,812

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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which fund multiple health care plans including medical overage, prescription drug coverage and deposits to a Health Reimbursement Arrangement 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 OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**(CONTINUED)**

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

A. **Plan Description** (Continued)

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

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

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

B. **Funding Policy**

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, State and Local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)**

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

B. **Funding Policy** (Continued)

The employer contribution as a percentage of covered payroll deposited to the RMA for participants in the Member-Directed Plan for 2016 was 4.0 percent. The portion of actual Authority contributions for the year ended December 31, 2016, 2015, and 2014, which were used by OPERS to fund post-employment benefits were \$7,087, \$6,839 and \$6,911, respectively.

NOTE 7: **COMPENSATED ABSENCES**

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

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

The following is a summary of changes in long-term liabilities for the year ended December 31, 2016:

	Balance <u>01/01/2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/2016</u>	Current <u>Portion</u>
Net Pension Liability	\$ 343,862	\$ 132,127	\$ 0	\$ 475,989	\$ 0
Compensated Absences Liability	44,099	34,249	(33,250)	45,098	0
Total	<u>\$ 387,961</u>	<u>\$ 166,376</u>	<u>\$ (33,250)</u>	<u>\$ 521,087</u>	<u>\$ 0</u>

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**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(CONTINUED)**

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NOTE 9: **CONTINGENCIES**

**Grants**

The Authority received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at December 31, 2016.

NOTE 10: **RISK MANAGEMENT**

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

NOTE 11: **NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Authority's federal award programs. The Schedule has been prepared on the accrual basis of accounting. The Authority did not use the de-minimus rate of 10 percent for indirect costs charged to Federal Programs.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Authority's Proportion of the Net Pension Liability	0.002748%	0.002851%	0.002851%
Authority's Proportionate Share of the Net Pension Liability	\$475,989	\$343,862	\$336,096
Authority's Covered-Employee Payroll	\$341,959	\$349,533	\$346,238
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	139.19%	98.38%	97.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.08%	86.45%	86.36%

(1) Information prior to 2013 is not available.

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 42,522	\$41,035	\$41,944	\$45,011
Contributions in Relation to the Contractually Required Contribution	<u>(42,522)</u>	<u>(41,035)</u>	<u>(41,944)</u>	<u>(45,011)</u>
Contribution Deficiency / (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Authority's Covered-Employee Payroll	\$354,350	\$341,959	\$349,533	\$346,238
Pension Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	13.00%

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

**SHELBY METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL SCHEDULE  
ENTITY WIDE BALANCE SHEET SUMMARY  
DECEMBER 31, 2016**

Shelby Metropolitan Housing Authority (OH061)	Project Total	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	167,687	-	79,093	1,285	248,065	-	248,065
113 Cash - Other Restricted	-	-	73,342	-	73,342	-	73,342
114 Cash - Tenant Security Deposits	40,394	-	-	-	40,394	-	40,394
<b>100 Total Cash</b>	<b>208,081</b>	<b>-</b>	<b>152,435</b>	<b>1,285</b>	<b>361,801</b>	<b>-</b>	<b>361,801</b>
124 Accounts Receivable - Other Government	-	10,312	-	-	10,312	-	10,312
125 Accounts Receivable - Miscellaneous	3,366	-	-	-	3,366	-	3,366
126 Accounts Receivable - Tenants	4,906	-	-	-	4,906	-	4,906
126.1 Allowance for Doubtful Accounts -Tenants	-2,000	-	-	-	-2,000	-	-2,000
126.2 Allowance for Doubtful Accounts - Other	-1,500	-	-	-	-1,500	-	-1,500
128 Fraud Recovery	-	-	10,000	-	10,000	-	10,000
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-2,150	-	-2,150	-	-2,150
<b>120 Total Receivables, Net of Allowances for Doubtful Accounts</b>	<b>4,772</b>	<b>10,312</b>	<b>7,850</b>	<b>-</b>	<b>22,934</b>	<b>-</b>	<b>22,934</b>
142 Prepaid Expenses and Other Assets	34,618	-	-	-	34,618	-	34,618
143 Inventories	57,452	-	-	-	57,452	-	57,452
144 Inter Program Due From	10,317	-	-	10,312	20,629	-20,629	-
<b>150 Total Current Assets</b>	<b>315,240</b>	<b>10,312</b>	<b>160,285</b>	<b>11,597</b>	<b>497,434</b>	<b>-20,629</b>	<b>476,805</b>
161 Land	1,685,579	-	-	-	1,685,579	-	1,685,579
162 Buildings	10,821,445	-	-	-	10,821,445	-	10,821,445
163 Furniture, Equipment & Machinery - Dwellings	73,068	-	-	-	73,068	-	73,068
164 Furniture, Equipment & Machinery - Administration	264,708	-	14,317	-	279,025	-	279,025
166 Accumulated Depreciation	-8,754,914	-	-14,317	-	-8,769,231	-	-8,769,231
<b>160 Total Capital Assets, Net of Accumulated Depreciation</b>	<b>4,089,886</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,089,886</b>	<b>-</b>	<b>4,089,886</b>
<b>180 Total Non-Current Assets</b>	<b>4,089,886</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,089,886</b>	<b>-</b>	<b>4,089,886</b>
200 Deferred Outflow of Resources	147,613	-	34,820	-	182,433	-	182,433
<b>290 Total Assets and Deferred Outflow of Resources</b>	<b>4,552,739</b>	<b>10,312</b>	<b>195,105</b>	<b>11,597</b>	<b>4,769,753</b>	<b>-20,629</b>	<b>4,749,124</b>

**SHELBY METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL SCHEDULE  
ENTITY WIDE BALANCE SHEET SUMMARY  
DECEMBER 31, 2016**

Shelby Metropolitan Housing Authority (OH061)	Project Total	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	33,382	-	-	-	33,382	-	33,382
321 Accrued Wage/Payroll Taxes Payable	15,904	-	1,533	-	17,437	-	17,437
333 Accounts Payable - Other Government	22,584	-	-	-	22,584	-	22,584
341 Tenant Security Deposits	40,394	-	-	-	40,394	-	40,394
342 Unearned Revenue	-	-	10,332	-	10,332	-	10,332
347 Inter Program - Due To	-	10,312	10,317	-	20,629	-20,629	-
<b>310 Total Current Liabilities</b>	112,264	10,312	22,182	-	144,758	-20,629	124,129
354 Accrued Compensated Absences - Non Current	35,404	-	9,694	-	45,098	-	45,098
357 Accrued Pension and OPEB Liabilities	384,482	-	91,507	-	475,989	-	475,989
<b>350 Total Non-Current Liabilities</b>	419,886	-	101,201	-	521,087	-	521,087
<b>300 Total Liabilities</b>	532,150	10,312	123,383	-	665,845	-20,629	645,216
400 Deferred Inflow of Resources	18,984	-	78,415	-	97,399	-	97,399
508.4 Net Investment in Capital Assets	4,089,886	-	-	-	4,089,886	-	4,089,886
511.4 Restricted Net Position	-	-	-	-	-	-	-
512.4 Unrestricted Net Position	-88,281	-	-6,693	11,597	-83,377	-	-83,377
<b>513 Total Equity - Net Assets / Position</b>	4,001,605	-	-6,693	11,597	4,006,509	-	4,006,509
<b>600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net</b>	4,552,739	10,312	195,105	11,597	4,769,753	-20,629	4,749,124

**SHELBY METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL SCHEDULE  
ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

Shelby Metropolitan Housing Authority (OH061)	Project Total	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	422,711	-	-	-	422,711		422,711
70400 Tenant Revenue - Other	68,056	-	-	-	68,056		68,056
<b>70500 Total Tenant Revenue</b>	<b>490,767</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>490,767</b>	<b>-</b>	<b>490,767</b>
70600 HUD PHA Operating Grants	788,619	-	967,810	-	1,756,429		1,756,429
70800 Other Government Grants	-	91,932	-	-	91,932		91,932
71100 Investment Income - Unrestricted	626	-	-	-	626		626
71400 Fraud Recovery	-	-	1,486	-	1,486		1,486
71600 Gain or Loss on Sale of Capital Assets	1,500	-	-	-	1,500		1,500
<b>70000 Total Revenue</b>	<b>1,281,512</b>	<b>91,932</b>	<b>969,296</b>	<b>-</b>	<b>2,342,740</b>	<b>-</b>	<b>2,342,740</b>
91100 Administrative Salaries	179,009	-	70,034	-	249,043		249,043
91200 Auditing Fees	6,809	-	1,495	-	8,304		8,304
91500 Employee Benefit contributions - Administrative	89,033	-	35,276	-	124,309		124,309
91600 Office Expenses	42,794	-	10,473	-	53,267		53,267
91700 Legal Expense	8,737	-	-	-	8,737		8,737
91800 Travel	12,045	-	1,614	-	13,659		13,659
91900 Other	2,762	-	14,050	-	16,812		16,812
<b>91000 Total Operating - Administrative</b>	<b>341,189</b>	<b>-</b>	<b>132,942</b>	<b>-</b>	<b>474,131</b>	<b>-</b>	<b>474,131</b>
92400 Tenant Services - Other	1,500	-	-	-	1,500		1,500
<b>92500 Total Tenant Services</b>	<b>1,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,500</b>	<b>-</b>	<b>1,500</b>
93100 Water	48,829	-	-	-	48,829		48,829
93200 Electricity	79,203	-	-	-	79,203		79,203
93300 Gas	32,411	-	-	-	32,411		32,411
93600 Sewer	40,874	-	-	-	40,874		40,874
<b>93000 Total Utilities</b>	<b>201,317</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>201,317</b>	<b>-</b>	<b>201,317</b>
94100 Ordinary Maintenance and Operations - Labor	98,736	-	-	-	98,736		98,736
94200 Ordinary Maintenance and Operations - Materials and Other	26,629	-	-	-	26,629		26,629

**SHELBY METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL SCHEDULE  
ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

Shelby Metropolitan Housing Authority (OH061)	Project Total	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
94300 Ordinary Maintenance and Operations Contracts	257,043	-	-	-	257,043		257,043
94500 Employee Benefit Contributions - Ordinary Maintenance	49,122	-	-	-	49,122		49,122
<b>94000 Total Maintenance</b>	<b>431,530</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>431,530</b>	<b>-</b>	<b>431,530</b>
95200 Protective Services - Other Contract Costs	12,740	-	-	-	12,740		12,740
<b>95000 Total Protective Services</b>	<b>12,740</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,740</b>	<b>-</b>	<b>12,740</b>
96110 Property Insurance	29,978	-	-	-	29,978		29,978
96120 Liability Insurance	-	-	5,986	-	5,986		5,986
96130 Workmen's Compensation	1,934	-	488	-	2,422		2,422
<b>96100 Total insurance Premiums</b>	<b>31,912</b>	<b>-</b>	<b>6,474</b>	<b>-</b>	<b>38,386</b>	<b>-</b>	<b>38,386</b>
96200 Other General Expenses	811	-	-	-	811		811
96210 Compensated Absences	837	-	162	-	999		999
96300 Payments in Lieu of Taxes	22,584	-	-	-	22,584		22,584
96400 Bad debt - Tenant Rents	41,892	-	-	-	41,892		41,892
<b>96000 Total Other General Expenses</b>	<b>66,124</b>	<b>-</b>	<b>162</b>	<b>-</b>	<b>66,286</b>	<b>-</b>	<b>66,286</b>
<b>96900 Total Operating Expenses</b>	<b>1,086,312</b>	<b>-</b>	<b>139,578</b>	<b>-</b>	<b>1,225,890</b>	<b>-</b>	<b>1,225,890</b>
<b>97000 Excess of Operating Revenue over Operating Expenses</b>	<b>195,200</b>	<b>91,932</b>	<b>829,718</b>	<b>-</b>	<b>1,116,850</b>	<b>-</b>	<b>1,116,850</b>
97100 Extraordinary Maintenance	238,406	-	-	-	238,406		238,406
97300 Housing Assistance Payments	-	91,932	862,571	-	954,503		954,503
97400 Depreciation Expense	382,173	-	-	-	382,173		382,173
<b>90000 Total Expenses</b>	<b>1,706,891</b>	<b>91,932</b>	<b>1,002,149</b>	<b>-</b>	<b>2,800,972</b>	<b>-</b>	<b>2,800,972</b>
10010 Operating Transfer In	71,715	-	-	-	71,715	-71,715	-
10020 Operating transfer Out	-71,715	-	-	-	-71,715	71,715	-
<b>10100 Total Other financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	<b>-425,379</b>	<b>-</b>	<b>-32,853</b>	<b>-</b>	<b>-458,232</b>	<b>-</b>	<b>-458,232</b>

**SHELBY METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL SCHEDULE  
ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

Shelby Metropolitan Housing Authority (OH061)	Project Total	14.228 Community Development Block Grants/State's Program	14.871 Housing Choice Vouchers	2 State/Local	Subtotal	ELIM	Total
11030 Beginning Equity	4,426,984	-	26,160	11,597	4,464,741		4,464,741
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-	-		-
11170 Administrative Fee Equity	-	-	-6,097	-	-6,097		-6,097
11180 Housing Assistance Payments Equity	-	-	-596	-	-596		-596
11190 Unit Months Available	2,100	318	2,760	-	5,178		5,178
11210 Number of Unit Months Leased	2,054	318	2,746	-	5,118		5,118
11270 Excess Cash	20,380	-	-	-	20,380		20,380

**SHELBY METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF MODERNIZATION COST - COMPLETED  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2015**

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**Annual Contributions Contract C-5031**

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

<u>OH16P0150112</u>	
Funds Approved	\$ 197,287
Funds Expended	<u>197,287</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 197,287
Funds Expended	<u>197,287</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

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  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
<i>Direct Programs:</i>		
Public Housing Program	14.850	\$ 478,498
Capital Fund Program	14.872	310,121
Section 8 Housing Choice Voucher Program	14.871	<u>967,810</u>
<b>Total Direct Awards</b>		<u>1,756,429</u>
<i>Passed through from City of Sidney, Ohio:</i>		
Community Development Block Grants/State's Program	14.228	<u>91,932</u>
<b>Total Passed Through Awards</b>		<u>91,932</u>
<b>Total Federal Awards</b>		<u><u>\$ 1,848,361</u></u>

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

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

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

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(216) 475 - 6136

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

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

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Shelby Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 20, 2017.

***Internal Control Over Financial Reporting***

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

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

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

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

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

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

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

A handwritten signature in black ink that reads "James G. Zupka, CPA, Inc." The signature is written in a cursive style.

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

June 20, 2017

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

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

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

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

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

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

We have audited the Shelby Metropolitan Housing Authority, Ohio's (the Authority) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2016. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the Shelby Metropolitan Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

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

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

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

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

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



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

June 20, 2017

**SHELBY METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

2016(i)	Type of Financial Statement Opinion	Unmodified
2016(ii)	Were there any material control weaknesses reported at the financial statement level? (GAGAS)?	No
2016(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2016(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2016(iv)	Were there any material internal control weaknesses reported for major Federal programs?	No
2016(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2016(v)	Type of Major Programs' Compliance Opinion	Unmodified
2016(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2016(vii)	Major Programs (list):  Housing Choice Vouchers - CFDA #14.871	
2016(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$750,000 Type B: all others
2016(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, 2016**

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The audit report for the prior year ended December 31, 2015 contained no findings or citations.



# Dave Yost • Auditor of State

**SHELBY COUNTY METROPOLITAN HOUSING AUTHORITY**

**SHELBY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 24, 2017**