

Sandusky Metropolitan Housing Authority

Financial Statements

For the Year Ended June 30, 2017



Dave Yost • Auditor of State

Board of Directors
Sandusky County Metropolitan Housing Authority
1358 Mosser Dr
Fremont, OH 43420

We have reviewed the *Independent Auditor's Report* of the Sandusky County Metropolitan Housing Authority, Sandusky County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Sandusky County 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

March 8, 2018

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SANDUSKY METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Sandusky Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Sandusky Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Sandusky Metropolitan Housing Authority as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

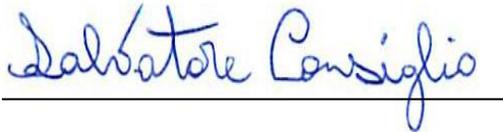
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sandusky Metropolitan Housing Authority, Ohio's basic financial statements. The accompanying financial data schedule ("FDS") and the PHA Statement of Certificate and Actual Modernization Costs are not required part of the basic financial statements. The Schedule of Expenditure of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the financial statements.

The financial data schedule (FDS) and the PHA Statement of Certificate and Actual Modernization Costs are presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Expenditure of Federal Awards, the financial data schedule ("FDS") and the PHA Statement of Certificate and Actual Modernization Costs are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 29, 2017, on my consideration of the Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control over financial reporting and compliance.



Salvatore Consiglio

Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
December 29, 2017

SANDUSKY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Unaudited

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

Since the MD&A is designed to focus of the 2017 year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statement.

FINANCIAL HIGHLIGHTS

- The Authority's total net position decreased by \$26,044 (or 1.26 percent) during fiscal year ended 2017. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net Position was \$2,045,323 and \$2,071,367 for 2017 and 2016 respectively.
- The business-type activities revenue increased by \$43,361 (or 3.26 percent) during fiscal year ended 2017. The amounts were \$1,374,736 and \$1,331,375 for 2017 and 2016 respectively.
- The total expenses of all Authority programs increased by \$60,724 (or 4.53 percent). Total expenses were \$1,400,780 and \$1,340,056 for fiscal year ended 2017 and 2016 respectively.

AUTHORITY STATEMENTS

Statement of Net Position

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Unaudited

TABLE 1
STATEMENT OF NET POSITION

	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 378,117	\$ 335,877
Capital Assets	1,878,900	1,983,162
Deferred Outflows of Resources	16,309	33,632
Total Assets	<u>\$ 2,273,326</u>	<u>\$ 2,352,671</u>
Current Liabilities	\$ 59,756	\$ 68,431
Long-Term Liabilities	136,240	211,066
Deferred Inflows of Resources	32,007	1,807
Total Liabilities	<u>228,003</u>	<u>281,304</u>
Net Position:		
Net Investment in Capital Assets	1,766,355	1,839,764
Restricted Net Position	5,736	4,184
Unrestricted Net Position	<u>273,232</u>	<u>227,419</u>
Total Net Position	<u>2,045,323</u>	<u>2,071,367</u>
Total Liabilities and Net Position	<u>\$ 2,273,326</u>	<u>\$ 2,352,671</u>

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

Major Factors Affecting the Statement of Net Position

During 2017, current and other assets increased by \$42,240 and current liabilities decreased by \$8,675. The increase in current assets is mainly due to the change in cash and accounts receivable due to the result of current activities. The decrease in liability is due to the year-end vendor invoices being paid during the fiscal year.

Capital assets also changed, decreasing from \$1,983,162 to \$1,878,900. The \$104,262 decrease may be contributed primarily to a combination of total acquisitions of \$33,132 less current year depreciation of \$137,393.

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Unaudited

TABLE 2
CHANGE OF NET POSITION

	<u>Unrestricted</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted</u>
Beginning Balance	\$227,419	\$1,839,764	\$4,184
Results of Operation	(27,596)	0	1,552
Adjustments:			
Current year Depreciation Expense (1)	137,393	(137,393)	0
Capital Expenditure (2)	(33,132)	33,132	0
Retirement of Debt	(30,853)	30,853	0
Rounding Adjustment	1	(1)	0
Ending Balance	<u>\$273,232</u>	<u>\$1,766,355</u>	<u>\$5,736</u>

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

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

(3) The net restricted position is the amount of equity restricted for Housing Assistance Payments.

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

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Unaudited

TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2017</u>	<u>2016</u>
<u>Revenues</u>		
Total Tenant Revenues	\$ 111,167	\$ 109,272
Operating Subsidies	1,210,276	1,169,742
Capital Grants	21,601	10,799
Investment Income	181	143
Other Revenues	31,511	41,419
Total Revenues	<u>1,374,736</u>	<u>1,331,375</u>
<u>Expenses</u>		
Administrative	179,503	170,507
Utilities	14,669	15,458
Maintenance	141,995	139,106
General and Interest	27,211	37,861
Housing Assistance Payments	900,009	837,383
Depreciation	137,393	139,741
Total Expenses	<u>1,400,780</u>	<u>1,340,056</u>
Net Increases (Decreases)	<u>\$ (26,044)</u>	<u>\$ (8,681)</u>

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

Operating Subsidy reflects an increase of \$40,534 or 3.47%. The increase in operating subsidy is mainly due to additional housing assistance money received during the year. Capital grants increased by \$10,802 due to capital funded activities during the year. Total tenant revenue increased by \$1,895 (or 1.73 %). The increase in tenant revenue was primarily due to increase in tenant rents and units leased.

Total expenses increased \$60,724 due to increase in housing assistance payments.

CAPITAL ASSETS

As of year-end, the Authority had \$1,878,900 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$104,262 or 5.26%

SANDUSKY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Unaudited

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

TABLE 4
CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	<u>2017</u>	<u>2016</u>
Land	\$ 604,764	\$ 604,764
Building and Improvement	4,390,068	4,357,256
Equipment	401,696	402,386
Accumulated Depreciation	<u>(3,517,628)</u>	<u>(3,381,244)</u>
 Total	 <u>\$ 1,878,900</u>	 <u>\$ 1,983,162</u>

The following reconciliation identifies the change in Capital Assets:

TABLE 5
CHANGE IN CAPITAL ASSETS

Beginning Balance	\$	1,983,162
Current year Additions		33,132
Current year Depreciation Expense		(137,393)
Rounding Adjustment		<u>(1)</u>
 Ending Balance	 \$	 <u>1,878,900</u>
 Current year Additions are summarized as follows:		
Roof replacement	\$	21,601
Installation of shower		4,811
Security cameras		6,400
Refrigerator		<u>320</u>
 Total 2017 Additions	 \$	 <u>33,132</u>

SANDUSKY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Unaudited

DEBT OUTSTANDING

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

Beginning Balance	\$ 143,398
Current Year Principal Payments	<u>(30,853)</u>
Ending Balance	<u><u>\$ 112,545</u></u>

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
Statement of Net Position
June 30, 2017

ASSETS

Current assets

Cash and cash equivalents	\$	327,614
Restricted cash and cash equivalents		26,253
Receivables, net		3,636
Prepaid expenses and other assets		11,715
Inventory		8,899
<i>Total current assets</i>		<u>378,117</u>

Noncurrent assets

Capital assets:

Non-Depreciable capital assets		604,764
Depreciable capital assets, net		1,274,136
<i>Total capital assets</i>		<u>1,878,900</u>

<i>Total noncurrent assets</i>		1,878,900
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Deferred Outflows of Resources		16,309
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<i>Total noncurrent assets</i>		<u>1,895,209</u>
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Total assets	\$	<u>2,273,326</u>
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LIABILITIES

Current liabilities

Accounts payable	\$	17,732
Accrued liabilities		1,188
Tenant security deposits		20,517
Other current liabilities		3,196
Long-Term Debt - Current Portion		17,123
<i>Total current liabilities</i>		<u>59,756</u>

Noncurrent liabilities

Long-Term Debt - Noncurrent Portion		95,422
Accrued Compensated Absences		1,307
Net Pension Liability		39,511
<i>Total noncurrent liabilities</i>		<u>136,240</u>

Deferred Inflows of Resources		<u>32,007</u>
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Total liabilities and deferred inflows	\$	<u>228,003</u>
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The accompanying notes to the financial statements are an integral part of these statements.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
Statement of Net Position
June 30, 2017

NET POSITION

Net Invested in capital assets	\$ 1,766,355
Restricted net position	5,736
Unrestricted net position	<u>273,232</u>
Total net position	<u>2,045,323</u>
Total liabilities and net position	<u><u>\$ 2,273,326</u></u>

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2017

OPERATING REVENUES

Tenant revenue	\$ 111,167
Government operating grants	1,210,276
Other revenue	31,511
Total operating revenues	<u>1,352,954</u>

OPERATING EXPENSES

Administrative	179,503
Utilities	14,669
Maintenance	141,995
General and insurance	21,398
Housing assistance payment	900,009
Depreciation	137,393
Total operating expenses	<u>1,394,967</u>
Operating income (loss)	<u>(42,013)</u>

NONOPERATING REVENUES (EXPENSES)

Capital grant revenue	21,601
Interest income	181
Interest expense	(5,813)
Total nonoperating revenues (expenses)	<u>15,969</u>
Change in net position	(26,044)
Total net position - beginning	2,071,367
Total net position - ending	<u>\$ 2,045,323</u>

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows
For the Year Ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Operating grants received	\$1,210,276
Receipts from tenants	109,598
Other revenue received	31,511
Cash payments for administrative	(363,365)
Cash payments for HAP	(900,009)

Net cash provided (used) by operating activities **88,011**

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned	181
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Net cash provided (used) by investing activities **181**

CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES

Capital additions	(33,132)
Capital grant received	21,601
Interest payment	(5,813)
Retirement of debt	(30,853)

Net cash provided (used) by capital and related activities **(48,197)**

Net increase (decrease) in cash	39,995
Cash and cash equivalents - Beginning of year	313,872

Cash and cash equivalents - End of year **\$ 353,867**

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows (Continued)
For the Year Ended June 30, 2017

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Operating Income (Loss)	\$ (42,013)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	137,393
- (Increases) Decreases in Accounts Receivable	(1,569)
- (Increases) Decreases in Prepaid Assets	(1,760)
- (Increases) Decreases in Inventory	1,084
- (Increases) Decreases in Other Assets	0
- (Increases) Decreases in Deferred Outflows	17,323
- Increases (Decreases) in Accounts Payable	6,922
- Increases (Decreases) in Accrued Liabilities	(1,065)
- Increases (Decreases) in Tenant Security Deposit	(99)
- Increases (Decreases) in Other Current Liabilities	(742)
- Increases (Decreases) in Pension Liability	(54,023)
- Increases (Decreases) in Deferred Inflows	30,200
- Increases (Decreases) in Non-Current Liabilities Other	(3,640)
	(3,640)
Net cash provided (used) by operating activities	\$ 88,011

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

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

Organization and Reporting Entity

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

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 61 is the “primary government”. A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. This criterion was considered in determining the reporting entity. The Authority is a political subdivision with no component units.

Basis of Presentation

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

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

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

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

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

Measurement Focus and Basis of Accounting

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

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

Property and Equipment

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

Useful life of property and equipment is as follows:

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

Depreciation is recorded on the straight-line method. Total depreciation expense for the 2017 fiscal year was \$137,393.

Cash and Cash Equivalents

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

Investments

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

Restricted Net Position

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

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position includes the Housing Choice Voucher Program HAP Equity. That is funding provided to the Agency by HUD for the purpose of making rental assistance payments on behalf of program participants that has yet to be expended and was \$5,736 at June 30, 2017.

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 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.

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 them.

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 7.

In addition to liabilities, the statements of financial position report a separate section of 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 the time. For the Authority, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 7)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that

SANDUSKY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Accounting

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

Capitalization of Interest

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

Financial Statement Format and Content

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

NOTE 2: **DEPOSITS AND INVESTMENTS**

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

Deposits

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

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

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

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

At June 30, 2017, the Authority had undeposited cash on hand (petty cash) of \$120.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
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At June 30, 2017, the carrying amount of the Authority's cash deposits was \$353,867 and the bank balance was \$368,809. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2017, deposits totaling \$250,000 were covered by Federal Depository Insurance, while the \$118,809 was collateralized by securities pledged in the name of the Authority.

Custodial credit is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 110 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve system in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at a Federal Reserve bank in the name of the Authority.

Investments

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

The Authority has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At June 30, 2017 the Authority has no investments.

Interest Rate Risk

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

**SANDUSKY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)**

Credit Risk

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

Concentration of Credit Risk

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

Foreign Currency Risk

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

Restricted Cash

Restricted cash is composed of the following restricted:

Restricted HAP Equity	\$ 5,736
Tenant Security Deposit	20,517
Total	<u>\$ 26,253</u>

NOTE 3: CAPITAL ASSETS

A summary of capital assets at June 30, 2017, by class is as follows:

Building and Building Improvements	\$4,390,068
Land	604,764
Furniture, Equipment - Dwelling	81,341
Furniture, Equipment - Administration	320,355
Total	<u>5,396,528</u>
Less Accumulated Depreciation	<u>(3,517,628)</u>
Net Property and Equipment	<u>\$ 1,878,900</u>

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
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	Balance 06/30/16	Additions	Adjustment	Balance 06/30/17
Capital Assets Not Being Depreciated:				
Land	\$604,764	\$0	\$0	\$604,764
Total Capital Assets Not Being Depreciated	604,764	0	0	604,764
Capital Assets Being Depreciated:				
Buildings and Improvement	4,357,256	32,812	0	4,390,068
Dwelling Equipment	82,031	320	(1,010)	81,341
Administration Equipment	320,355	0	0	320,355
Total Capital Assets Being Depreciated	4,759,642	33,132	(1,010)	4,791,764
Accumulated Depreciation:				
Buildings and Improvement	(2,984,481)	(135,438)	0	(3,119,919)
Furnt, Mach. and Equip.	(396,763)	(1,956)	1,010	(397,709)
Total Accumulated Depreciation	(3,381,244)	(137,394)	1,010	(3,517,628)
Total Capital Assets Being Depreciated, Net	1,378,398	(104,262)	0	1,274,136
Total Capital Assets, Net	\$1,983,162	(\$104,262)	\$0	\$1,878,900

NOTE 4: LONG-TERM LIABILITIES

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

	Balance 06/30/16	Additions	Deletions	Balance 06/30/17	Due Within One Year
Mortgage Payable	\$143,398	\$0	(\$30,853)	\$112,545	\$17,123
Net Pension Liability	93,534	0	(54,023)	39,511	0
Compensated Absence Liability	6,595	0	(4,852)	1,743	436
Total Long-Term Liabilities	\$243,527	\$0	(\$89,728)	\$153,799	\$17,559

Mortgages payable consist of the following:

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FOR THE YEAR ENDED JUNE 30, 2017
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The Authority has a note payable to the Croghan Colonial Bank of Fremont. The original principal of the loan was \$123,500 and the current rate is 6.15 percent annually. Principal and interest payments, currently \$430.06 began in October 2002 with the final payment due on July, 2032. The loan is secured by an open-end mortgage on real estate property located at 562 Crestwood, Fremont, Ohio. \$50,638

The Authority has a note payable to the Croghan Colonial Bank of Fremont. The original principal of the loan was \$70,000 and the current rate is 4.90 percent annually. Principal and interest payments, currently \$581.64, began in March, 2003 with the final payment due on March, 2018. The loan is secured by an open-end mortgage on real estate property located at 114 S. Jefferson Street, Fremont, Ohio. 5,138

The Authority has a note payable to the Croghan Colonial Bank of Fremont, at a current rate of 4.75 percent annually. Principal and interest payments of \$648.67 began in January, 2004 with the final payment due on December, 2023. The loan is secured by an open-end mortgage on real estate located at 1407 Rosewood Street, Fremont, Ohio 43420. 43,464

The PHA has entered into contractual agreements with the Ohio Department of Development Disabilities through which the agency received funds for the acquisition and/or renovation of properties. Upon receipt of the funding, the Agency is restricted to using the property as a residential facility for DODD clients for 15 years. In the event the Agency complies with this restriction, the amount of the loan is amortized at 0 percent interest by 1/180th for each month of each agreement. The only remaining debt balance is for the property located at 408 Pennsylvania Ave. 13,305

Total Debt \$112,545

Additional information on compensated absences is detailed in Note 8 of the financial statements.

NOTE 5: ALLOCATION OF COSTS

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
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NOTE 6: DEFINED BENEFIT PENSION PLANS

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

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

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

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

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

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

**SANDUSKY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)**

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

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

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

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

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

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

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

**SANDUSKY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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2016 Statutory Maximum Contribution Rates:	<u>State & Local</u>
Employer	14.0%
Employee	10.0%
2016 Actual Contribution Rates:	
Employer:	
Pension	12.0%
Post-employment Health Care Benefits	<u>2.0%</u>
Total Employer	<u>14.0%</u>
Employee	<u>10.0%</u>

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

The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	Traditional Plan
Proportionate Share of Net Pension Liability	\$39,511
Proportion of the Net Pension Liability	.000174%
Pension Expense	\$7,853

At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional Plan
Deferred Outflows of Resources	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan	\$6,574
Difference Between Expected and Actual Experience	54
Assumption Change	6,257
Authority contributions subsequent to the measurement date	<u>3,414</u>
Total Deferred Outflows of Resources	<u>\$16,309</u>
	Traditional Plan
Deferred Inflows of Resources	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan	\$690
Difference Between Expected and Actual Experience	235
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	<u>31,082</u>
Total Deferred Inflows of Resources	<u>\$32,007</u>

SANDUSKY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

\$3,414 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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:

Fiscal Year Ending June 30:	<u>Traditional Plan</u>
2017	\$9,966
2018	9,790
2019	(816)
2020	172
Total Deferred Outflows of Resources	\$19,112

Actuarial Assumptions – PERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Future Salary Increases, including inflation	3.25 - 10.75 percent, including wage inflation of 3.25%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3 percent, simple; Post 1/7/2013 retirees: 3 percent simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual entry age

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return.

Asset Class	Target Allocation for 2016	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	23.00%	2.75%
Domestic Equities	20.70%	6.34%
Real Estate	10.00%	4.75%
Private Equity	10.00%	8.97%
International Equities	18.30%	7.95%
Other Investments	18.00%	4.92%
TOTAL	100.00%	5.66%

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTE 7: POSTEMPLOYMENT BENEFITS

A. Plan Description

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

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, 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.

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 No. 45. Please see the Plan Statement in the OPERS 2014 CAFR for details.

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

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.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
(CONTINUED)

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. For the year ended June 30, 2017, the Authority 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.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members.

OPERS maintains that cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and 115 Health Care trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined Plans. Each year, the OPERS Board of Trustees 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 Plan was 2.0 percent for calendar year 2016. As recommended by the OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for the Traditional Plan. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of actual Authority contributions for the year ended June 30, 2017, 2016, and 2015, which were used by OPERS to fund post-employment benefits were \$1,122, \$1,305, and \$1,264 respectively.

NOTE 8: COMPENSATED ABSENCES

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017
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NOTE 9: **RISK MANAGEMENT**

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

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

NOTE 10: **CONTINGENCIES**

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

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

NOTE 11: **SUBSEQUENT EVENTS**

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through December 29, 2017, the date on which the financial statements were available to be issued.

Sandusky Metropolitan Housing Authority

FDS Schedule Submitted to REAC

June 30, 2017

	Project Total	14.871 Housing Choice Voucher	State and Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$63,514	\$241,843	\$22,257	\$327,614	\$0	\$327,614
113 Cash - Other Restricted	\$0	\$5,736	\$0	\$5,736	\$0	\$5,736
114 Cash - Tenant Security Deposits	\$15,717	\$0	\$4,800	\$20,517	\$0	\$20,517
100 Total Cash	\$79,231	\$247,579	\$27,057	\$353,867	\$0	\$353,867
125 Accounts Receivable - Miscellaneous	\$1,349	\$1,141	\$975	\$3,465	\$0	\$3,465
126 Accounts Receivable - Tenants	\$185	\$0	\$0	\$185	\$0	\$185
126.1 Allowance for Doubtful Accounts -Tenants	(\$14)	\$0	\$0	(\$14)	\$0	(\$14)
129 Accrued Interest Receivable	\$0	\$0	\$0	\$0	\$0	\$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$1,520	\$1,141	\$975	\$3,636	\$0	\$3,636
142 Prepaid Expenses and Other Assets	\$8,965	\$1,410	\$1,340	\$11,715	\$0	\$11,715
143 Inventories	\$6,983	\$193	\$1,723	\$8,899	\$0	\$8,899
150 Total Current Assets	\$96,699	\$250,323	\$31,095	\$378,117	\$0	\$378,117
161 Land	\$596,650	\$8,114	\$0	\$604,764	\$0	\$604,764
162 Buildings	\$3,366,936	\$0	\$1,023,132	\$4,390,068	\$0	\$4,390,068
163 Furniture, Equipment & Machinery - Dwellings	\$81,341	\$0	\$0	\$81,341	\$0	\$81,341
164 Furniture, Equipment & Machinery - Administration	\$265,182	\$50,697	\$4,476	\$320,355	\$0	\$320,355
166 Accumulated Depreciation	(\$2,910,905)	(\$50,697)	(\$556,026)	(\$3,517,628)	\$0	(\$3,517,628)
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,399,204	\$8,114	\$471,582	\$1,878,900	\$0	\$1,878,900
171 Notes, Loans and Mortgages Receivable - Non-Current	\$60,938	\$0	\$0	\$60,938	(\$60,938)	\$0

Sandusky Metropolitan Housing Authority

FDS Schedule Submitted to REAC

June 30, 2017

	Project Total	14.871 Housing Choice Voucher	State and Local	Subtotal	ELIM	Total
174 Other Assets	\$0	\$0	\$0	\$0	\$0	\$0
180 Total Non-Current Assets	\$1,460,142	\$8,114	\$471,582	\$1,939,838	(\$60,938)	\$1,878,900
200 Deferred Outflow of Resources	\$11,270	\$3,556	\$1,483	\$16,309	\$0	\$16,309
290 Total Assets and Deferred Outflow of Resources	\$1,568,111	\$261,993	\$504,160	\$2,334,264	(\$60,938)	\$2,273,326
312 Accounts Payable <= 90 Days	\$11,588	\$12	\$6,132	\$17,732	\$0	\$17,732
321 Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$752	\$752	\$0	\$752
322 Accrued Compensated Absences - Current Portion	\$330	\$38	\$68	\$436	\$0	\$436
341 Tenant Security Deposits	\$15,717	\$0	\$4,800	\$20,517	\$0	\$20,517
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$0	\$0	\$17,123	\$17,123	\$0	\$17,123
345 Other Current Liabilities	\$3,196	\$0	\$0	\$3,196	\$0	\$3,196
310 Total Current Liabilities	\$30,831	\$50	\$28,875	\$59,756	\$0	\$59,756
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0	\$0	\$95,422	\$95,422	\$0	\$95,422
353 Non-current Liabilities - Other	\$0	\$0	\$60,938	\$60,938	(\$60,938)	\$0
354 Accrued Compensated Absences - Non Current	\$989	\$113	\$205	\$1,307	\$0	\$1,307
357 Accrued Pension and OPEB Liabilities	\$27,302	\$8,615	\$3,594	\$39,511	\$0	\$39,511
350 Total Non-Current Liabilities	\$28,291	\$8,728	\$160,159	\$197,178	(\$60,938)	\$136,240
300 Total Liabilities	\$59,122	\$8,778	\$189,034	\$256,934	(\$60,938)	\$195,996

Sandusky Metropolitan Housing Authority

FDS Schedule Submitted to REAC

June 30, 2017

	Project Total	14.871 Housing Choice Voucher	State and Local	Subtotal	ELIM	Total
400 Deferred Inflow of Resources	\$22,117	\$6,979	\$2,911	\$32,007	\$0	\$32,007
508.4 Net Investment in Capital Assets	\$1,399,204	\$8,114	\$359,037	\$1,766,355	\$0	\$1,766,355
511.4 Restricted Net Position	\$0	\$5,736	\$0	\$5,736	\$0	\$5,736
512.4 Unrestricted Net Position	\$87,668	\$232,386	(\$46,822)	\$273,232	\$0	\$273,232
513 Total Equity - Net Assets / Position	\$1,486,872	\$246,236	\$312,215	\$2,045,323	\$0	\$2,045,323
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$1,568,111	\$261,993	\$504,160	\$2,334,264	(\$60,938)	\$2,273,326
70300 Net Tenant Rental Revenue	\$45,143	\$0	\$65,434	\$110,577	\$0	\$110,577
70400 Tenant Revenue - Other	\$0	\$0	\$590	\$590	\$0	\$590
70500 Total Tenant Revenue	\$45,143	\$0	\$66,024	\$111,167	\$0	\$111,167
70600 HUD PHA Operating Grants	\$186,422	\$1,023,854	\$0	\$1,210,276	\$0	\$1,210,276
70610 Capital Grants	\$21,601	\$0	\$0	\$21,601	\$0	\$21,601
71100 Investment Income - Unrestricted	\$50	\$119	\$12	\$181	\$0	\$181
71400 Fraud Recovery	\$0	\$1,496	\$0	\$1,496	\$0	\$1,496
71500 Other Revenue	\$13,846	\$4,961	\$11,208	\$30,015	\$0	\$30,015
70000 Total Revenue	\$267,062	\$1,030,430	\$77,244	\$1,374,736	\$0	\$1,374,736
91100 Administrative Salaries	\$16,431	\$10,954	\$0	\$27,385	\$0	\$27,385
91200 Auditing Fees	\$10,395	\$1,694	\$1,694	\$13,783	\$0	\$13,783

Sandusky Metropolitan Housing Authority

FDS Schedule Submitted to REAC

June 30, 2017

	Project Total	14.871 Housing Choice Voucher	State and Local	Subtotal	ELIM	Total
91400 Advertising and Marketing	\$41	\$188	\$20	\$249	\$0	\$249
91500 Employee Benefit contributions - Administrative	\$6,473	\$4,014	\$0	\$10,487	\$0	\$10,487
91600 Office Expenses	\$5,015	\$3,477	\$1,334	\$9,826	\$0	\$9,826
91700 Legal Expense	\$164	\$0	\$0	\$164	\$0	\$164
91800 Travel	\$1,096	\$0	\$172	\$1,268	\$0	\$1,268
91900 Other	\$72,010	\$31,764	\$12,567	\$116,341	\$0	\$116,341
91000 Total Operating - Administrative	\$111,625	\$52,091	\$15,787	\$179,503	\$0	\$179,503
93100 Water	\$2,129	\$0	\$0	\$2,129	\$0	\$2,129
93200 Electricity	\$9,971	\$0	\$0	\$9,971	\$0	\$9,971
93300 Gas	\$2,569	\$0	\$0	\$2,569	\$0	\$2,569
93000 Total Utilities	\$14,669	\$0	\$0	\$14,669	\$0	\$14,669
94100 Ordinary Maintenance and Operations - Labor	\$27,942	\$0	\$6,985	\$34,927	\$0	\$34,927
94200 Ordinary Maintenance and Operations - Materials and Other	\$15,630	\$0	\$1,001	\$16,631	\$0	\$16,631
94300 Ordinary Maintenance and Operations Contracts	\$72,949	\$1,821	\$5,776	\$80,546	\$0	\$80,546
94500 Employee Benefit Contributions - Ordinary Maintenance	\$6,473	\$0	\$1,918	\$8,391	\$0	\$8,391
94000 Total Maintenance	\$122,994	\$1,821	\$15,680	\$140,495	\$0	\$140,495
96110 Property Insurance	\$8,229	\$0	\$1,484	\$9,713	\$0	\$9,713
96120 Liability Insurance	\$635	\$181	\$91	\$907	\$0	\$907
96130 Workmen's Compensation	\$38	\$15	\$4	\$57	\$0	\$57
96140 All Other Insurance	\$1,753	\$0	\$0	\$1,753	\$0	\$1,753

Sandusky Metropolitan Housing Authority

FDS Schedule Submitted to REAC

June 30, 2017

	Project Total	14.871 Housing Choice Voucher	State and Local	Subtotal	ELIM	Total
96100 Total insurance Premiums	\$10,655	\$196	\$1,579	\$12,430	\$0	\$12,430
96200 Other General Expenses	\$3,347	\$782	\$0	\$4,129	\$0	\$4,129
96210 Compensated Absences	(\$3,827)	(\$110)	(\$916)	(\$4,853)	\$0	(\$4,853)
96300 Payments in Lieu of Taxes	\$3,093	\$0	\$449	\$3,542	\$0	\$3,542
96400 Bad debt - Tenant Rents	\$6,150	\$0	\$0	\$6,150	\$0	\$6,150
96000 Total Other General Expenses	\$8,763	\$672	(\$467)	\$8,968	\$0	\$8,968
96710 Interest of Mortgage (or Bonds) Payable	\$0	\$0	\$5,813	\$5,813	\$0	\$5,813
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$5,813	\$5,813	\$0	\$5,813
96900 Total Operating Expenses	\$268,706	\$54,780	\$38,392	\$361,878	\$0	\$361,878
97000 Excess of Operating Revenue over Operating Expenses	(\$1,644)	\$975,650	\$38,852	\$1,012,858	\$0	\$1,012,858
97200 Casualty Losses - Non-capitalized	\$1,500	\$0	\$0	\$1,500	\$0	\$1,500
97300 Housing Assistance Payments	\$0	\$896,316	\$0	\$896,316	\$0	\$896,316
97350 HAP Portability-In	\$0	\$3,693	\$0	\$3,693	\$0	\$3,693
97400 Depreciation Expense	\$103,924	\$0	\$33,469	\$137,393	\$0	\$137,393
90000 Total Expenses	\$374,130	\$954,789	\$71,861	\$1,400,780	\$0	\$1,400,780
10010 Operating Transfer In	\$21,251	\$0	\$0	\$21,251	(\$21,251)	\$0
10020 Operating transfer Out	(\$21,251)	\$0	\$0	(\$21,251)	\$21,251	\$0

Sandusky Metropolitan Housing Authority

FDS Schedule Submitted to REAC

June 30, 2017

	Project Total	14.871 Housing Choice Voucher	State and Local	Subtotal	ELIM	Total
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$107,068)	\$75,641	\$5,383	(\$26,044)	\$0	(\$26,044)
11030 Beginning Equity	\$1,593,940	\$170,595	\$306,832	\$2,071,367	\$0	\$2,071,367
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0	\$0	\$0	\$0
11020 Required Annual Debt Principal Payments	\$0	\$0	\$17,123	\$17,123	\$0	\$17,123
11170 Administrative Fee Equity	\$0	\$240,500	\$0	\$240,500	\$0	\$240,500
11180 Housing Assistance Payments Equity	\$0	\$5,736	\$0	\$5,736	\$0	\$5,736
11190 Unit Months Available	576	2,640	96	3,312	0	3,312
11210 Number of Unit Months Leased	574	2,592	96	3,262	0	3,262
11620 Building Purchases	\$21,601	\$0	\$0	\$21,601	\$0	\$21,601

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

Traditional Plan	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability / Asset	0.000174%	0.000540%	0.000514%	0.000514%
Authority's Proportionate Share of the Net Pension Liability	\$39,511	\$93,534	\$61,955	\$60,594
Authority's Covered-Employee Payroll	\$56,093	\$65,258	\$63,217	\$64,658
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	70.44%	143.33%	98.00%	93.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.54%	86.54%

(1) Information prior to 2013 is not available.

Amount presented as of the Authority's measurement date which is the December 31, 2015, 2014 and 2013.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually Required Contribution	\$6,731	\$7,831	\$7,586	\$7,759	\$7,729	\$8,976	\$20,507	\$16,537	\$16,035	\$20,849
Contributions in Relation to the Contractually Required Contribution	\$6,731	\$7,831	\$7,586	\$7,759	\$7,729	\$8,976	\$20,507	\$16,537	\$16,035	\$20,849
Authority's Covered-Employee Payroll	\$56,093	\$65,258	\$63,217	\$62,072	\$59,454	\$69,046	\$157,746	\$127,208	\$123,346	\$160,377
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	12.00%	12.50%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

Sandusky Metropolitan Housing Authority
 Schedule of Expenditure of Federal Award
 For the Year Ended June 30, 2017

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development		
Direct Program		
Low Rent Public Housing	14.850	\$157,755
Housing Choice Voucher Program	14.871	1,023,854
Public Housing Capital Fund Program	14.872	<u>50,268</u>
Total Expenditure of Federal Award		<u>\$1,231,877</u>

SANDUSKY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

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

NOTE B – SUBRECIPIENTS

The Authority provided no federal awards to subrecipients during the year ended June 30, 2017.

NOTE C – DISCLOSURE OF OTHER FORMS OF ASSISTANCE

The Authority received no federal awards of non-monetary assistance that are required to be disclosed for the year ended June 30, 2017.

The Authority had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the year ended June 30, 2017.



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

Board of Commissioners
Sandusky Metropolitan Housing Authority

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Sandusky Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Sandusky Metropolitan Housing Authority, Ohio's basic financial statements, and have issued my report thereon dated December 29, 2017.

Internal Control over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies. I considered finding 2017-001 to be a material weakness.

Compliance and Other Matters

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

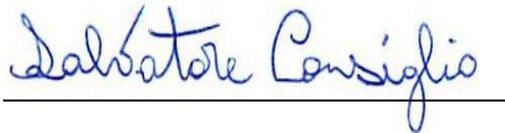
I did note certain matter not requiring inclusion in this report that reported to the Authority management in a separate letter dated December 29, 2017.

Authority's Response to Findings

The Authority's response to the findings identified in my audit are described in the accompanying schedule of audit findings. I did not audit the Authority's responses and, accordingly, I express no opinion on it.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Salvatore Consiglio". The signature is written in a cursive style and is positioned above a horizontal line.

Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
December 29, 2017



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

Board of Commissioners
Sandusky Metropolitan Housing Authority

Report on Compliance for Each Major Federal Program

I have audited Sandusky Metropolitan Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sandusky Metropolitan Housing Authority's major federal programs for the year ended June 30, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Sandusky Metropolitan Housing Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that 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 I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In my opinion, Sandusky Metropolitan Housing Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

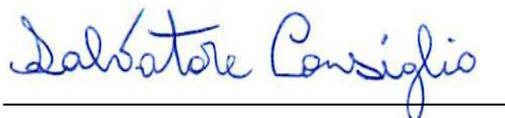
Report on Internal Control over Compliance

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

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

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

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



Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
December 29, 2017

Sandusky Metropolitan Housing Authority
 Schedule of Findings
 2 CFR § 200.515
 June 30, 2017

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unmodified
Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
Were there any material weaknesses in internal control reported for major federal programs?	No
Were there any significant deficiencies in internal control reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unmodified
Are there any reportable findings under 2 CFR § 200.516(a)?	No
Major Programs (list):	<ul style="list-style-type: none"> • CFDA # 14.871 Housing Choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: All Others
Low Risk Auditee under 2 CFR §200.520?	Yes

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

FINDING NUMBER 2017-001 - Material Weakness – Financial Statements Reporting

Statement of Condition/Criteria

Sound financial reporting is the responsibility of the Authority and is essential to ensure the information issued to the public is complete and accurate. The Authority should have in place a system of controls to review the financial statements prior to issuance, to ascertain that the financial statements are complete, fairly presented and filed timely.

Sandusky Metropolitan Housing Authority
Schedule of Findings
2 CFR § 200.515
June 30, 2017

Ohio Revised Code Section 117.38 requires entities to file their financial information with the Auditor of State of Ohio using the Hinkle System within 150 days after the close of the fiscal year. For Sandusky Metropolitan Housing Authority the due date was November 27, 2017. The Authority filed a report on November 13, 2017. However, the report filed was not the required annual financial statements. The Authority filed the financial data schedule that was reported to HUD REAC and it did not include the management discussion and analysis nor did it include the notes to the financial statements. Revised statements were filed on December 2, 2017.

Cause

Once Management was made aware of the error in reporting to the Auditor of State, it rushed to submit the complete financial statements and did not properly review the statements.

Effect

Audit procedures over the revised report filed with the Auditor of State Hinkle System revealed several errors as follows:

- Total Current Assets needed adjusted of \$1,097. This adjustment was necessary to properly report the inter program due to/from.
- Total Noncurrent Assets needed adjusted of \$4,362. This adjustment was necessary to properly report the inter program due to/from.
- Total Current Liability needed adjusted of \$4,225. This adjustment was necessary to properly report the inter program due to/from.
- Total Noncurrent Liability needed adjusted of \$960. This adjustment was necessary to correctly report the debt liability between current and noncurrent.
- The Net Investment in Capital Assets and the Unrestricted Net Position needed reclassification adjusted among the accounts of \$155,212.
- The Operating Revenue and Expenses needed to be adjusted by \$3,693 to properly report the Portability HAP payments made during the year. The Authority netted this activities during the year. HUD requires that they are reported as Other Revenue and Portability Expense.

All of the above adjustments were made and are reflected in the audited financial statements.

Recommendation

The Authority needs to perform a proper review of the financial statements prior to filing with any agencies. In addition, the HUD accounting briefs should be reviewed to ascertain proper reporting of Due To/From and Portability payments.

Client Response – Corrective Action

Financial statements will be properly reviewed by the Finance Director prior to issuance. The Finance Director will be responsible to implement the corrective action plan. The implementation will take place with the preparation of the next fiscal year financials.

The HUD Accounting briefs have been downloaded and reviewed.

Sandusky Metropolitan Housing Authority
Schedule of Findings
2 CFR § 200.515
June 30, 2017

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There are no findings or questioned costs for the year ended June 30, 2017.

Sandusky Metropolitan Housing Authority
Schedule of Prior Audit Findings
June 30, 2017

The audit report for the fiscal year ending June 30,2016 contained no audit findings.



Dave Yost • Auditor of State

SANDUSKY COUNTY METROPOLITAN HOUSING AUTHORITY

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 22, 2018**