

**SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY**

Single Audit

For the Calendar Year Ended December 31, 2025



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

Board of Trustees
Shelby Metropolitan Housing Authority
706 North Wagner Avenue
Sidney, Ohio 45365

We have reviewed the *Independent Auditor's Report* of the Shelby Metropolitan Housing Authority, Shelby County, prepared by Kevin L. Penn, Inc, for the audit period January 1, 2025 through December 31, 2025. 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
Ohio Auditor of State

Tiffany L. Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

September 21, 2026

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SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY, OHIO
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Kevin L.
Penn, Inc.

Certified Public Accountant
11811 Shaker Boulevard, Suite 421
Cleveland, Ohio 44120
(216)421-1000
Fax:(216)421-1001
Email: klpenncpa@aol.com

INDEPENDENT AUDITOR'S REPORT

Shelby Metropolitan Housing Authority
Shelby County
706 North Wagner Avenue
Sidney, Ohio 45365

To the Board of Trustees

Report on the Audit of the Financial Statements

Opinions

I have audited the financial statements of the business-type activities, of the Shelby Metropolitan Housing Authority, Shelby County, Ohio, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Shelby Metropolitan Housing Authority's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Shelby Metropolitan Housing Authority, Shelby County, Ohio as of December 31, 2025, and the respective changes in financial position and, cash flows thereof and for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am required to be independent of the Shelby Metropolitan Housing Authority, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Shelby Metropolitan Housing Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Shelby Metropolitan Housing Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Shelby Metropolitan Housing Authority's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

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 other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements.

I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Shelby Metropolitan Housing Authority's basic financial statements. The Supplemental Financial Data Schedules and Schedule of Expenditures of Federal Awards 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 10, 2026, on my consideration of the Shelby Metropolitan Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Shelby Metropolitan Housing Authority's 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 Shelby Metropolitan Housing Authority's internal control over financial reporting and compliance.

Kevin L. Penn, Inc.
Cleveland, Ohio

July 10, 2026

Shelby Metropolitan Housing Authority
SHELBY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025
(UNAUDITED)

This Management's Discussion and Analysis (MD&A) for the Shelby Metropolitan Housing Authority (the Authority) is intended to assist the reader in identifying 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, 2025, 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 Change 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 the Authority holds at December 31, 2025, that is, the cash the Authority has, the amounts that are owed to the Authority from others, the value of the equipment the Authority owns and deferred outflow of resources. In the other half of the report, it shows the liabilities the Authority has, that is, what the Authority owes others at December 31, 2025, deferred inflow of resources, and what net position (or what is commonly referred to as equity) the Authority has at December 31, 2025. 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:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

The balance in Net Investment in Capital Assets reflects the value of capital assets, that is assets such as land, buildings, and equipment, reported in the top part of the statement reduced by the amount of accumulated depreciation of those assets and by the outstanding amount of debt or other liabilities incurred to acquire those assets.

The balance in Restricted Net Position reflects the value of net position that is restricted for use by law or regulation, or when the use of net position is restricted by constraints placed on net position 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 net position available to the Authority to use to further its purposes.

Shelby Metropolitan Housing Authority
SHELBY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025
(UNAUDITED)

The ***Statement of Revenues, Expenses, & Change 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 the Authority earned, that is what its revenues or incomes were, versus what expenses the Authority had over the same period. Then it shows how the net position (or equity) changed because of how the incomes exceeded or were less than what expenses were. It helps the reader to determine if the Authority had more revenues than expenses or vice-versa, and then how the net gain or net loss affected the net position (or equity) balance. The bottom line of the report, the Total Net Position at End of Year, 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 the Authority has, equals the total assets and deferred outflows of resources the Authority has.

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

Shelby Metropolitan Housing Authority Business Type Funds

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

The Authority's programs include the following:

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

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

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

Under its Local program, the Authority administers a tenant based rental assistance program in essentially the same manner it does its Section 8 Housing Choice Voucher program except the funding for the program is being provided by local sources rather than by HUD. The local program had no activity in the period.

Shelby Metropolitan Housing Authority
SHELBY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025
(UNAUDITED)

Condensed Financial Statements

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

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

	2025	2024
<u>Assets and Deferred Outflows of Resources</u>		
<u>Assets</u>		
Current Assets	\$ 1,582,210	\$ 1,386,191
Capital Assets	2,921,802	2,807,511
Net OPEB Asset	47,682	20,135
Total Assets	4,551,694	4,213,837
Deferred Outflows of Resources	140,289	256,269
Total Assets and Deferred Outflows of Resources	\$ 4,691,983	\$ 4,470,106
<u>Liabilities, Deferred Inflows of Resources, and Net Position</u>		
<u>Liabilities</u>		
Current Liabilities	\$ 200,354	\$ 207,029
Non-Current Liabilities	567,674	689,222
Total Liabilities	768,028	896,251
Deferred Inflows of Resources	46,095	14,453
<u>Net Position</u>		
Net Investment in Capital Assets	2,881,923	2,789,760
Restricted	90,845	60,690
Unrestricted	905,092	708,952
Total Net Position	3,877,860	3,559,402
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 4,691,983	\$ 4,470,106

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

Current assets are increased over the prior fiscal year-end by \$196,019 (or 14%), despite that current liabilities were reduced by \$6,675 (or 3%) compared to the prior fiscal year-end, reflecting the favorable results from operations in this current period. The favorable results from operations is also reflected in the increase in Unrestricted Net Position over last fiscal year-end, which increased \$196,140 (or 28%). Spending on capital assets exceeded depreciation for the period resulting in capital assets increasing \$114,291 (or 4%). In addition to spending on capital assets using Capital Fund Program funds, the Authority also used operating funds to replace a maintenance vehicle.

The changes to Net OPEB Asset, Deferred Outflows of Resources, Non-current Liabilities and Deferred Inflows of Resources are all related to reporting for GASB 68 and GASB 75. GASB 68 is an accounting standard that calls for Shelby MHA to report what is determined to be its estimated share of the unfunded pension liability of the retirement system, the Ohio Public Employees Retirement System (OPERS).

Shelby Metropolitan Housing Authority
SHELBY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025
(UNAUDITED)

And GASB 75 is an accounting standard that calls for Shelby MHA to report what is determined to be its estimated share of the unfunded OPEB (healthcare) liability/excess funded asset of OPERS. For this reporting period, actuaries have concluded the retirement system has more than fully funded the future OPEB (healthcare) liabilities and so there is a net OPEB asset to report. Employees of Shelby MHA are required by state law to be members of OPERS, and the Authority is required to make retirement contributions to OPERS for all its employees. The net pension liability reported as a noncurrent liability is unlike other liabilities the Authority has in that the liability does not represent invoices or debts to be paid by the Authority but rather is an attempt to estimate the extent to which contributions to OPERS would have to increase in order for OPERS to fully fund its future pension 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 plan against a public employer like Shelby MHA. Similarly, there is no way for a public employer like Shelby MHA to access the net OPEB asset. And some changes in the unfunded pension liability and OPEB liability/asset of the retirement system are amortized over a five-year period, and those amortized balances are reported as deferred outflows of resources and deferred inflows of resources. That means the larger changes to these balances do not represent changes in operations at Shelby MHA but rather reflect changes in the funding of future obligations by the retirement system.

The following is a condensed Statement of Revenues, Expenses and Change in Net Position. The Authority is engaged only in business-type activities.

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

	2025	2024
<u>Revenues</u>		
Tenant Revenues	\$ 647,090	\$ 613,082
Government Operating Grants	2,362,533	2,304,964
Capital Grants Revenue	213,415	312,660
Investment Income	3,456	6,033
Other Revenues	78,992	4,854
Total Revenues	3,305,486	3,241,593
<u>Expenses</u>		
Administrative	507,458	528,826
Tenant Services	751	0
Utilities	258,375	242,231
Maintenance	743,776	752,872
General	148,868	158,902
Housing Assistance Payments	1,176,049	1,122,166
Depreciation	151,751	153,857
Total Expenses	2,987,028	2,958,854
Net Increase (Decrease)	318,458	282,739
Beginning Net Position	3,559,402	3,276,663
Ending Net Position	\$ 3,877,860	\$ 3,559,402

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

While other revenues increased \$74,138 (or 1527%), with the increase largely being due to receipt of insurance proceeds to help pay for loss repair costs, overall revenues and expenses increased very modestly compared to last fiscal year-end. Revenues increased just \$63,893 (or 2%) and expenses increased only \$28,174 (or about 1%).

And since revenues increased more than expenses, and last year the Authority had favorable results from operations, results from operations in this fiscal period were even more favorable than last period. The favorable results from operations were noted in the section following Table 1 of this MD&A.

Shelby Metropolitan Housing Authority
SHELBY COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025
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On the expense side, the increase in HAP expense reflects the continuing trend noted in recent years of increasing rental rates in the area served by the Authority. HAP expense is incurred when the Authority makes rental assistance payments on behalf of clients assisted by the Section 8 program. As rents in the area increase, commonly that means more rental assistance is needed to keep rents affordable to families being assisted. Utilities is another expense that increased over the past fiscal period, reflecting inflationary pressures on utility rates being felt by most consumers in recent years. The slight reduction in administrative costs was largely due to gaps in staffing levels during the period between when staff terminated employment and when the Authority was able to find a replacement to fill the position.

The following table is comparing the balance in capital assets at the year-end versus at the end of the prior-year.

Table 3 - Changes in Capital Assets at Year End

	2025	2024
Land	\$ 1,685,579	\$ 1,685,579
Buildings and Improvements	11,886,913	11,702,860
Furniture, Machinery, and Equipment	264,176	227,788
Accumulated Depreciation	(10,944,228)	(10,808,716)
Construction in Progress	29,362	0
Total Capital Assets, Net	\$ 2,921,802	\$ 2,807,511

Capital assets in the period increased \$114,291 (or 4 percent). Capital additions in the period were \$266,042.

Debt

The Authority has no debt at December 31, 2025, but has right-to-use lease liability.

The following summarizes the change in the lease liability from last fiscal year-end.

Equipment Lease Liability - December 31, 2024	\$ 17,751
Additions in Period	4,427
Retirements in period	(6,499)
Equipment Lease Liability - December 31, 2025	\$ 15,679

Shelby Metropolitan Housing Authority
SHELBY COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2025
(UNAUDITED)

Economic Factors

The Authority faces the continuing uncertainty of the level of funding from HUD used to administer our programs. Since costs tend to rise every year, the possibility of funding continuing to be provided at reduced levels creates an ongoing challenge for management to effectively administer the Authority’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
Statement of Net Position
December 31, 2025

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Assets

Current Assets

Cash and Cash Equivalents	\$ 1,253,317
Restricted Cash and Cash Equivalents	88,125
Receivables, Net	35,926
Inventories, Net	75,742
Prepaid Expenses and Other Assets	129,100
Total Current Assets	<u>1,582,210</u>

Noncurrent Assets

Capital Assets:

Non-depreciable Capital Assets	1,714,941
Depreciable Capital Assets, Net	<u>1,206,861</u>
Total Capital Assets	<u>2,921,802</u>
Net OPEB Asset	<u>47,682</u>
Total Noncurrent Assets	<u>2,969,484</u>

Deferred Outflow of Resources

Pension	137,618
OPEB	<u>2,671</u>

Total Deferred Outflows of Resources

140,289

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 4,691,983

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Liabilities

Current Liabilities

Accounts Payable	\$ 70,531
Intergovernmental Payable	41,062
Tenants Security Deposits	42,570
Accrued Wages and Payroll Taxes	30,499
Compensated Absences	8,929
Lease Payable	<u>6,763</u>
Total Current Liabilities	<u>200,354</u>

Non-Current Liabilities

Accrued Compensated Absences - Net of Current	36,332
Lease Payable - Net of Current	8,916
Net Pension Liability	<u>522,426</u>
Total Noncurrent Liabilities	<u>567,674</u>

Total Liabilities

768,028

Deferred Inflow of Resources

Pension	35,886
OPEB	<u>10,209</u>
Total Deferred Inflows of Resources	<u>46,095</u>

Net Position

Net Investment in Capital Assets	2,881,923
Restricted Net Position	90,845
Unrestricted Net Position	<u>905,092</u>
Total Net Position	<u>3,877,860</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

\$ 4,691,983

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

Shelby Metropolitan Housing Authority
Statement of Revenues and Expenses and Changes in Net Position
For the Year Ended December 31, 2025

Operating Revenues

Tenant Revenue	\$ 647,090
Government Operating Grants	2,362,533
Other Revenues	19,073
Total Operating Revenue	<u>3,028,696</u>

Operating Expenses

Administrative	507,458
Tenant Services	751
Utilities	258,375
Maintenance	668,177
General	148,096
Housing Assistance Payment	1,176,049
Depreciation	151,751
Total Operating Expenses	<u>2,910,657</u>
Operating Income	<u>118,039</u>

Non-Operating Revenues

Capital Grant Revenue	213,415
Interest and Investment Revenue	3,456
Lease Interest Expense	(772)
Gain on Disposition	2,000
Casualty Loss Proceeds	57,919
Casualty Loss Expense	(75,599)
Total Non-Operating Revenues	<u>200,419</u>
Change in Net Position	<u>318,458</u>

Total Net Position at Beginning of Year	<u>3,559,402</u>
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Total Net Position at End of Year	<u>\$ 3,877,860</u>
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The accompanying notes are an integral part of the financial statements.

Shelby Metropolitan Housing Authority
Statement of Cash Flows
For the Year Ended December 31, 2025

Cash Flows from Operating Activities

Operating Grants Received	\$ 2,388,207
Tenant Revenue Received	641,993
Other Revenue Received	19,073
General and Administrative Expenses Paid	(1,610,626)
Housing Assistance Payments	(1,176,049)
Net Cash Provided by Operating Activities	262,598

Cash Flows from Investing Activities

Interest Income	3,456
Net Cash Provided by Investing Activities	3,456

Cash Flows from Capital and Related Financing Activities

Capital Grants Received	213,415
Capital Purchases	(266,042)
Lease Liability Proceeds	4,427
Lease Liability Retired	(6,499)
Lease Interest Paid	(772)
Proceeds from Sale of Assets	2,000
Casualty Loss Proceeds	57,919
Casualty Loss Expended	(75,599)
Net Cash (Used) by Capital and Related Financing Activities	(71,151)
Net Increase in Cash	194,903

Cash and Cash Equivalents at Beginning of Year	1,146,539
Cash and Cash Equivalents at End of Year	\$ 1,341,442

Reconciliation of Operating Income to Net

Cash Provided by Operating Activities

Net Operating Income	\$ 118,039
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	151,751
(Increase) Decrease in:	
Receivable, Net	18,756
Prepaid Assets	(7,931)
Inventory	(11,941)
OPEB Asset	(27,547)
Deferred Outflows of Resources	115,980
Increase (Decrease) in:	
Accounts Payable and Intergovernmental Payable	(17,008)
Accrued Compensated Absences	(5,658)
Accrued Wages and Payroll Taxes	895
Tenant Security Deposits	880
Unearned Revenue	(1,451)
Net Pension Liability/OPEB Liability	(103,809)
Deferred Inflow of Resources	31,642
Net Cash Provided by Operating Activities	\$ 262,598

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

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2025

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 Change 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.

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2025
(CONTINUED)

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 Revenues, Expenses, and Change 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 \$2,800 for tenant receivables, and \$980 for fraud receivables at December 31, 2025.

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.

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

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

Compensated Absences

The Authority recognizes a liability for compensated absences for leave that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability is incurred in the proprietary fund financial statements. The liability for compensated absences includes salary-related benefits, where applicable.

Vacation- The Authority's policy permits employees to accumulate earned but unused benefits, which are eligible for payments at the employee's current pay rate upon separation from employment.

Sick- The Authority's policy permits employees to accumulate earned but unused sick leave. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the Authority's termination policy. The Authority adopted the last-in first-out (LIFO) method for sick time used.

Investments

The provisions of the HUD Regulations restrict investments that are allowable. 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, 2025 totaled \$3,456.

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2025, 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 liability, net OPEB liability (asset), 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.

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(CONTINUED)

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 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) or subject to custodial credit risk.

At fiscal year-end, December 31, 2025, the carrying amount of the Authority's deposits totaled \$1,341,442 (including \$100 petty cash) and its bank balance was \$1,357,201. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2025, deposits of \$361,643 were protected by FDIC and \$995,559 was exposed to custodial credit risk as discussed below.

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

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

Deposits (Continued)

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

NOTE 3: **RESTRICTED CASH AND INVESTMENTS**

The restricted cash balance as of December 31, 2025 was \$88,125 and it represented the following:

Tenant Security Deposits	\$ 42,570
Unspent HUD advances for Housing Assistance Payments - HCV Program	43,163
Account Payable HUD for Interest Exceeding \$500	2,392
Total Restricted Cash on Hand	<u><u>\$ 88,125</u></u>

NOTE 4: **CAPITAL ASSETS**

The following is a summary of changes:

	Balance 12/31/2024	Additions	Deletions	Balance 12/31/2025
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 1,685,579	\$ 0	\$ 0	\$ 1,685,579
Construction in Progress	0	29,362	0	29,362
Total Capital Assets Not Being Depreciated	<u>1,685,579</u>	<u>29,362</u>	<u>0</u>	<u>1,714,941</u>
<u>Capital Assets Being Depreciated</u>				
Buildings and Improvements	11,702,860	184,053	0	11,886,913
Furniture, Machinery, and Equipment	199,330	48,200	(16,239)	231,291
Intangible Right-to-use Lease - Equipment	28,458	4,427	0	32,885
Subtotal Capital Assets Being Depreciated	<u>11,930,648</u>	<u>236,680</u>	<u>(16,239)</u>	<u>12,151,089</u>
<u>Accumulated Depreciation</u>				
Buildings and Improvements	(10,606,155)	(138,991)	0	(10,745,146)
Furniture, Machinery, and Equipment	(191,178)	(6,404)	16,239	(181,343)
Intangible Right-to-use Lease - Equipment	(11,383)	(6,356)	0	(17,739)
Total Accumulated Depreciation	<u>(10,808,716)</u>	<u>(151,751)</u>	<u>16,239</u>	<u>(10,944,228)</u>
Depreciable Capital Assets, Net	<u>1,121,932</u>	<u>84,929</u>	<u>0</u>	<u>1,206,861</u>
Total Capital Assets, Net	<u><u>\$ 2,807,511</u></u>	<u><u>\$ 114,291</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 2,921,802</u></u>

SHELBY METROPOLITAN HOUSING AUTHORITY
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(CONTINUED)

NOTE 5: **DEFINED BENEFIT PENSION PLANS**

Net Pension Liability/(Asset)

The net pension liability reported on the statement of net position represents a liability/(asset) 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 (ORC) 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 ORC permits but does not require the retirement systems to provide healthcare to eligible benefit recipients.

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 *current liabilities*.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of two separate pension plans: the Traditional Pension Plan, a defined benefit plan, and the Member-Directed Plan, a defined contribution plan.

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SHELBY COUNTY
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(CONTINUED)

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

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

The Traditional Pension Plan also includes members of the legacy Combined Plan, a hybrid defined benefit/defined contribution plan referred to as the Combined Plan division of the Traditional Pension Plan. Prior to January 1, 2024, the Combined Plan was a separate pension plan. Effective January 1, 2022, the Combined Plan is no longer available for member selection. In October 2023, the legislature approved House Bill (HB) 33, which allowed for the consolidation of the Combined Plan into the Traditional Pension Plan. Participating employers are divided into state, local, law enforcement and public safety divisions in the Traditional Pension Plan. Only the state and local divisions participate in the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension 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 in the Traditional Pension Plan and the legacy Combined Plan 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 Pension Plan (excluding the Combined Plan division) as per the reduced benefits adopted by SB 343 (see OPERS' Annual Comprehensive Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

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
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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(CONTINUED)

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

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. 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 Pension 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. Members retiring under the Combined Plan division receive a cost-of-living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the COLA is 3%. For those retiring on or after January 7, 2013, beginning in 2019, the adjustment is based on the average percentage increase in the Consumer Price Index, capped at 3%.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-Directed Plan and Combined Plan division members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan division consists of the members' contributions plus or minus the investment gains or losses resulting from the members' investment selections. Combined Plan division members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed Plan 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% 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 annuitization of their benefit account (which includes joint and survivor options and will continue to be administered by OPERS), 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. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

Funding Policy – The following table displays the member and employer contribution rates as a percent of covered payroll for each employer division for 2024-2025. With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. For 2024-2025, no portion of the employer contribution rate was allocated to health care for the Traditional Pension Plan (excluding the Combined Plan division).

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(CONTINUED)

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

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

The employer contribution as a percent of covered payroll deposited for the Combined Plan division and Member-Directed Plan health care programs in 2024-2025 was 2.0% and 4.0%, respectively.

Board of Trustees - Approved Contribution Rates - All Plans		
	2024-2025 Member Rate	2024-2025 Employer Rate
State Division	10.0%	14.0%
Local Division	10.0%	14.0%
Law Enforcement Division	13.0%	18.1%
Public Safety Division	12.0%	18.1%

The member and employer contribution rates for the State and Local divisions are currently set at the maximums authorized by the ORC of 10.0% and 14.0%, respectively. The Public Safety and Law Enforcement employer rates are also set at the maximum authorized rate of 18.1%. The member rate for Public Safety is determined by the Board and has no maximum rate established by the ORC. The member rate for Law Enforcement is also determined by the Board, but is limited by the ORC to not more than 2.0% greater than the Public Safety rate.

For fiscal year ending December 31, 2025, the Authority's contractually required contributions used to fund pension benefits was \$51,754 for the Traditional Pension Plan.

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, 2024, 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:

	<u>OPERS Traditional Pension Plan</u>
Proportion of the Net Pension Liability:	
Prior Measurement Date	0.002392%
Current Measurement Date	0.002131%
Change in Proportionate Share	<u>-0.000261%</u>
Proportionate Share of the Net Pension Liability	\$ 522,426
Pension Expense	\$ 85,209

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SHELBY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(CONTINUED)

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

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

At December 31, 2025, 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	
Net difference between projected and actual earnings on pension plan investments	\$ 61,631
Differences between expected and actual experience	9,995
Changes in proportion and differences between Authority contributions and proportionate share of contributions	14,238
Authority contributions subsequent to the measurement date	51,754
Total Deferred Outflows of Resources	<u>\$ 137,618</u>
Deferred Inflows of Resources	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	\$ 35,886
Total Deferred Inflows of Resources	<u>\$ 35,886</u>

\$51,754 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Pension Plan
Year Ending December 31:	
2026	\$ 26,197
2027	55,302
2028	(23,779)
2029	(7,742)
Total	<u>\$ 49,978</u>

SHELBY METROPOLITAN HOUSING AUTHORITY
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(CONTINUED)

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

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, 2024, 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 actuarial assumptions and methods used in the latest actuarial valuation, reflecting experience study results, are presented below:

	<u>Traditional Pension Plan</u>
Wage Inflation	
Current Measurement Date:	2.75 percent
Prior Measurement Date:	2.75 percent
Future Salary Increases, including inflation	
Current Measurement Date:	2.75 to 10.75 percent including wage inflation
Prior Measurement Date:	2.75 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:	
Current Measurement Date:	2.9% Simple for 2025, then 2.05% Simple
Prior Measurement Date:	2.3% Simple for 2024, then 2.05% simple
Investment Rate of Return	
Current Measurement Date:	6.9 percent
Prior Measurement Date:	6.9 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

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(CONTINUED)

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

Actuarial Assumptions – OPERS (Continued)

The most recent experience study was completed for the five-year period ended December 31, 2020.

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 division, and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a gain of 8.8% for 2024.

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 long-term expected 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 over a 20-year period 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. Best estimates of the geometric real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2024, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	24.00 %	2.42 %
Domestic Equities	21.00	5.70
Real Estate	13.00	4.17
Private Equity	15.00	8.40
International Equities	20.00	6.10
Risk Parity	2.00	4.40
Other investments	5.00	2.54
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 6.9%. 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.

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(CONTINUED)

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

Actuarial Assumptions – OPERS (Continued)

Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate The following table presents the Authority’s proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 6.9%, as well as what the Authority’s proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one percent lower or one percent higher than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Authority’s proportionate share of the net pension liability	\$ 854,659	\$ 522,426	\$ 246,344

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 the 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 related to 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 any 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.

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2025
(CONTINUED)

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

Net OPEB Liability (Continued)

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 *current liabilities*.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, the 115 Health Care Trust, which was established in 2014 to fund health care for the Traditional Pension, Combined, and Member-Directed plans. With one exception, OPERS-provided health care coverage is neither guaranteed nor statutorily required. Ohio law currently requires Medicare Part A equivalent coverage or Medicare Part A premium reimbursement for eligible retirees and their eligible dependents.

Retirees and eligible dependents enrolled in Medicare Parts A and B, and non-Medicare retirees beginning in 2022, are able to participate in the OPERS Connector in lieu of comprehensive health care coverage. The Connector, a vendor selected by OPERS, assist eligible retirees, spouses, and dependents in the evaluation, selection and purchase of a health care plan on the open market. Eligible retirees may receive a monthly allowance in their health reimbursement arrangement (HRA) account that can be used to reimburse eligible health care expenses.

OPERS members enrolled in the Traditional Pension Plan retiring with an effective date of January 1, 2022 or after must meet the following health care eligibility requirements to receive an HRA allowance:

1. **Age 65 or older** – minimum of 20 years of qualified health care service credit.
2. **Age 60 to 64** – based on the following age-and-service criteria:
 - a. Group A – 30 years of total service with at least 20 years of qualified health care service credit;
 - b. Group B – 31 years of total service with at least 20 years of qualified health care service credit; or
 - c. Group C – 32 years of total service with at least 20 years of qualified health care service credit.
3. **Age 59 or younger** – based on the following age-and-service criteria:
 - a. Group A – 30 years of qualified health care service credit;
 - b. Group B - 32 years of qualified health care service credit at any age or 31 years of qualified health care service credit and at least age 52; or
 - c. Group C – 32 years of qualified health care service credit and at least age 55.

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2025
(CONTINUED)

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

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

Retirees who don't meet the requirement for coverage as a non-Medicare participant can become eligible for coverage at age 65 if they have at least 20 years of qualifying service. Members with a retirement date prior to January 1, 2022 who were eligible to participate in the OPERS health care program will continue to be eligible after January 1, 2022, as summarized in the following table:

Retirement Date	Group A		Group B		Group C	
	Age	Service	Age	Service	Age	Service
December 1, 2014 or Prior	Any	10	Any	10	Any	10
January 1, 2015 through December 31, 2021	60	20	52	31	55	32
	Any	30	60	20	60	20
	Any	30	Any	32	60	20

Participants in the Member-Directed Plan have access to the Connector and have a separate health care funding mechanism. A portion of employer contributions for these participants is allocated to a retiree medical account (RMA). Upon separation or retirement, participants may use vested RMA funds for reimbursement of qualified medical expenses.

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.

Employer contribution rates are expressed as a percentage of covered payroll. In 2024 and 2025, state and local employers contributed at a rate of 14.0% of earnable salary and public safety and law enforcement employers contributed at 18.1%. 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. For 2024-2025, no portion of the employer contribution rate was allocated to health care for the Traditional Pension Plan (excluding the Combined Plan division). The employer contribution as a percent of covered payroll deposited for the Combined Plan division and Member-Directed Plan health care programs in 2024-2025 was 2.0% and 4.0%, respectively.

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2025
(CONTINUED)

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 \$746 for the year ending December 31, 2025.

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

The net OPEB asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2023, rolled forward to the measurement date of December 31, 2024, 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 asset 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:

	<u>OPERS</u>
Proportion of the Net OPEB Liability/Asset:	
Prior Measurement Date	0.002231%
Current Measurement Date	<u>0.002034%</u>
Change in Proportionate Share	<u><u>-0.000197%</u></u>
Proportionate Share of the Net OPEB Liability (Asset)	\$ (47,682)
OPEB Expense	\$ (16,442)

At December 31, 2025, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>
Deferred Outflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	\$ 985
Changes in proportion and differences between Authority contributions and proportionate share of contributions	940
Authority contributions subsequent to the measurement date	<u>746</u>
Total Deferred Outflows of Resources	<u><u>\$ 2,671</u></u>
Deferred Inflows of Resources	
Differences between expected and actual experience	\$ 2,320
Changes of assumptions	6,879
Changes in proportion and differences between Authority contributions and proportionate share of contributions	<u>1,010</u>
Total Deferred Inflows of Resources	<u><u>\$ 10,209</u></u>

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2025
(CONTINUED)

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

\$746 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as an increase of the net OPEB asset in the year ending December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>
Year Ending December 31:	
2026	\$ (5,314)
2027	4,800
2028	(5,745)
2029	<u>(2,025)</u>
Total	<u>\$ (8,284)</u>

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Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of 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, 2023, rolled forward to the measurement date of December 31, 2024. The actuarial valuation used the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Wage Inflation	2.75 percent	2.75 percent
Projected Salary Increases	2.75 to 10.75 percent, including wage inflation	2.75 to 10.75 percent, including wage inflation
Single Discount Rate	6.00 percent	5.70 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	4.08 percent	3.77 percent
Health Care Cost Trend Rate	5.50 percent initial, 3.50 percent ultimate in 2039	5.50 percent initial, 3.50 percent ultimate in 2038
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2025
(CONTINUED)

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

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

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The most recent experience study was completed for the five-year period ended December 31, 2020.

During 2024, 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 division 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 a gain of 10.0% for 2024.

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 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. The table below displays the Board-approved asset allocation policy for 2024 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	37.00 %	2.37 %
Domestic Equities	26.00	5.70
Real Estate Investment Trust	5.00	5.00
International Equities	26.00	6.10
Risk Parity	3.00	4.40
Other investments	3.00	2.50
Total	100.00 %	

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2025
(CONTINUED)

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

Actuarial Assumptions – OPERS (Continued)

Discount Rate A single discount rate of 6.00% was used to measure the OPEB liability on the measurement date of December 31, 2024; however, the single discount rate used at the beginning of the year was 5.70%. 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%. 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 2124. As a result, the single discount rate was set as the actuarial assumed long-term expected rate of return on health care investments and was applied to projected costs through the year 2124, the duration of the projection period through which projected health care payments are fully funded. The tax-exempt municipal bond rate was not needed in the determination of the single discount rate.

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 6.00%, 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 1.0% lower or 1.0% higher than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Authority's proportionate share of the net OPEB liability (asset)	\$ (23,676)	\$ (47,682)	\$ (67,712)

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% lower or 1.0% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2025 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is 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% in the most recent valuation.

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2025
(CONTINUED)

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

Actuarial Assumptions – OPERS (Continued)

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability (asset)	\$ (48,409)	\$ (47,682)	\$ (46,863)

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 to 1440 hours. At the time of retirement, employees with at least ten years of service with the Authority 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. After one year of service, all permanent employees will earn vacation hours accumulated based on length of service. Employees with one or more years of service with the Authority shall be paid for all earned but unused vacation leave credited to the employee as of the date of separation.

NOTE 8: **LONG-TERM LIABILITIES**

The Authority entered into a 60-month lease for a copier calling for monthly payments of \$524.10 beginning January 1, 2023. The equipment is being amortized over the life of the lease. The annual interest rate on the lease is estimated to be 4 percent.

The Authority entered into a 60-month lease for a postage meter calling for quarterly payments of \$245.31 beginning April 2025. The equipment is being amortized over the life of the lease. The annual interest rate on the lease is estimated to be 4 percent.

	Principal	Interest	Total
2026	\$ 6,763	\$ 505	\$ 7,268
2027	7,039	229	7,268
2028	920	61	981
2029	957	24	981
Total	<u>\$ 15,679</u>	<u>\$ 819</u>	<u>\$ 16,498</u>

The following is a summary of changes in long-term liabilities for the year ended December 31, 2025:

	Balance 01/01/25	Additions	Retired	Balance 12/31/2026	Current Portion
Net Pension Liability	\$ 626,235	\$ 0	\$ (103,809)	\$ 522,426	\$ 0
Lease Liability	17,751	4,427	(6,499)	15,679	6,763
Compensated Absences Liability *	50,919	0	(5,658)	45,261	8,929
Total	<u>\$ 694,905</u>	<u>\$ 4,427</u>	<u>\$ (115,966)</u>	<u>\$ 583,366</u>	<u>\$ 15,692</u>

* - net change for period reported

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2025
(CONTINUED)

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, 2025.

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 40 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: **RESTRICTED NET POSITION**

The following is a summary of restricted net position at the year ended December 31, 2025:

Unspent Funding from HUD to make HAP Payments	\$ 43,163
Restricted for the GASB 75 Net OPEB Asset	47,682
Total Restricted Net Position	<u>\$ 90,845</u>

NOTE 12: **SUBSEQUENT EVENTS**

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through July 10, 2026, the date on which the financial statements were available to be issued.

NOTE 13: **FDS SCHEDULE SUBMITTED TO HUD**

For the Calendar year ended December 31, 2025, the Authority electronically submitted an unaudited balance sheet summary, revenue and expense summary, and other data to HUD as required on the GAAP basis. The audited version of the entity wide balance sheet summary and entity wide revenue and expense summary are included as supplemental data. The schedules are presented in the manner prescribed by U. S. Department of Housing and Urban Development.

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)
LAST TEN CALENDAR YEARS

Year	Authority's Proportion of the Net Pension Liability/Asset	Authority's Proportionate Share of the Net Pension Liability/(Asset)	Authority's Covered Payroll	Authority's Proportionate Share of the Net Pension Liability/Asset as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Traditional Plan					
2025	0.002131%	\$ 522,426	\$ 382,007	136.76%	80.99%
2024	0.002392%	\$ 626,235	\$ 393,771	159.04%	79.01%
2023	0.001990%	\$ 587,847	\$ 304,429	193.10%	75.74%
2022	0.001929%	\$ 167,831	\$ 279,943	59.95%	92.62%
2021	0.002087%	\$ 309,039	\$ 293,586	105.26%	86.88%
2020	0.002369%	\$ 468,247	\$ 333,379	140.45%	82.17%
2019	0.002690%	\$ 736,736	\$ 363,343	202.77%	74.70%
2018	0.002762%	\$ 433,304	\$ 364,993	118.72%	84.66%
2017	0.002741%	\$ 622,434	\$ 354,350	175.66%	77.25%
2016	0.002748%	\$ 475,989	\$ 341,958	139.20%	81.08%

Amounts are 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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY/(ASSET)
LAST EIGHT CALENDAR YEARS**

<u>Fiscal Year</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency / (Excess)</u>	<u>Authority's Covered Payroll</u>	<u>Pension Contributions as a Percentage of Covered Payroll</u>
Traditional Plan					
2025	\$ 51,754	\$ (51,754)	\$ -	\$ 369,671	14.00%
2024	\$ 53,481	\$ (53,481)	\$ -	\$ 382,007	14.00%
2023	\$ 55,128	\$ (55,128)	\$ -	\$ 393,771	14.00%
2022	\$ 42,620	\$ (42,620)	\$ -	\$ 304,429	14.00%
2021	\$ 39,192	\$ (39,192)	\$ -	\$ 279,943	14.00%
2020	\$ 41,102	\$ (41,102)	\$ -	\$ 293,586	14.00%
2019	\$ 46,673	\$ (46,673)	\$ -	\$ 333,379	14.00%
2018	\$ 50,868	\$ (50,868)	\$ -	\$ 363,343	14.00%
2017	\$ 47,449	\$ (47,449)	\$ -	\$ 364,993	13.00%
2016	\$ 42,522	\$ (42,522)	\$ -	\$ 354,350	12.00%

See accompanying notes to the required supplementary information

**SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS - PENSION
LAST TEN YEARS**

Year	Authority's Proportion of the Net OPEB Liability/Asset	Authority's Proportionate Share of the Net OPEB Liability/(Asset)	Authority's Covered Payroll	Authority's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2025	0.002034%	\$ (47,682)	\$ 382,007	-12.48%	121.51%
2024	0.002231%	\$ (20,135)	\$ 393,771	-5.11%	107.76%
2023	0.001853%	\$ 11,684	\$ 304,429	3.84%	94.79%
2022	0.001795%	\$ (56,222)	\$ 279,943	-20.08%	128.23%
2021	0.001943%	\$ (34,616)	\$ 293,586	-11.79%	115.57%
2020	0.002072%	\$ 286,197	\$ 333,379	85.85%	47.80%
2019	0.002505%	\$ 326,593	\$ 363,343	89.89%	46.33%
2018	0.002580%	\$ 280,169	\$ 364,993	76.76%	54.14%
2017	0.002560%	\$ 258,569	\$ 354,350	72.97%	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 are 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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS - OPEB
LAST TEN YEARS**

<u>Fiscal Year</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency / (Excess)</u>	<u>Authority's Covered Payroll</u>	<u>Pension Contributions as a Percentage of Covered Payroll</u>
2025	\$ 746	\$ (746)	\$ -	\$ 388,314	0.19%
2024	\$ -	\$ -	\$ -	\$ 382,007	0.00%
2023	\$ -	\$ -	\$ -	\$ 393,771	0.00%
2022	\$ -	\$ -	\$ -	\$ 304,429	0.00%
2021	\$ -	\$ -	\$ -	\$ 279,943	0.00%
2020	\$ -	\$ -	\$ -	\$ 293,586	0.00%
2019	\$ -	\$ -	\$ -	\$ 333,379	0.00%
2018	\$ -	\$ -	\$ -	\$ 363,343	0.00%
2017	\$ 3,650	\$ (3,650)	\$ -	\$ 364,993	1.00%
2016	\$ 7,087	\$ (7,087)	\$ -	\$ 354,350	2.00%

See accompanying notes to the required supplementary information

**SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2025
(UNAUDITED)**

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 2014-2025.

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. For 2021, 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 1.40% simple through 2020 to 0.50% simple through 2021, then 2.15% simple. For 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75% (b) the cost-of-living adjustments for post-1/7/2013 retirees were increased from 0.50% simple through 2021 to 3.00% simple through 2022, then 2.05% simple (c) the expected investment return was reduced from 7.20% to 6.90%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2023. For 2024, 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 decreased from 3.00% simple through 2023 then 2.05% simple, to 2.30% simple through 2024 then 2.05% simple. For 2025, 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 increased from 2.30% simple through 2024 then 2.05% simple, to 2.90% simple through 2025 then 2.05% simple.

**SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2025
(UNAUDITED)**

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2025.

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 2019, 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%. For 2021, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 3.16% to 6.00% (b) the municipal bond rate changed from 2.75% to 2.00% (c) the health care cost trend rate changed from 10.50% initial and 3.50% ultimate in 2030 to 8.50% initial and 3.50% ultimate in 2035. For 2022, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected long-term average wage inflation rate was reduced from 3.25% to 2.75%. (b) the municipal bond rate changed from 2.00% to 1.84% (c) the health care cost trend rate changed from 8.50% initial and 3.50% ultimate in 2035 to 5.50% initial and 3.50% ultimate in 2034. For 2023, the following changes in assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 6.00% to 5.22% (b) the municipal bond rate changed from 1.84% to 4.05% (c) the health care cost trend rate changed from 5.50% initial and 3.50% ultimate in 2034 to 5.50% initial and 3.50% ultimate in 2036. For 2024, the following changes in assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 5.22% to 5.70% (b) the municipal bond rate changed from 4.05% to 3.77% (c) the health care cost trend rate changed from 5.50% initial and 3.50% ultimate in 2036 to 5.50% initial and 3.50% ultimate in 2038. For 2025, the following changes in assumptions affected the total OPEB liability since the prior measurement date: (a) the single discount rate changed from 5.70% to 6.00% (b) the municipal bond rate changed from 3.77% to 4.08% (c) the health care cost trend rate changed from 5.50% initial and 3.50% ultimate in 2038 to 5.50% initial and 3.50% ultimate in 2039.

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Public Housing	State/Local	Housing Choice Vouchers	Total
	Current Assets				
111	Cash - Unrestricted	\$ 1,008,707	\$ 11,597	\$ 233,013	\$ 1,253,317
113	Cash - Restricted			45,555	45,555
114	Cash - Tenant Security Deposits	42,570			42,570
100	Total Cash	1,051,277	11,597	278,568	1,341,442
	Accounts Receivable				
122	Accounts Receivable - HUD Other Projects	27,373			27,373
126	Accounts Receivable - Tenants	3,118			3,118
126.1	Allowance for Doubtful Accounts - Tenants	(1,200)			(1,200)
126.2	Allowance for Doubtful Accounts - Other	(1,600)			(1,600)
127	Notes, Loans and Mortgages Receivable - Current	6,735			6,735
128	Fraud Recovery	-	-	2,480	2,480
128.1	Allowance for Doubtful Accounts - Fraud	-	-	(980)	(980)
120	Total Receivables, Net of Allowance for Doubtful Accounts	34,426	-	1,500	35,926
142	Prepaid Expenses	129,100			129,100
143	Inventories	75,742			75,742
150	Total Current Assets	1,290,545	11,597	280,068	1,582,210
	Capital Assets				
161	Land	1,685,579			1,685,579
162	Buildings	11,886,913			11,886,913
163	F/E/M Admin. - Dwellings	62,471			62,471
164	F/E/M Admin.	154,503		14,317	168,820
165	Leasehold Improvements	26,966		5,919	32,885
166	Accum Depreciation	(10,926,718)		(17,510)	(10,944,228)
167	Construction in Progress	29,362			29,362
160	Total Capital Assets, Net of Accumulated Depreciation	2,919,076	-	2,726	2,921,802
174	Other Assets	39,576	-	8,106	47,682
180	Total Non-Current Assets	2,958,652	-	10,832	2,969,484
200	Deferred Outflow of Resources	116,440		23,849	140,289
290	TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$ 4,365,637</u>	<u>\$ 11,597</u>	<u>\$ 314,749</u>	<u>\$ 4,691,983</u>

See Auditor's Report.

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Public Housing	State/Local	Housing Choice Vouchers	Total
	Current Liabilities				
312	A/P <= 90 days	\$ 70,531			\$ 70,531
321	Accrued Wage/Taxes Payable	25,690		4,809	30,499
322	Accrued Compensated Absences - Current Portion	8,929			8,929
333	Accounts Payable - Other Government	41,062			41,062
341	Tenant Security Deposits	42,570			42,570
343	Current Portion of Long-term Debt	5,546		1,217	6,763
310	Total Current Liabilities	194,328	-	6,026	200,354
	Non-Current Liabilities				
351	Long-term Debt, Net of Current Portion	7,311		1,605	8,916
354	Accrued Comp Abs. - Noncurrent	18,899		17,433	36,332
357	Accrued Pension	433,614		88,812	522,426
	Total Non-Current Liabilities	459,824	-	107,850	567,674
	Total Liabilities	654,152	-	113,876	768,028
400	Deferred Inflow of Resources	38,258		7,837	46,095
508.1	Invested in Capital Assets Net	2,882,019		(96)	2,881,923
511.1	Restricted Net Position	39,576		51,269	90,845
512.1	Unrestricted Net Position	770,197	11,597	123,298	905,092
513	Total Net Position	3,691,792	11,597	174,471	3,877,860
600	TOTAL LIAB., DEFERRED INFLOWS OF RESOURCES AND EQUITY	\$ 4,384,202	\$ 11,597	\$ 296,184	\$ 4,691,983

See Auditor's Report.

Shelby MHA
Statement of Revenues and Expenses
For the Year Ended December 31, 2025

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Public Housing	Housing Choice Vouchers	Total
703	Net Tenant Rental Revenue	\$ 603,253	\$ -	\$ 603,253
704	Tenant Revenue - Other	43,837		43,837
705	Total Tenant Revenue	647,090	-	647,090
706	HUD PHA Operating Grants	604,009	1,375,089	1,979,098
706.1	Capital Grants	596,850		596,850
711	Investment Income - Unrestricted	3,208	248	3,456
714	Fraud Recovery		2,370	2,370
715	Other Revenue	74,622		74,622
716	Gain or Loss on Sale of Capital Assets	2,000		2,000
700	TOTAL REVENUE	1,927,779	1,377,707	3,305,486
911	Admin Salaries	173,354	86,383	259,737
912	Audit	8,494	1,864	10,358
915	Employee Benefits	91,430	46,545	137,975
916	Office Expenses	64,250	15,494	79,744
917	Legal Expense	2,614		2,614
919	Other	5,997	11,033	17,030
	Total Operating - Admin.	346,139	161,319	507,458
924	Tenant Services - Other	751	-	751
925	Total Tenant Services	751	-	751
931	Water	77,936		77,936
932	Electricity	81,212		81,212
933	Gas	40,335		40,335
936	Sewer	58,892		58,892
930	Total Utilities	258,375	-	258,375
941	Ordinary Maint. & Operations - Labor	120,059		120,059
942	Ordinary Maint. & Operations - Materials & Other	59,392		59,392
943	Ordinary Maint. & Operations - Contracts	248,180		248,180
945	Employee Benefits Contributions - Ordinary Maint.	63,322		63,322
940	Total Maintenance	490,953	-	490,953
961.1	Property Insurance	62,255		62,255
961.2	Insurance - Liab. Insurance		16,543	16,543
961	Total Insurance	62,255	16,543	78,798

See Auditor's Report.

Shelby MHA
Statement of Revenues and Expenses
For the Year Ended December 31, 2025

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Public Housing	Housing Choice Vouchers	Total
962	Other General Expenses		588	588
963	Payments in Lieu of Taxes	39,573		39,573
964	Bad Debt - Tenant Rents	29,137		29,137
960	Total Other General Expenses	68,710	588	69,298
967.1	Interest on Mortgage Payable	633	139	772
967	Total Interest Expense and Amortization Cost	633	139	772
	TOTAL OPERATING EXPENSES	1,227,816	178,589	1,406,405
970	Excess Operating Revenue over Expenses	699,963	1,199,118	1,899,081
971	Extraordinary Maintenance	177,224		177,224
972	Casualty Losses - Non-Capitalized	75,599		75,599
973	Housing Assistance Payments		1,176,049	1,176,049
974	Depreciation Expense	150,607	1,144	151,751
900	TOTAL EXPENSES	1,631,246	1,355,782	2,987,028
1001	Operating Transfer In	181,502		181,502
1002	Operating Transfer Out	(181,502)		(181,502)
1010	Total Other Financing Sources (Uses)	-	-	-
1000	Excess (Deficiency) of Total Revenue Over (Under)			
	Total Expenses	\$ 296,533	\$ 21,925	\$ 318,458

See Auditor's Report.

Shelby Metropolitan Housing Authority
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended December 31, 2025

FEDERAL GRANTOR/ Pass-Through Grantor/ Program/Title	Assistance Listing Number	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs:</i>		
Public Housing Operating Fund	14.850	\$ 604,009
Public Housing Capital Fund	14.872	596,850
Housing Voucher Cluster:		
Section 8 Housing Choice Vouchers	14.871	<u>1,375,089</u>
Total Housing Voucher Cluster		<u>1,375,089</u>
Total U.S. Department of Housing and Urban Development		<u>2,575,948</u>
Total Expenditures of Federal Awards		<u><u>\$ 2,575,948</u></u>

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

**SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2025**

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 (the Authority) under programs of the federal government for the fiscal year ended December 31, 2025. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

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

The Authority has elected not to use the 15-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 – SUBRECIPIENTS

The Authority provided no federal awards to subrecipients during the year ending December 31, 2025.

NOTE 5 – DISCLOSURE OF OTHER FORMS OF ASSISTANCE

The Authority received no federal awards of non-monetary assistance that are required to be disclosed for the year ended December 31, 2025.



Kevin L.
Penn, Inc.

Certified Public Accountant
11811 Shaker Boulevard, Suite 421
Cleveland, Ohio 44120
(216)421-1000
Fax:(216)421-1001
Email: klpenncpa@aol.com

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Shelby Metropolitan Housing Authority
Shelby County
706 North Wagner Avenue
Sidney, Ohio 45365

To the Board of Trustees

I have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the Shelby Metropolitan Housing Authority, Shelby County, (the Authority) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued my report thereon dated July 10, 2026.

Internal Control Over Financial Reporting

As part of my financial statement audit, I considered the Shelby Metropolitan Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support my opinion(s) on the financial statements, but not to the extent necessary to opine on the effectiveness of the Shelby Metropolitan Housing Authority's internal control. Accordingly, I have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Shelby Metropolitan Housing Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of my audit and accordingly, I do not express an opinion. The results of my tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of my internal control and compliance testing and my testing results, and does not opine on the effectiveness of the Shelby Metropolitan Housing Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Shelby Metropolitan Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kevin L. Penn, Inc.
Cleveland, Ohio

July 10, 2026



Kevin L.
Penn, Inc.

Certified Public Accountant
11811 Shaker Boulevard, Suite 421
Cleveland, Ohio 44120
(216)421-1000
Fax:(216)421-1001
Email: klpenncpa@aol.com

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

Shelby Metropolitan Housing Authority
Shelby County
706 North Wagner Avenue
Sidney, Ohio 45365

To the Board of Trustees

Report on Compliance for each Major Federal Program

Opinion on each Major Federal Program

I have audited Shelby Metropolitan Housing Authority's, Shelby County, (the Authority) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Shelby Metropolitan Housing Authority's major federal program for the year ended December 31, 2025. The Authority's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In my opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended December 31, 2025.

Basis for Opinion on each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of my report.

I am required to be independent of the Authority and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The Authority's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, I:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Report on Internal Control Over Compliance

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

My consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Kevin L. Penn, Inc.
Cleveland, Ohio

July 10, 2026

Shelby Metropolitan Housing Authority

Schedule of Findings

December 31, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant Deficiency(ies) identified
not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over compliance:

Material weakness(es) identified? No

Significant Deficiency(ies) identified
not considered to be material weaknesses? None Reported

Type of auditor's report issued on compliance
for major program: Unmodified

Are there any reportable findings under 2 CFR Section 200.516(a)? No

Identification of major programs:

14.871 Section 8 Housing Choice
Vouchers

Dollar threshold used to distinguish
between Type A and Type B programs: Type A: > \$1,000,000
Type B: all others

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings

No matters were reported.

Shelby Metropolitan Housing Authority
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2025

There were no audit findings, during the 2024 Calendar year.

OHIO AUDITOR OF STATE KEITH FABER



SHELBY 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 10/1/2026

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

This report is a matter of public record and is available online at
www.ohioauditor.gov