SHELBY METROPOLITAN HOUSING AUTHORITY

SHELBY COUNTY, OHIO

SINGLE AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

James G. Zupka, CPA, Inc.

Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Members of the Board
Shelby Metropolitan Housing Authority
706 N. Wagner Ave
Sidney, OH 45365

We have reviewed the *Independent Auditor's Report* of the Shelby Metropolitan Housing Authority, Shelby County, prepared by James G. Zupka, CPA, Inc. , for the audit period January 1, 2020 through December 31, 2020. 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.

Keith Faber
Auditor of State
Columbus, Ohio

September 06, 2021

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FOR THE YEAR ENDED DECEMBER 31, 2020

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

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Shelby Metropolitan Housing Authority
Sidney, Ohio, 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, 2020, 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, 2020, 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 and Postemployment Benefit Liabilities and Pension and Postemployment Benefit 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 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 also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2021, 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.

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

July 27, 2021

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, 2020, 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 MHA holds at December 31, 2020, that is, the cash Shelby MHA has, the amounts that are owed Shelby MHA from others, the value of the equipment Shelby MHA owns and deferred outflow of resources. In the other half of the report it shows the liabilities Shelby MHA has, that is, what Shelby MHA owes others at December 31, 2020, deferred inflow of resources, and what net position (or what is commonly referred to as equity) Shelby MHA has at December 31, 2020. The two parts of the report are in balance, thus why many compare this report to a Balance Sheet.

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

Investment in Capital Assets
Restricted
Unrestricted

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

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

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 MHA 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 MHA earned, that is what its revenues or incomes were, versus what expenses Shelby MHA 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 MHA 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 inflow of resources Shelby MHA has, equals the total assets and deferred outflows of resources Shelby MHA has.

The ***Statement of Cash Flows*** is a report that shows how the amount of cash Shelby MHA 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 MHA 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 MHA. Shelby MHA 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 MHA's programs include the following:

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

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

Under the Section 8 Housing Choice Voucher program, Shelby MHA 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 MHA 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 MHA is engaged only in business-type activities.

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

	2020	2019
Assets and Deferred Outflows of Resources		
Assets		
Current and Other Assets	$ 670,749	$ 384,650
Capital Assets	2,692,087	3,014,300
Total Assets	3,362,836	3,398,950
Deferred Outflows	111,468	238,048
Total Assets and Deferred Outflows of Resources	$ 3,474,304	$ 3,636,998
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities		
Current Liabilities	$ 192,966	$ 117,432
Non-Current Liabilities	798,627	1,105,463
Total Liabilities	991,593	1,222,895
Deferred Inflows of Resources	222,410	24,750
Net Position		
Net Investment in Capital Assets	2,692,087	3,014,300
Restricted	51,473	12,572
Unrestricted	(483,259)	(637,519)
Total Net Position	2,260,301	2,389,353
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 3,474,304	$ 3,636,998

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

The most significant change on the Statement was to current assets which increased very impressively, by more than $286,000 (or 74%). Contributing to that increase was the increase in current liabilities, which increased by more than $75,000. Timing of the receipt of invoices for goods and services provided near year-end resulted in accrued accounts payable being about $26,000 higher than last year. Those invoices because of when they were received were not paid till after December 31. Shelby MHA was advanced CARES funding by HUD in the year to help the Authority prepare for and respond to the emergence of COVID-19, and not all of it was spent in the period. More than $48,000 of that funding was not yet spent by the end of the year and that is also a part of the increase in current liabilities over the prior period. Shelby MHA has until the end of the 2021 year-end to spend those funds.

Another big reason why current assets increased as much as it did is because unrestricted net position increased by about $154,000, about a 24% increase. And the biggest reason for that increase was a favorable operating outcome in the Public Housing Program to be addressed in following sections of this MD&A.

The change in capital assets is a decrease of more than 10%. The change of $322,213 was just about equal to depreciation expense in the period because capital additions in the period were limited to a small equipment purchase.

Otherwise, as what is becoming a topic addressed every year in a discussion of significant changes on the Statement of Net Position, were changes to deferred outflow of resources, non-current liabilities, and deferred inflow of resources, balances related to pension and postemployment benefits (OPEB) reported in accordance with GASB 68 & GASB 75. GASB 68 and GASB 75 are accounting standards that call for Shelby MHA to report what is determined to be its estimated share of the unfunded pension and health insurance liability of the pension system, the Ohio Public Employees Retirement System (OPERS). So changes in these balances on the financial statements of Shelby MHA reflect changes in the financial position of the pension systems. Employees of Shelby MHA are required by state law to be members of PERS, and Shelby MHA is required to make retirement contributions to OPERS for all of its employees. The net pension liability and OPEB liability reported as non-current liabilities are unlike other liabilities Shelby MHA has in that these liabilities do not represent invoices or debts to be paid by Shelby MHA but rather is an attempt to estimate the extent to which contributions to OPERS would have to increase in order for PERS to fully fund its future pension and healthcare obligations. Contribution rates for employees and employers are set by state law, so any change in contribution rates would require a change in state law. In Ohio there is no legal means to enforce the unfunded liability of the pension/OPEB plan against a public employer like Shelby MHA. Reporting of the balances has a tremendous effect on unrestricted net position. Unrestricted net position at December 31, 2020 is ($483,259) and is reduced by more than $865,000 due to the reporting of balances pursuant to GASB 68 and GASB 75.

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

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

	2020	2019
Revenues		
Tenant Revenues - Rents and Other	$ 504,855	$ 510,419
Operating Subsidies and Grants	1,996,915	2,019,787
Investment Income	1,882	774
Other Revenues	33,558	23,359
Total Revenues	2,537,210	2,554,339
Expenses		
Administrative	486,056	561,441
Tenant Services	102,188	1,041
Utilities	215,171	215,519
Maintenance	415,108	687,836
General	105,604	107,215
Housing Assistance Payments	1,014,177	1,032,674
Depreciation	327,958	359,848
Total Expenses	2,666,262	2,965,574
Net Increase (Decrease)	(129,052)	(411,235)
Beginning Net Position	2,389,353	2,800,588
Ending Net Position	$ 2,260,301	$ 2,389,353

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

Revenues were virtually unchanged from 2019, dropping by just less than 1 percent, in large part due to CARES Act funding provided Shelby MHA by HUD. CARES Act funding provided was a little more than $112,000, designed to help Shelby MHA prepare for, prevent, and respond to the coronavirus. The CARES Act funding in large part offset a decrease in Capital Fund Program (CFP) revenue of about $152,000. The decrease in CFP dollars was not due to a loss of source of funding, but rather due to a routine fluctuation in work items paid for using program dollars are completed.

Total expenses decreased by a little more than $299,000 (about 10%), with the decrease in total expenses closely corresponding to the decrease in maintenance expenses of close to $273,000 (a decrease of almost 40%). More than half of the decrease in maintenance expense was related to reduction in CFP revenue mentioned above. The Capital Fund Program is a reimbursement program, so revenues are earned as the money is spent and the decrease in CFP revenue is because there was less spending on work items paid for using CFP program dollars. Again, this is just a routine fluctuation in when work items paid for using CFP dollars are completed. Housing authorities are provided CFP funding annually based on a formula used by HUD. Shelby MHA prepares 5-Year and Annual plans in consultation with residents of how to spend the funding. Housing authorities typically have up to 4 years to spend CFP grant dollars. When the money is spent often depends on time needed to plan work items to be completed and sometimes to allow for dollars to accumulate to complete larger maintenance projects. Otherwise, a reduction in staffing and pension costs contributed to decrease in maintenance expenses. The increase in tenant services expense reflects spending of CARES revenue provided by HUD for COVID costs.

The decrease in total expenses coupled with incomes remaining about the same resulted in the increase of Unrestricted Net Position of just over $154,000.

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 at Year End

	2020	2019
Land and Land Rights	$ 1,685,579	$ 1,685,579
Buildings and Improvements	10,832,883	10,832,883
Equipment	365,320	359,575
Accumulated Depreciation	(10,191,695)	(9,863,737)
Total Capital Assets, Net	$ 2,692,087	$ 3,014,300

The overall change in capital assets in the period (a decrease of just more than $322,000 or 11 percent) is a reflection that depreciation on existing assets outpaced capital expenditures in the period. Capital additions in the period was new mowing equipment valued at $5,745.

Debt

Shelby MHA has no debt at December 31, 2020.

COVID-19

In March 2020, the United States and the State of Ohio declared a state of emergency due to the COVID-19 pandemic. HUD provided additional funds to Shelby MHA's Public Housing and Housing Choice Voucher programs to help Shelby MHA prepare for, prevent, and respond to the coronavirus pandemic, which helped Shelby MHA maintain normal operations during the period.

Economic Factors

Shelby MHA faces the continuing uncertainty of the level of funding from HUD used to administer our programs made more uncertain by the COVID-19 pandemic. 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 Shelby MHA's programs. Cuts in government assistance for administration of programs would make it more challenging to provide the same level of quality service to our 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
SHELBY COUNTY, OHIO
STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash and Cash Equivalents	$	202,596
Restricted Cash and Cash Equivalents		142,177
Receivables, Net		223,839
Inventories, Net		62,450
Prepaid Expenses and Other Assets		39,687
Total Current Assets		670,749
Noncurrent Assets		
Capital Assets:		
Non-depreciable Capital Assets		1,685,579
Depreciable Capital Assets, Net		1,006,508
Total Noncurrent Assets		2,692,087
Deferred Outflow of Resources		
Pension		66,112
OPEB		45,356
Total Deferred Outflows of Resources		111,468
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	$	3,474,304
LIABILITIES, DEFERRED INFLOWS AND RESOURCES, AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	$	60,349
Intergovernmental Payable		24,782
Tenants Security Deposits		42,397
Accrued Wages and Payroll Taxes		17,131
Unearned Revenue		48,307
Total Current Liabilities		192,966
Non-Current Liabilities		
Accrued Compensated Absences - Non-Current		44,183
Net Pension Liability		468,247
OPEB Liability		286,197
Total Noncurrent Liabilities		798,627
Total Liabilities		991,593
Deferred Inflow of Resources		
Pension		145,603
OPEB		76,807
Total Deferred Inflows of Resources		222,410
Net Position		
Investment in Captial Assets		2,692,087
Restricted		51,473
Unrestricted Net Position		(483,259)
Total Net Position		2,260,301
TOTAL LIABILITIES, DEFERED INFLOWS OF RESOURCES, AND NET POSITION	$	3,474,304

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

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

Operating Revenues	
Tenant Revenue	$ 504,855
Government Operating Grants	1,996,915
Other Revenues	33,558
Total Operating Revenue	2,535,328
Operating Expenses	
Administrative	486,056
Tenant Services	102,188
Utilities	215,171
Maintenance	415,108
General	105,604
Housing Assistance Payment	1,014,177
Depreciation	327,958
Total Operating Expenses	2,666,262
Operating Income/(Loss)	(130,934)
Non-Operating Revenues	
Interest and Investment Revenue	1,882
Total Non-Operating Revenues	1,882
Change in Net Position	(129,052)
Total Net Position at-Beginning of Year	2,389,353
Total Net Position at End of Year	$ 2,260,301

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

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash Flows from Operating Activities	
Operating Grants Received	$ 1,851,273
Tenant Revenue Received	505,646
Other Revenue Received	29,632
General and Administrative Expenses Paid	(1,307,929)
Housing Assistance Payments	(1,018,518)
Net Cash Provided (Used) by Operating Activities	60,104
Cash Flows from Investing Activities	
Interest Income	1,882
Net Cash Provided (Used) by Investing Activities	1,882
Cash Flows from Capital and Related Activities	
Capital Purchases	(5,745)
Net Cash (Used) by Capital and Related Activities	(5,745)
Net Increase (Decrease) in Cash	56,241
Cash and Cash Equivalents at Beginning of Year	288,532
Cash and Cash Equivalents at End of Year	$ 344,773
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Net Operating Income (Loss)	$ (130,934)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	327,958
(Increase) Decrease in:	
Accounts Receivable	(202,164)
Prepaid Assets	(2,447)
Inventory	(25,247)
Deferred Outflows of Resources	126,580
Increase (Decrease) in:	
Accounts Payable	26,191
Accrued Compensated Absences	(717)
Accrued Expenses Payable	3,063
Tenant Security Deposits	739
Unearned Revenue	48,307
Net Pension Liability/OPEB Liability	(308,885)
Deferred Inflow of Resources	197,660
Net Cash Provided by Operating Activities	$ 60,104

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

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.

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.

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

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 position. 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.

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 collectability of outstanding tenant receivable balances at the end of the year. The allowance of uncollectible receivable was $0 for tenant receivables, and $600 for fraud receivables at December 31, 2020.

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.

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

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.

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, 2020 totaled $1,882.

Prepaid Expenses

Payments made to vendors for services that will be benefit periods beyond December 31, 2020, 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/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB systems report investments at fair value.

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

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of net position reports 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) until then. For the Authority, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 5 and 6.

In addition to liabilities, the statement of net position reports 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 OPEB. The deferred inflows of resources related to pension and OPEB plans are explained in Notes 5 and 6.

NOTE 2: **DEPOSITS AND INVESTMENTS**

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

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

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

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

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

At fiscal year end, December 31, 2020, the carrying amount of the Authority's deposits totaled $344,773 (including $100 petty cash) and its bank balance was $405,463. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2020, deposits of $348,064 were protected by FDIC and $57,399 was secured by the specific pledged collateral method.

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

Deposits (Continued)
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 at least 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 INVESTMENTS**

The restricted cash balance as of December 31, 2020 was $142,177 and it represented the following:

Unspent CARES Advances - HCF Program	$ 48,307
Tenant Security Deposits	42,397
Unspent HUD advances for Housing Assistance Payments - HCV Program	51,473
Total Restricted Cash on Hand	$ 142,177

NOTE 4: **CAPITAL ASSETS**

The following is a summary of changes:

	Balance 12/31/19	Additions	Deletions	Balance 12/31/20
Capital Assets Not Being Depreciated				
Land	$ 1,685,579	$ 0	$ 0	$ 1,685,579
Total Capital Assets Not Being Depreciated	1,685,579	0	0	1,685,579
Capital Assets Being Depreciated				
Buildings and Improvements	10,832,883	0	0	10,832,883
Furniture, Machinery, and Equipment	359,575	5,745	0	365,320
Subtotal Capital Assets Being Depreciated	11,192,458	5,745	0	11,198,203
Accumulated Depreciation				
Buildings and Improvements	(9,523,341)	(316,524)	0	(9,839,865)
Furniture, Machinery, and Equipment	(340,396)	(11,434)	0	(351,830)
Total Accumulated Depreciation	(9,863,737)	(327,958)	0	(10,191,695)
Total Capital Assets being Depreciated, Net	1,328,721	(322,213)	0	1,006,508
Total Capital Assets, Net	$ 3,014,300	$ (322,213)	$ 0	$ 2,692,087

NOTE 5: **DEFINED BENEFIT PENSION PLANS**

Net Pension Liability

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and payroll taxes.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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.

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

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

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 Retirement 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' Comprehensive Annual Financial Report referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** 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 62 with 60 months of service credit or Age 57 with 25 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 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 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. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of the annual cost-of-living adjustment.

When a traditional plan 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.

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

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

A death benefit of $500 - $2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Tradition pension plan and the Combined Plan.

The OPERS Board of Trustees approved a proposal at its October 2019 meeting to create a new tier of membership in the OPERS traditional pension plan. OPERS currently splits its non-retired membership into Group A, B or C depending on age and service criteria. Retirement Group D would consist of OPERS contributing members hired in 2022 and beyond. Group D will have its own eligibility standards, benefit structure and unique member features designed to meet the changing needs of Ohio public workers. It also will help OPERS address expected investment market volatility and adjust to the lack of available funding for health care.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the members' contributions plus or minus the investment gains or losses resulting from the members' investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

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

	State and Local
2020 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2020 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-Employment Health Care Benefits **	0.0 %
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within combined plan are not used to fund the defined benefit retirement allowance

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0% for calendar year 2020 for the Traditional and Combined plans. The portion of the employer's contribution allocated to health care was 4% for the Member-Directed plan for calendar year 2020. The Authority's contractually required contributions used to fund pension benefits was $41,102 for fiscal year ending December 31, 2020.

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, 2019, 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:

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)

	OPERS Traditional Pension Plan
Proportion of the Net Pension Liability Prior Measurement Date	0.002690%
Proportion of the Net Pension Liability Current Measurement Date	0.002369%
Change in Proportionate Share	-0.000321%
Proportionate Share of the Net Pension Liability	$ 468,247
Pension Expense	$ 45,961

At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Pension Plan
Deferred Outflows of Resources	
Changes of assumptions	$ 25,010
Authority contributions subsequent to the measurement date	41,102
Total Deferred Outflows of Resources	$ 66,112
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 93,408
Differences between expected and actual experience	5,921
Changes in proportion and differences between Authority contributions and proportionate share of contributions	46,274
Total Deferred Inflows of Resources	$ 145,603

$41,102 reported as deferred outflows of resources related to pension resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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)

	OPERS Traditional Pension Plan
Year Ending December 31:	
2021	$ (42,081)
2022	(45,291)
2023	3,867
2024	(37,088)
Total	$ (120,593)

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, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 1.40 percent, simple through 2020, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

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

Actuarial Assumptions – OPERS (Continued)

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

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

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

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care 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. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2 percent for 2019.

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 2019 and the long-term expected real rates of return:

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

Actuarial Assumptions – OPERS (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 7.2 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 (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Authority's proportionate share of the net pension liability	$ 772,294	$ 468,247	$ 194,921

Changes Between Measurement Date and Report Date

Subsequent to December 31, 2019, the global economy was impacted by the COVID-19 pandemic and market volatility increased significantly. It is likely that 2020 investment market conditions and other economic factors will be negatively impacted; however, the overall impact on the OPERS investment portfolio and funding position is unknown at this time.

NOTE 6: **DEFINED BENEFIT OPEB PLAN**

Net OPEB Liability

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

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in accrued wages and payroll taxes.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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.

NOTE 6: **DEFINED BENEFIT OPEB PLAN** (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 75. See OPERS' Comprehensive Annual Financial Report referenced below for additional information.

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.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In calendar year 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. 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. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.0 percent.

NOTE 6: **DEFINED BENEFIT OPEB PLAN** (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Authority's contractually required contribution allocated to health care was $0 for fiscal year 2020.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability:	
Prior Measurement Date	0.002505%
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.002072%
Change in Proportionate Share	-0.000433%
Proportionate Share of the Net OPEB Liability	$ 286,197
OPEB Expense	$ 10,496

At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE 6: **DEFINED BENEFIT OPEB PLAN** (Continued)

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

		OPERS
Deferred Outflows of Resources		
Differences between expected and actual experience	$	7
Changes of assumptions		45,300
Changes in proportion and differences between Authority contributions and proportionate share of contributions		49
Total Deferred Outflows of Resources	$	45,356
Deferred Inflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	$	14,575
Differences between expected and actual experience		26,174
Changes in proportion and differences between Authority contributions and proportionate share of contributions		36,058
Total Deferred Inflows of Resources	$	76,807

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

		OPERS
Year Ending December 31:		
2021	$	(15,091)
2022		(10,143)
2023		11
2024		(6,228)
Total	$	(31,451)

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.

NOTE 6: **DEFINED BENEFIT OPEB PLAN** (Continued)

Actuarial Assumptions – OPERS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	2.75 percent
Health Care Cost Trend Rate	10.5 percent initial, 3.50 percent ultimate in 2030
Actuarial Cost Method	Individual Entry Age

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

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

The long-term expected rate of return on health care 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.

NOTE 6: **DEFINED BENEFIT OPEB PLAN** (Continued)

Actuarial Assumptions – OPERS (Continued)

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. 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 Health Care portfolio was 19.59 percent for 2019.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00 %	4.55 %

NOTE 6: **DEFINED BENEFIT OPEB PLAN** (Continued)

Actuarial Assumptions – OPERS (Continued)

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Authority's proportionate share of the net OPEB liability	$ 374,535	$ 286,197	$ 215,467

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

NOTE 6: **DEFINED BENEFIT OPEB PLAN** (Continued)

Actuarial Assumptions – OPERS (Continued)

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	$ 277,752	$ 286,197	$ 294,535

Changes Between Measurement Date and Report Date

Subsequent to December 31, 2019, the global economy was impacted by the COVID-19 pandemic and market volatility increased significantly. It is likely that 2020 investment market conditions and other economic factors will be negatively impacted; however, the overall impact on the OPERS investment portfolio and funding position is unknown at this time.

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

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 forty-five (45) 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, 2020:

	Balance 01/01/20	Additions	Deletions	Balance 12/31/2020	Current Portion
Net Pension Liability	$ 736,736	$ 0	$ (268,489)	$ 468,247	$ 0
OEPB Liability	326,593	0	(40,396)	286,197	0
Compensated Absences Liability	44,900	35,195	(35,912)	44,183	0
Total	$ 1,108,229	$ 35,195	$ (344,797)	$ 798,627	$ 0

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, 2020.

NOTE 10: RISK MANAGEMENT

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

The Authority is covered for property damage, general liability, automobile liability, public officials' liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association (SHARP). SHARP is an insurance risk pool comprised of 39 Ohio housing authorities, of which the Authority is a member. SHARP is a member of the Public Entity Risk Consortium (PERC), a self-insurance pool owned by its members. PERC provides SHARP specific excess coverage above its net retained limited.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year. Health benefits are offered to Authority employees through a commercial insurance company. Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively.

NOTE 11: **SUBSEQUENT EVENTS**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of Shelby MHA. The pension and other employee benefit plans in which Shelby MHA participates fluctuate with market conditions and, due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on Shelby MHA’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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

Traditional Plan	2020	2019	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.002369%	0.002690%	0.002762%	0.002741%	0.002748%	0.002851%	0.002851%
Authority's Proportionate Share of the Net Pension Liability	$ 468,247	$ 736,736	$ 433,304	$ 622,434	$ 475,989	$ 343,862	$ 336,096
Authority's Covered Payroll	$ 333,379	$ 363,343	$ 364,993	$ 354,350	$ 341,958	$ 349,533	$ 346,238
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	140.45%	202.77%	118.72%	175.66%	139.20%	98.38%	97.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Plan	82.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) - Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the information becomes available.

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

See accompanying notes to the required supplementary information

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS - PENSION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST EIGHT FISCAL YEARS (1)

Traditional Plan	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contributions	$ 41,102	$ 46,673	$ 50,868	$ 47,449	$ 42,522	$ 41,035	$ 41,944	$ 45,011
Contributions in Relation to the Contractually Required Contribution	(41,102)	(46,673)	(50,868)	(47,449)	(42,522)	(41,035)	(41,944)	(45,011)
Contribution Deficiency / (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Authority's Covered Payroll	$ 293,586	$ 333,379	$ 363,343	$ 364,993	$ 354,350	$ 341,958	$ 349,533	$ 346,238
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) - Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the information becomes available.

See accompanying notes to the required supplementary information

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

	2020	2019	2018	2017
Authority's Proportion of the Net OPEB Liability	0.002072%	0.002505%	0.002580%	0.002560%
Authority's Proportionate Share of the Net OPEB Liability	$ 286,197	$ 326,593	$ 280,169	$ 258,569
Authority's Covered Payroll	$ 333,379	$ 363,343	$ 364,993	$ 354,350
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	85.85%	89.89%	76.76%	72.97%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%	54.05%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the information becomes available.

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

See accompanying notes to the required supplementary information

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS - OPEB
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST EIGHT FISCAL YEARS (1)

	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	$ 0	$ 0	$ 0	$ 3,650	$ 7,087	$ 6,839	$ 6,991	$ 3,462
Contributions in Relation to the Contractually Required Contribution	0	0	0	(3,650)	(7,087)	(6,839)	(6,991)	(3,462)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Authority Covered Payroll	$ 293,586	$ 333,379	$ 363,343	$ 364,993	$ 354,350	$ 341,958	$ 349,533	$ 346,238
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%

(1) Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as the information becomes available.

See accompanying notes to the required supplementary information

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%. For 2020, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the cost-of-living adjustments for post-1/7/2013 retirees were reduced from 3.00% simple through 2018 to 1.40% simple through 2020, then 2.15% simple.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2020.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00% (b) In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time (c) the single discount rate changed from 3.85% to 3.96%. For 2020, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.96% to 3.16%.

SHELBY METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2020

	Project Total	14.PHC Public Housing CARES Act Funding	2 State/Local	8 Other Federal Program 1	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
111 Cash - Unrestricted	128,729	-	11,597	-	62,270	-	202,596	-	202,596
113 Cash - Other Restricted	-	-	-	-	51,473	48,307	99,780	-	99,780
114 Cash - Tenant Security Deposits	42,397	-	-	-	-	-	42,397	-	42,397
100 Total Cash	171,126	-	11,597	-	113,743	48,307	344,773	-	344,773
122 Accounts Receivable - HUD Other Projects	197,353	-	-	-	-	-	197,353	-	197,353
125 Accounts Receivable - Miscellaneous	-	-	-	-	11,046	-	11,046	-	11,046
126 Accounts Receivable - Tenants	101	-	-	-	-	-	101	-	101
127 Notes, Loans, & Mortgages Receivable - Current	7,489	-	-	-	-	-	7,489	-	7,489
128 Fraud Recovery	-	-	-	-	8,450	-	8,450	-	8,450
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-	-	-600	-	-600	-	-600
120 Total Receivables, Net of Allowances for Doubtful Accounts	204,943	-	-	-	18,896	-	223,839	-	223,839
142 Prepaid Expenses and Other Assets	39,687	-	-	-	-	-	39,687	-	39,687
143 Inventories	62,450	-	-	-	-	-	62,450	-	62,450
150 Total Current Assets	478,206	-	11,597	-	132,639	48,307	670,749	-	670,749
161 Land	1,685,579	-	-	-	-	-	1,685,579	-	1,685,579
162 Buildings	10,832,883	-	-	-	-	-	10,832,883	-	10,832,883
163 Furniture, Equipment & Machinery - Dwellings	78,813	-	-	-	-	-	78,813	-	78,813
164 Furniture, Equipment & Machinery - Administration	272,190	-	-	-	14,317	-	286,507	-	286,507
166 Accumulated Depreciation	-10,177,378	-	-	-	-14,317	-	-10,191,695	-	-10,191,695
160 Total Capital Assets, Net of Accumulated Depreciation	2,692,087	-	-	-	-	-	2,692,087	-	2,692,087
180 Total Non-Current Assets	2,692,087	-	-	-	-	-	2,692,087	-	2,692,087
200 Deferred Outflow of Resources	84,125	-	-	-	27,343	-	111,468	-	111,468
290 Total Assets and Deferred Outflow of Resources	3,254,418	-	11,597	-	159,982	48,307	3,474,304	-	3,474,304
312 Accounts Payable <= 90 Days	60,349	-	-	-	-	-	60,349	-	60,349
321 Accrued Wage/Payroll Taxes Payable	14,428	-	-	-	2,703	-	17,131	-	17,131
333 Accounts Payable - Other Government	24,782	-	-	-	-	-	24,782	-	24,782
341 Tenant Security Deposits	42,397	-	-	-	-	-	42,397	-	42,397
342 Unearned Revenue	-	-	-	-	-	48,307	48,307	-	48,307
310 Total Current Liabilities	141,956	-	-	-	2,703	48,307	192,966	-	192,966
354 Accrued Compensated Absences - Non Current	33,078	-	-	-	11,105	-	44,183	-	44,183
357 Accrued Pension and OPEB Liabilities	569,379	-	-	-	185,065	-	754,444	-	754,444
350 Total Non-Current Liabilities	602,457	-	-	-	196,170	-	798,627	-	798,627
300 Total Liabilities	744,413	-	-	-	198,873	48,307	991,593	-	991,593

SHELBY METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE BALANCE SHEET SUMMARY
DECEMBER 31, 2020

	Project Total	14.PHC Public Housing CARES Act Funding	2 State/Local	8 Other Federal Program 1	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
400 Deferred Inflow of Resources	167,853	-	-	-	54,557	-	222,410	-	222,410
508.4 Net Investment in Capital Assets	2,692,087	-	-	-	-	-	2,692,087	-	2,692,087
511.4 Restricted Net Position	-	-	-	-	51,473	-	51,473	-	51,473
512.4 Unrestricted Net Position	-349,935	-	11,597	-	-144,921	-	-483,259	-	-483,259
513 Total Equity - Net Assets / Position	2,342,152	-	11,597	-	-93,448	-	2,260,301	-	2,260,301
600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net	3,254,418	-	11,597	-	159,982	48,307	3,474,304	-	3,474,304

SHELBY METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

	Project Total	14.PHC Public Housing CARES Act Funding	2 State/Local	8 Other Federal Program 1	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	459,138	-	-	-	-	-	459,138	-	459,138
70400 Tenant Revenue - Other	45,717	-	-	-	-	-	45,717	-	45,717
70500 Total Tenant Revenue	504,855	-	-	-	-	-	504,855	TRUE	504,855
70600 HUD PHA Operating Grants	716,184	74,169	-	-	1,038,334	38,595	1,867,282	-	1,867,282
70800 Other Government Grants	-	-	-	129,633	-	-	129,633	-	129,633
71100 Investment Income - Unrestricted	1,879	-	-	-	3	-	1,882	-	1,882
71400 Fraud Recovery	-	-	-	-	3,926	-	3,926	-	3,926
71500 Other Revenue	23,253	-	-	-	6,379	-	29,632	-	29,632
70000 Total Revenue	1,246,171	74,169	-	129,633	1,048,642	38,595	2,537,210	-	2,537,210
91100 Administrative Salaries	177,504	-	-	5,845	65,688	-	249,037	-	249,037
91200 Auditing Fees	7,754	-	-	-	1,702	-	9,456	-	9,456
91500 Employee Benefit contributions - Administrative	107,357	-	-	2,505	32,597	-	142,459	-	142,459
91600 Office Expenses	58,974	-	-	-	11,710	-	70,684	-	70,684
91700 Legal Expense	3,503	-	-	-	-	-	3,503	-	3,503
91800 Travel	2,617	-	-	-	-	-	2,617	-	2,617
91900 Other	2,318	-	-	-	5,982	-	8,300	-	8,300
91000 Total Operating - Administrative	360,027	-	-	8,350	117,679	-	486,056	-	486,056
92100 Tenant Services - Salaries	-	12,670	-	-	-	4,350	17,020	-	17,020
92400 Tenant Services - Other	137	74,548	-	-	-	10,483	85,168	-	85,168
92500 Total Tenant Services	137	87,218	-	-	-	14,833	102,188	-	102,188
93100 Water	62,782	-	-	-	-	-	62,782	-	62,782
93200 Electricity	70,585	-	-	-	-	-	70,585	-	70,585
93300 Gas	29,902	-	-	-	-	-	29,902	-	29,902
93600 Sewer	51,902	-	-	-	-	-	51,902	-	51,902
93000 Total Utilities	215,171	-	-	-	-	-	215,171	-	215,171
94100 Ordinary Maintenance and Operations - Labor	41,488	-	-	-	-	-	41,488	-	41,488
94200 Ordinary Maintenance and Operations - Materials and Other	24,623	-	-	-	-	-	24,623	-	24,623
94300 Ordinary Maintenance and Operations Contracts	206,042	1,800	-	-	-	-	207,842	-	207,842
94500 Employee Benefit Contributions - Ordinary Maintenance	25,071	-	-	-	-	-	25,071	-	25,071
94000 Total Maintenance	297,224	1,800	-	-	-	-	299,024	-	299,024
96110 Property Insurance	43,279	-	-	-	-	-	43,279	-	43,279
96120 Liability Insurance	-	-	-	-	7,078	-	7,078	-	7,078
96100 Total insurance Premiums	43,279	-	-	-	7,078	-	50,357	-	50,357
96200 Other General Expenses	205	-	-	-	1,737	-	1,942	-	1,942
96210 Compensated Absences	-	-	-	-	891	-	891	-	891

SHELBY METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL SCHEDULE
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

	Project Total	14.PHC Public Housing CARES Act Funding	2 State/Local	8 Other Federal Program 1	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Subtotal	ELIM	Total
96300 Payments in Lieu of Taxes	25,617	-	-	-	-	-	25,617	-	25,617
96400 Bad debt - Tenant Rents	26,797	-	-	-	-	-	26,797	-	26,797
96000 Total Other General Expenses	52,619	-	-	-	2,628	-	55,247	-	55,247
96900 Total Operating Expenses	968,457	89,018	-	8,350	127,385	14,833	1,208,043	-	1,208,043
97000 Excess of Operating Revenue over Operating Expenses	277,714	-14,849	-	121,283	921,257	23,762	1,329,167	-	1,329,167
97100 Extraordinary Maintenance	116,084	-	-	-	-	-	116,084	-	116,084
97300 Housing Assistance Payments	-	-	-	121,283	862,823	23,762	1,007,868	-	1,007,868
97350 HAP Portability-In	-	-	-	-	6,309	-	6,309	-	6,309
97400 Depreciation Expense	327,958	-	-	-	-	-	327,958	-	327,958
90000 Total Expenses	1,412,499	89,018	-	129,633	996,517	38,595	2,666,262	-	2,666,262
10010 Operating Transfer In	74,241	14,849	-	-	-	-	89,090	-89,090	-
10020 Operating transfer Out	-89,090	-	-	-	-	-	-89,090	89,090	-
10100 Total Other financing Sources (Uses)	-14,849	14,849	-	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-181,177	-	-	-	52,125	-	-129,052	-	-129,052
11030 Beginning Equity	2,523,329	-	11,597	-	-145,573	-	2,389,353	-	2,389,353
11170 Administrative Fee Equity	-	-	-	-	-144,921	-	-144,921	-	-144,921
11180 Housing Assistance Payments Equity	-	-	-	-	51,473	-	51,473	-	51,473
11190 Unit Months Available	2,100			363	2,760		5,223	-	5,223
11210 Number of Unit Months Leased	2,045			363	2,612		5,020	-	5,020

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

FEDERAL GRANTOR/ *Pass-Through Grantor/* Program/Title	**Federal CFDA Number**	**Federal Expenditures**
U.S. Department of Housing and Urban Development		
Direct Programs:		
Public Housing Programs		
Public and Indian Housing	14.850	$ 481,877
Public and Indian Housing - CARES Act Funding	14.850	74,169
Total CFDA #14.850		556,046
Public Housing Capital Fund	14.872	234,307
Total Public Housing Programs		790,353
Housing Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	1,038,334
Section 8 Housing Choice Vouchers - CARES Act Funding	14.871	38,595
Total Housing Voucher Cluster		1,076,929
Total Direct Programs		1,867,282
Pass-Through Programs:		
Passed through City of Sidney, Ohio		
Community Development Block Grants/State's Program and Non-Entitlements Grants in Hawaii	14.228	129,633
Total Passed through City of Sidney, Ohio		129,633
Total Passed Through Programs		129,633
Total U.S. Department of Housing and Urban Development		1,996,915
Total Expenditures of Federal Awards		$ 1,996,915

See accompanying notes to the Schedule of Expenditures of Federal Awards.

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY, OHIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1: **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Shelby Metropolitan Housing Authority under programs of the Federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Shelby Metropolitan Housing Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Shelby Metropolitan Housing Authority.

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

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

NOTE 3: **INDIRECT COST RATE**

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

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

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

To the Members of the Board
Shelby Metropolitan Housing Authority
Sidney, Ohio, 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, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 27, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

James G. Zupka, CPA, Inc.

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

July 27, 2021

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

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

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

To the Members of the Board
Shelby Metropolitan Housing Authority
Sidney, Ohio, 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, 2020. 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, 2020.

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.

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

July 27, 2021

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2020

1. SUMMARY OF AUDITOR'S RESULTS

2020(i)	Type of Financial Statement Opinion	Unmodified
2020(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2020(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2020(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2020(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2020(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2020(v)	Type of Major Programs' Compliance Opinion	Unmodified
2020(vi)	Are there any reportable findings under 2 CFR 200.516(a)?	No
2020(vii)	Major Programs (list): Housing Voucher Cluster: Section 8 Housing Choice Vouchers - CFDA #14.871 Section 8 Housing Choice Vouchers - CARES Act Funding - CFDA #14.871	
2020(viii)	Dollar Threshold: Type A\B Programs	Type A: $750,000 Type B: All Others
2020(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
SHELBY COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020

The audit report for the fiscal year ending December 31, 2019, did not include any findings. Management letter recommendations have been corrected or procedures instituted to prevent occurrences in this audit period.

OHIO AUDITOR OF STATE
KEITH FABER

SHELBY COUNTY METROPOLITAN HOUSING AUTHORITY

SHELBY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 9/16/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370