**PORTAGE METROPOLITAN HOUSING AUTHORITY**

Financial Condition

As of

December 31, 2017

Together with Auditors' Report

# Dave Yost • Auditor of State

Board of Trustees
Portage County Metropolitan Housing Authority
2832 State Rte 59
Ravenna, OH 44266

We have reviewed the *Independent Auditor's Report* of the Portage County Metropolitan Housing Authority, Portage County, prepared by Kevin L. Penn, Inc., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

July 9, 2018

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**PORTAGE METROPOLITAN HOUSING AUTHORITY**
**RAVENNA, OHIO**

Table of Content

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**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees
Portage Metropolitan Housing Authority
Ravenna, Ohio 44266

***Report on the Financial Statements***

I have audited the accompanying financial statements of the business-type activities, of the Portage Metropolitan Housing Authority, Portage County, Ohio (the Authority), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

My responsibility is to opine on these financial statements based on my audit. I audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require me to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on my judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, I consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

I believe the audit evidence I obtained is sufficient and appropriate to support my audit opinions.

### *Opinion*

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, of the Portage Metropolitan Housing Authority, Portage County, Ohio as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### *Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. I applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, to the basic financial statements, and other knowledge we obtained during my audit of the basic financial statements. I do not opine or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to opine or provide any other assurance.

*Supplementary*

My audit was conducted to opine on the Authority's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Supplemental Financial Data Schedules and Schedule of Federal Award Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. I subjected these schedules to the auditing procedures I applied to the basic financial statements. I also applied certain additional procedures, including comparing and reconciling this 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, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated May 4, 2018, on my consideration of the Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Kevin L. Penn, Inc.

May 4, 2018

PORTAGE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Unaudited)

This Management's Discussion and Analysis (MD&A) for the Portage Metropolitan Housing Authority (the Authority) is intended to assist the reader to identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify changes in the Authority's financial position. It is designed to focus on the financial activity for the fiscal year ended December 31, 2017, resulting changes, and currently known facts. Please read it in conjunction with the financial statements found elsewhere in this report.

**FINANCIAL HIGHLIGHTS**

- During FY 2017, the Authority's net position increased by $403,000 (or 5%). The increase was from the embedded administration fees received from HUD. Net Position was $7,929,000 and $8,332,000 for FY 2016 and FY 2017 respectively.

- The revenue increased by $1,754,000 (or 13%) during FY 2017, and was $13,602,000 and $15,356,000 for FY 2016 and FY 2017 respectively.

- The total expenses of the Authority increased by $838,000 (or 6%). Total expenses were $14,115,000 and $14,953,000 for FY 2016 and FY 2017 respectively.

## Overview in the Financial Statements

The basic financial statements included elsewhere in this report are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position is very similar to 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, 2017; that is, the cash the Authority has, the amounts that are owed the Authority from others, and the value of the equipment the Authority owns. The other half reports the Authority's liabilities; that is, what the Authority owes others at December 31, 2017, and what Net Position (equity) the Authority has at December 31, 2017. The two parts of the report are in balance and is why many might refer to this type of report as a balance sheet, in that the total of the assets part equals the total of the liabilities plus Net Position (or equity) part. In the statement, the Net Position is broken out into three broad categories:

Net Investment in Capital Assets, Net of Related Debt
Net Position Restricted
Net Position Unrestricted

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

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

The balance in Unrestricted Net Position is the remainder of Net Position after what is classified in the two previously mentioned components of Net Position. It reflects the value of assets available to the Authority for its use in furthering its purposes.

The Statement of Revenues, Expenses, and Changes in Fund Balance (or Net Position or equity) is very similar to, and may commonly be referred to, as an Income Statement. It is 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. It also shows how the fund balance (or Net Position or equity) changed because of how the revenue exceeded or were less than the expenses. It helps the reader to determine if the Authority had more in revenues than in expenses, or vice-versa, and then how that net gain or net loss affected the fund balance (or Net Position or equity). The ending total Net Position is what is referred to in the above discussion of the Statement of Net Position which when added to the liabilities the Authority has, equals the total assets of the Authority.

The Statement of Cash Flows 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 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.

**The Authority's Business Type Fund**

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

The Authority's business type fund includes the following programs:

<u>Moving to Work Programs</u> – These programs are demonstration programs that allow participating housing authorities to design and test ways to promote self-sufficiency among assisted households, reduce costs through improved efficiency, and increase housing choice for low-income families. The programs provide no additional funding to the housing authority, but permit waivers of laws included within the Housing Act of 1937. The Conventional Public Housing Programs and the Section 8 Housing Choice Voucher Program are the Moving to Work Programs of the Portage Metropolitan Housing Authority.

Conventional Public Housing Program -Under the Conventional Public Housing Program, the Authority rents units it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides operating subsidy to enable the Authority to provide the housing at a rent that is based upon 30 percent of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Section 8 Housing Choice Voucher Program -Under the Housing Choice Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the participant's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contribution Funding to enable the Authority to structure a lease that sets the participants' rent at 30 percent of household income.

Shelter Plus Care Program -This program links rental assistance to supportive services for hard-to-reach homeless persons with disabilities, primarily those who are seriously mentally ill, have chronic substance abuse problems, or have AIDS and related diseases.

Section 8 Mod Rehab Program and Mainstream Voucher Program -These programs provide rental assistance to clients in a manner that is very similar to how rental assistance is provided under the Housing Choice Voucher Program but serves target populations.

Other Non-major Programs -In addition to the major programs described above, the Authority also administers programs that have assets, liabilities, and revenues or expenses of less than 6 percent of the Authority's total assets, liabilities, revenues or expenses.

Resident Opportunities and Self-Sufficiency (ROSS) -This grant program is funded by HUD to assist residents in the process of moving from welfare to work.

Business Activities -This program represents non-HUD resources developed from a variety of activities.

## GASB 68

During 2015, the Authority adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service,
2 minus plan assets available to pay these benefits.

That is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

The following represents a condensed Statement of Net Position compared to prior year. The Authority is engaged only in business type activities. For more detailed information, see the Statement of Net Position.

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

| | 2016 | 2017 |
|---|---|---|
| **Assets** | | |
| Current and Other Assets | $4,877,000 | $4,982,000 |
| Capital Assets | 6,153,000 | 6,118,000 |
| **Total Assets** | $11,030,000 | $11,100,000 |
| **Liabilities** | | |
| Current Liabilities | $1,267,000 | $457,000 |
| Long-Term Liabilities | 1,834,000 | 2,311,000 |
| **Total Liabilities** | $3,101,000 | $2,768,000 |
| **Net Position** | | |
| Net Investment in Capital Assets | $6,153,000 | $6,118,000 |
| Restricted Net Position | $256,000 | 362,000 |
| Unrestricted Net Position | 1,520,000 | 1,852,000 |
| **Total Net Position** | 7,929,000 | 8,332,000 |
| **Total Liabilities and Net Position** | $11,030,000 | $11,100,000 |

## Major Factors Affecting the Statement of Net Position

The total net position increased 5% from year-end 2016 to year-end 2017. See the discussion in the next section of factors contributing to this change. During 2017, current and other assets decreased by $105,000 while current liabilities decreased by $810,000. Capital assets decreased $35,000 reflecting disposals of fully depreciated capital assets of the Authority.

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

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

**(Values rounded to nearest Thousand)**

| | **2016** | **2017** |
|---|---|---|
| **Revenues** | | |
| Tenant Revenues | $ 914,000 | $ 832,000 |
| HUD Operating Subsidies and Grants | 11,639,000 | 13,604,000 |
| Capital Grants | 515,000 | 492,000 |
| Non-Operating Revenue | 19,000 | 24,000 |
| Other Revenues | 515,000 | 404,000 |
| **Total Revenues** | $13,602,000 | $15,356,000 |
| **Expenses** | | |
| Administrative | $ 2,131,000 | $ 2,588,000 |
| Tenant Services | 60,000 | 63,000 |
| Utilities | 339,000 | 348,000 |
| Maintenance and Operations | 1.024,000 | 1,077,000 |
| General | 259,000 | 320,000 |
| Housing Assistance Payments | 9,766,000 | 9,992,000 |
| Depreciation | 536,000 | 565,000 |
| **Total Expenses** | $ 14,115,000 | $ 14,953,000 |
| Net Increases (Decreases) in Net Position | $ (513,000) | $ 403,000 |

For 2017, the Authority revenues increased 13% and expenses increased 6%. The Authority experienced decreases in Tenant Revenues and Other Revenues but experienced an increase in Operating Subsidies. The Authority experienced increases in Housing Assistance Payments and Personnel Costs.

**Table 3 – Change in Net Position**
**(Values rounded to nearest Thousand)**

| | | |
|---|---|---|
| Unrestricted Net Position12/31/2016 | | $ 1,519,000 |
| Results from Operations | 403,000 | |
| Adjustments: | | |
| Depreciation(1) | 565,000 | |
| Adjusted Results from Operations | | 968,000 |
| Additional Restricted Net Position | | (105,000) |
| Capital Expenditures | | (530,000) |
| Unrestricted Net Position 12/31/2017 | | $ 1,852,000 |
| Restricted Net Position 12/31/2016 | | $ 256,000 |
| Housing Choice Vouchers – VASH (2) | | 49,000 |
| Housing Choice Vouchers – MTW (2) | | 57,000 |
| Restricted Net Position 12/31/2017 | | $ 362,000 |

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position.
(2) The Housing Choice Voucher Program and VASH require the equity portion attributable to the excess housing assistance payments be reflected as restricted net position. The corresponding funds are reflected in the cash accounts.

The following is a condensed Statement of Changes in Capital Assets comparing balances in capital assets for 2016 and 2017.

**Table 4 - Condensed Statement of Changes in Capital Assets**

| | 2016 | 2017 |
|---|---|---|
| Land and Land Rights | $ 1,623,000 | $ 1,623,000 |
| Building and Improvements | 21,834,000 | 22,157,000 |
| Equipment | 450,000 | 546,000 |
| Construction in Progress | 0 | 0 |
| Accumulated Depreciation | (17,754,000) | (18,208,000) |
| **Total** | $ 6,153,000 | $ 6,118,000 |

**Debt**

The Authority has no debt outstanding at year end 2017.

## Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development has decreased.
- Local inflationary, recessionary, and employment trends, which can affect resident incomes and therefore the amount of rental income
- Federal Reserve Bank interest rates on investments
- Local labor supply and demand, which can affect salary and wage rates.

## Contact the Authority

Questions concerning this report or requests for additional information should be directed to Pamela Nation Calhoun, Executive Director of the Portage Metropolitan Housing Authority, 2832 State Route 59, Ravenna, Ohio 44266.

PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2017

| | |
|---|---|
| ASSETS | |
| **Current Assets** | |
| Cash and Cash Equivalents - Unrestricted (Note 2) | $ 3,522,155 |
| Cash and Cash Equivalents - Restricted (Note 3) | 458,107 |
| Accounts Receivable, (Net of Allowance for Doubtful Accounts) | 69,663 |
| Inventory (Net of Allowance for obsolete) | 60,365 |
| Prepaid Expenses and Other Assets | 168,662 |
| Total Current Assets | 4,278,952 |
| | |
| **Non-Current Assets** | |
| Notes Receivable | 2,035 |
| Interest Receivable | 8,860 |
| Capital Assets: (Note 4) | |
| Non-Depreciable Capital Assets | 1,623,261 |
| Depreciation Capital Assets | 4,495,193 |
| Total Non-Current Assets | 6,129,349 |
| | |
| Deferred Outflow of Resources - Pension | 692,320 |
| **TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES** | $ 11,100,621 |
| | |
| LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION | |
| **Current Liabilities** | |
| Accounts Payable | $ 145,609 |
| Accrued Wages/Payroll | 76,295 |
| Tenant Security Deposits | 69,801 |
| Accrued Compensated Absences - Current Portion | 105,827 |
| Unearned Revenue | 6,563 |
| Other Liabilities | 53,074 |
| Total Current Liabilities | 457,169 |
| | |
| **Non-Current Liabilities** | |
| Noncurrent Liabilities - Other | 28,170 |
| Accrued Pension | 2,241,274 |
| Accrued Compensated Absences, Net of Current Portion | 28,155 |
| Total Non-Current Liabilities | 2,297,599 |
| Total Liabilities | $ 2,754,768 |
| | |
| Deferred Inflow of Resources - Pension | $ 13,357 |
| | |
| **Net Position** | |
| Investment in Capital Assets | $ 6,118,454 |
| Restricted | 361,805 |
| Unrestricted | 1,852,237 |
| Total Net Position | $ 8,332,496 |

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

PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

| | |
|---|---|
| **Operating Revenue:** | |
| HUD Operating Subsidies and Grants | $ 13,603,805 |
| Tenant Revenue | 831,445 |
| Other Revenue | 404,134 |
| Total Operating Revenue | 14,839,384 |
| | |
| **Operating Expenses:** | |
| Administrative Expense | 2,588,328 |
| Tenant Services | 62,878 |
| Utilities | 347,990 |
| Maintenance and Operations | 1,076,691 |
| General Expenses | 320,449 |
| Housing Assistance Payments | 9,991,895 |
| Depreciation Expense | 564,837 |
| Total Operating Expenses | 14,953,068 |
| | |
| Net Operating Income (Loss) | (113,684) |
| | |
| Non-Operating Revenues (Expenses) | |
| Interest Income | 20,236 |
| Gain(Loss) on Sale of Capital Assets | 4,219 |
| Total Non-Operating Revenues (Expenses) | 24,455 |
| | |
| Excess of Revenue Over(Under) Expenses before Capital Grants | (89,229) |
| | |
| Capital Grants | 492,343 |
| Change in Net Position | 403,114 |
| | |
| Net Position - Beginning of Year | 7,929,382 |
| Net Position - End of Year | $ 8,332,496 |

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

PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | |
|---|---|
| Cash Flows From Operating Activities: | |
| Cash Received from HUD | $ 13,195,333 |
| Cash Received from Tenant | 831,445 |
| Cash Received from Other Income | 404,134 |
| Cash Payments for Housing assistance payments | (9,991,895) |
| Cash Payments for Administrative | (2,936,318) |
| Cash Payments for Other Operating Expenses | (1,460,018) |
| Net Cash Provided (Used) by Operating Activities | 42,681 |
| | |
| Cash Flows From Capital and Related Financing Activities: | |
| Acquisition of Capital Assets | (530,178) |
| Gain(Loss) on Sale of Capital Assets | 4,219 |
| Capital Grant Funds Received | 492,343 |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (33,616) |
| | |
| Cash Flows From Investing Activities: | |
| Interest Income | 20,236 |
| Net Cash Provided (Used) by Investing Activities | 20,236 |
| | |
| Increase (Decrease) in Cash and Cash Equivalents | 29,301 |
| Cash and Cash Equivalents - Beginning of Year | 3,950,961 |
| Cash and Cash Equivalents - End of Year | $ 3,980,262 |
| | |
| Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities: | |
| Operating Income (Loss) | $ (113,684) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities: | |
| Depreciation | 564,837 |
| (Increase) decrease in: | |
| Accounts Receivable | 102,580 |
| Notes Receivable | (981) |
| Interest Receivable | (5,620) |
| Inventory | (9,501) |
| Deferred Outflow of Resources - Pension | (177,211) |
| Prepaid Expenses | 15,113 |
| Increase (decrease) in: | |
| Accounts Payable | (66,270) |
| Accrued Wages/Payroll | (23,790) |
| Unearned Revenue | (733,666) |
| Compensated Absences | 6,890 |
| Other Liabilities | 8,520 |
| Accrued Pension | 489,211 |
| Deferred Inflow of Resources - Pension | (20,567) |
| Tenant Security Deposits | (2,720) |
| Noncurrent Liabilities - Other | 9,540 |
| Net Cash Provided (Used) by Operating Activities | $ 42,681 |

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

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Summary of Significant Accounting Policies

The financial statements of the Portage Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (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. The more significant of the Authority's accounting policies are described below.

### Reporting Entity

The Portage Metropolitan Housing Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate. The accompanying basic financial statements comply with the provisions of GASB Statement No. 39, *Determining Whether Organizations are Component Units*, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

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

**Reporting Entity** (Continued)

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government a) is entitled to the organization's resources; b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable. Based on the above criteria, the Authority has no component units.

**Fund Accounting**

The Authority uses an enterprise fund to report on its financial position and the results of its operations for the Section 8 and Public Housing programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary, and fiduciary. The Authority uses the proprietary category for its programs.

**Proprietary Fund Types**

Proprietary funds are used to account for the Authority's ongoing activities which are similar to those found in the private sector. The following is the proprietary fund type:

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Measurement Focus/Basis of Accounting**

The Authority has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America. The Authority follows the business-type activities reporting requirements of GASB Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments. In accordance with GABS Statement No. 34, the accompanying basic financial statements are reported on an Authority-wide basis. GASB Statement No. 34 (as amended by GASB Statement No. 63) requires the following, which collectively make up the Authority’s basic financial statements:

Basic Financial Statements:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements

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

**Accounting and Reporting for Nonexchange Transactions**

Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of nonexchange transactions as follows:

Derived tax revenues: result from assessments imposed on exchange transactions (i.e., income taxes, sales taxes and other assessments on earnings or consumption).

Imposed nonexchange revenues: result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (i.e. property taxes and fines).

Government-mandated nonexchange transactions: occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (i.e., federal programs that state or local governments are mandated to perform). Voluntary nonexchange transactions: result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).

PHA grants and subsidies will be defined as government-mandated or voluntary nonexchange transactions.

GASB 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

Time requirements specify (a) the period when resources are required to be used or when use may begin (for example, operating or capital grants for a specific period) or (b) that the resources are required to be maintained intact in perpetuity or until a specified date or event has occurred (for example, permanent endowments, term endowments, and similar agreements). Time requirements affect the timing of recognition of nonexchange transactions.

Purpose restrictions specify the purpose for which resources are required to be used. (i.e. capital grants used for the purchase of capital assets). Purpose restrictions do not affect when a nonexchange transaction is recognized. However, PHAs that receive resources with purpose restrictions should report resulting Net Position, equity, or fund balance as restricted.

The PHA will recognize assets (liabilities) when all applicable eligibility requirements are met or resources received whichever is first. Eligibility requirements established by the provider may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies.

The PHA will recognize revenues (expenses) when all applicable eligibility requirements are met. For transactions that have a time requirement for the beginning of the following period, PHAs should record resources received prior to that period as deferred revenue and the provider of those resources would record an advance.

The PHA receives government-mandated or voluntary nonexchange transactions, which do not specify time requirements. Upon award, the entire subsidy should be recognized as a receivable and revenue in the period when applicable eligibility requirements have been met.

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

**Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount reported as restricted net position at fiscal year end represents the amounts restricted by HUD for future Housing Assistance Payments. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. There were no net Position restricted by HUD.

**Investments**

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2017 totaled $20,236.

**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. 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.

**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, and certificates of deposits regardless of original maturities.

**Compensated Absences**

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

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

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

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

**Inventories**
Inventories are stated at cost. The allowance for obsolete inventory was $2,000 at December 31, 2017.

**Budgetary Accounting**
The Authority annually prepares its budget as prescribed by the U.S. Department of Housing and Urban Development. This budget is approved by the Board of the Housing Authority.

**Estimates**
The preparation of financial statements in conformity with generally accepted accounting principles 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 statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources include pension. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 5).

NOTE 2: **DEPOSITS AND INVESTMENTS**

**Deposits**

At fiscal year end, the carrying amount of the Authority's deposits were $3,980,262 and the bank balance was $4,114,035. Included in the carrying amount of deposits at December 31, 2017 is $75 in petty cash. Based on criteria described in GASB Statement No. 40, Deposits and Investments Risk Disclosures, as of December 31, 2017, $750,000 of the Authority's bank balance was covered by Federal Depository Insurance. The remainder was collateralized by securities pledged in the name of the Authority.

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 Authority's Board. All deposits are collateralized with eligible securities in amounts equal to 105 percent of the carrying value of deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in 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 the public deposits it holds, or as specific collateral held at the Federal Reserve bank in the name of the Authority.

**Investments**

The Authority has a formal investment policy; however the Authority's investments at December 31, 2017, were limited to certificates of deposit.

**Interest Rate Risk**

The Authority's investment policy limits investments to 1 year but does not limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The Authority staggers maturity dates of investments to avoid losses from rising interest rates.

**Credit Risk**

Any deposits of the Authority exceeding the FDIC insurance limit are fully and continuously collateralized by securities pledged in the name of the Authority.

**Concentration of Credit Risk**

The Authority does not limit the amount of funds that may be on deposit with any one financial institution; however, as was mentioned in the preceding paragraph, all deposits exceeding the FDIC insurance limit are fully and continuously collateralized by securities pledged in the name of the Authority.

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

**Concentration of Credit Risk** (Continued)

Cash and investments included in the Authority's cash position at December 31, 2017, are as follows:

| Cash and Investment Type | Fair Value | Investment Maturities (in Years) ≤1 |
|---|---|---|
| Carrying Amount of Deposits – Unrestricted | $3,522,155 | $3,522,155 |
| Carrying Amount of Deposits – Restricted | 458,107 | 458,107 |
| Totals | $3,980,262 | $3,980,262 |

NOTE 3: **RESTRICTED CASH**

The restricted cash balance of $458,107 on the financial statements represents the following:

| | |
|---|---|
| FSS Escrow Funds | $ 28,170 |
| Sale of HUD Property | 201,412 |
| Move-to-Work Demonstration | 111,916 |
| Housing Choice Voucher | 48,477 |
| Tenant Security Deposits | 68,132 |
| Total Restricted Cash | $ 458,107 |

NOTE 4: **CAPITAL ASSETS**

A summary of capital assets at December 31, 2017, by class is as follows:

| | 12/31/2016 | Reclasses | Additions | Disposals | 12/31/2017 |
|---|---|---|---|---|---|
| Capital Assets Not Being Depreciated | | | | | |
| Land | $1,623,261 | $ 0 | $ 0 | $ 0 | $ 1,623,261 |
| Construction in Progress | 0 | 0 | 0 | 0 | 0 |
| Total Capital Assets Not Being Depreciated | 1,623,261 | 0 | 0 | 0 | 1,623,261 |
| Capital Assets Being Depreciated | | | | | |
| Buildings and Improvements | 21,834,204 | | 411,727 | ( 88,553) | 22,157,378 |
| Furniture, Equipment, and Machinery-Administrative | 449,733 | | 118,451 | ( 22,125) | 546,059 |
| Subtotal Capital Assets Being Depreciated | 22,283,937 | 0 | 530,178 | ( 110,678) | 22,703,437 |
| Accumulated Depreciation: | | | | | |
| Buildings and Improvements | (17,658,334) | 0 | (489,122) | 88,553 | (18,058,903) |
| Furniture, Equipment and Machinery-Administrative | ( 95,751) | 0 | ( 75,715) | 22,125 | ( 149,341) |
| Total Accumulated Depreciation | (17,754,085) | 0 | ( 564,837) | 110,678 | ( 18,208,244) |
| Depreciable Assets, Net | 4,529,852 | 0 | (34,659) | 0 | 4,495,193 |
| Total Capital Assets, Net | $ 6,153,113 | $ 0 | $ (34,659) | $ ( 0) | $ 6,118,454 |

Depreciation is calculated using the straight line method with lives varying between 3 and 30 years. The depreciation expense for the year ended December 31, 2017 was $564,837.

NOTE 5: **DEFINED BENEFIT PENSION PLANS — OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM**

For fiscal year 2017, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective.

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the OPERS to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, the OPERS Board of Trustees 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.

**Plan Description**

Organization - OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: The Traditional Plan, a defined benefit plan; the Combined Plan, a combination defined benefit/contribution plan; and the Member-Directed Plan, a defined contribution plan. All public employees in Ohio, except those covered by one of the other state or local retirement systems in Ohio, are members of OPERS. New public employees (those who establish membership in OPERS on or after January 1, 2003) have 180 days from the commencement of employment to select membership in one of the three pension plans. Contributions to OPERS are effective with the first day of the employee's employment. Contributions made prior to the employee's plan selection are maintained in the Traditional Pension Plan and later transferred to the plan elected by the member, as appropriate.

NOTE 5: **DEFINED BENEFIT PENSION PLANS — OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM** (continued)

All public employees, except those covered by another state retirement system in Ohio or the Cincinnati Retirement System, are required to become contributing members of OPERS when they begin public employment unless they are exempted or excluded as defined by the Ohio Revised Code. For actuarial purposes, employees who have earned sufficient service credit (60 contributing months) are entitled to a future benefit from OPERS. Employer, employee and retiree data as of December 31, 2017 can be found in the OPERS 2017 Comprehensive Annual Financial Report.

**Pension Benefits** – All benefits of the OPERS, and any benefit increases, are established by the legislature pursuant to Ohio Revised Code Chapter 145.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire under law in effect prior to SB 343 or will be eligible to retire no later than five years after January 7, 2013, comprise transition Group A. Members who have 20 years of service credit prior to January 7, 2013, or will be eligible to retire no later than 10 years after January 7, 2013, are included in transition Group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013.

Age-and-Service Defined Benefits – Benefits in the Traditional Pension Plan are calculated on the basis of age, final average salary (FAS), and service credit. Members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 35 or more years of service credit. Group C is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. 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. Refer to the age-and-service tables located in the OPERS 2017 CAFR Plan Statement for additional information regarding the requirements for reduced and unreduced benefits. Members who retire before meeting the age and years of service credit requirement for unreduced benefit 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 annual cost-of-living adjustment.

Prior to 2000, payments to OPERS benefit recipients were limited under Section 415(b) of the Internal Revenue Code (IRC). OPERS entered into a Qualified Excess Benefit Arrangement (QEBA) with the Internal Revenue Service (IRS) to all OPERS benefit recipients to receive their full statutory benefit even when the benefit exceeds IRC 415(b) limitations. Monthly QEBA payments start when the total amount of benefits received by the recipients exceeds the IRC limit each year. The portion of the benefit in excess of the IRC 415(b) limit is paid out of the QEBA and taxed as employee payroll in accordance with IRS regulations.

NOTE 5: **DEFINED BENEFIT PENSION PLANS — OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM** (continued)

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the members' FAS for the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit.

The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions.

Defined Contribution Benefits – Defined contribution plan benefits are established in the plan documents, which may be amended by the Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined Plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-Directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits.

The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employee 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 of their individual OPERS accounts. Options include the purchase of a monthly annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vest account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Disability Benefits – OPERS administers two disability plans for participants in the Traditional Pension and Combined plans. Members in the plan as of July 29, 1992, could elect, by April 7, 1993, coverage under either the original plan or the revised plan. All members who entered OPERS after July 29, 1992, are automatically covered under the revised plan. Under the original plan, a member who becomes disabled before age 60 and has completed 60 contributing months is eligible for a disability benefit. Benefits are funded by the employee and employer contributions and terminate if the member is able to return to work. The revised plan differs in that a member who becomes disabled at any age with 60 contributing months will be eligible for disability benefits until a determined age. The benefit is funded by reserves accumulated from employer contributions. After the disability benefit ends, the member may apply for a service retirement benefit or a refund of contributions, which are not reduced by the amount of disability benefits received. Members participating in the Member-Directed Plan are not eligible for disability benefits.

NOTE 5: **DEFINED BENEFIT PENSION PLANS — OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM** (continued)

Survivor Benefits – Dependents of deceased members who participated in either the Traditional Pension Plan or the Combined Plan may quality for survivor benefits if the deceased employee had at least one and a half years of service credit with the plan, and at least one quarter year of credit within the two and one-half years prior to the date of death. Ohio Revised Code Chapter 145 specifies the dependents and the conditions under which they quality for survivor benefits. Other Benefits – Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit. Members retiring under the Combined Plan receive a 3% cost-of-living adjustment on the defined benefit portion of their benefit. A death benefit of $500-$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional Pension Plan and Combed Plan. Death benefits are not available to beneficiaries of Member-Direct Plan participants.

Money Purchase Annuity - Age-and-service retirees who become re-employed in an OPERS-covered position must contribute the regular contribution rates, which are applied towards a money purchase annuity. The money purchase annuity calculation is based on the accumulated contributions of the retiree for the period of re-employment, and an amount of the employer contributions determined by the Board of Trustees. Upon termination of service, members over the age of 65 can elect to receive a lump-sum payout or a monthly annuity. Members under age 65 may leave the funds on deposit with OPERS to receive an annuity benefit at age 65, or may elect to receive a refund of their employee contributions made during the period of reemployment, plus interest.

Refunds – Members who have terminated service in OPERS-covered employment may file an application for refund of their account. The Ohio Revised Code requires a three-month waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's rights and benefits in OPERS.

Refunds processed for the Traditional Pension Plan members include the member's accumulated contributions, interest and any qualifying employer funds. A Combined Plan member's refund may consist of member contributions for the purchase of service plus interest, qualifying employer funds, and the value of their account in the defined contribution plan consisting of member contributions adjusted by the gains or losses incurred based on their investment selections. Refunds paid to members in the Member-Direct Plan include member contributions and vested employer contributions adjusted by the gains or losses incurred based on their investment selections.

Contributions – The OPERS funding policy provides for periodic employee and employer contributions to all three plans (Traditional Pension, Combined and Member-Directed) at rates established by the Board of Trustees, subject to limits set in statute. The rates established for member and employer contributions were approved based upon the recommendations of the OPERS external actuary. All contribution rates were within the limits authorized by the Ohio Revised Code. Member and employer contribution rates, as a percent of covered payroll, were the same for each covered group across all three plans for the year ended December 31, 2017.

NOTE 5: **DEFINED BENEFIT PENSION PLANS — OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM** (continued)

Within the Traditional Pension Plan and Combined Plan, member and employer contributions (employer contributions only for the Combined Plan) and an actuarially determined rate of return are adequate to accumulate sufficient assets to pay defined benefits when due. Employee contributions within the Combined Plan are not used to fund the defined benefit retirement allowance. Employer contribution rates as a level percent of payroll dollars are determined using the entry age actuarial funding method. This formula determines the amount of contributions necessary to fund: (1) the current service cost, representing the estimated amount necessary to pay for defined benefits earned by the employees during the current service year; and (2) the prior service cost for service earned prior to the current year and subsequent benefit increases. These contributions represent the amount necessary to fund accrued liabilities for retirement allowances and survivor benefits over a period of time.

The employee and employer contribution rates are currently set at the maximums authorized by Ohio Revised Code of 10% and 14%, respectively. Based upon the recommendation of the OPERS external actuary, a portion of each employer's contributions to OPERS is set aside for the funding of post-employment health care coverage. The portion of Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 2.0% for fiscal year 2017. The employer contribution as a percent of covered payroll deposited to the VEBA for participants in the Combined Plan for fiscal year 2017 was 4.5%. The amount of contributions recognized by the OPERS from the Authority during calendar year 2017 was $204,530, which represented 100% of the Authority's required contribution.

Ohio Revised Code Chapter 145 assigned authority to the Board of Trustees to amend the funding policy. As of December 31, 2017, the Board of Trustees adopted the contribution rates that were recommended by the external actuary. The contribution rates were included in a new funding policy adopted by the Board of Trustees in October 2013, and are certified biennially by the Board of Trustees as required by the Ohio Revised Code.

As of December 31, 2017, the date of the last actuarial study, the funding period for all defined benefits of the OPERS was 21 years.

**Net Pension Liability**

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

Traditional Plan:

| | |
|---|---|
| Proportionate Share of the Net Pension Liability | $2,241,309 |
| Proportion of the Net Pension Liability | 0.0098700% |
| Pension Expense | $ 475,835 |

NOTE 5: **DEFINED BENEFIT PENSION PLANS — OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM** (continued)

**Net Pension Liability** (continued)

Combined Plan:

| | |
|---|---|
| Proportionate Share of the Net Pension Liability | $ (35) |
| Proportion of the Net Pension Liability | 0.0000620% |
| Pension Expense | $ 25 |

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the 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 was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requires of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below:

| Actuarial Information | Traditional Pension Plan | Combined Plan |
|---|---|---|
| Valuation Date | December 31, 2016 | December 31, 2016 |
| Experience Study | 5 Year Period Ending December 31, 2015 | 5 Year Period Ending December 31, 2015 |
| Actuarial Cost Method | Individual entry age | Individual entry age |
| Actuarial Assumptions: | | |
| Investment Rate of Return | 7.50% | 7.50% |
| Wage Inflation | 3.25% | 3.25% |
| Projected Salary Increases | 3.25-10.75% (includes wage inflation at 3.25%) | 3.25–8.25% (includes wage inflation at 3.25%) |
| Cost-of-living Adjustments | Pre 1/7/2013 Retireees: 3.00% Simple<br>Post 1/7/2013 Retireees: 3.00% Simple through 2018, then 2.15% Simple | Pre 1/7/2013 Retireees: 3.00% Simple<br>Post 1/7/2013 Retireees: 3.00% Simple through 2018, then 2.15% Simple |

NOTE 5: **DEFINED BENEFIT PENSION PLANS — OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM** (continued)

**Actuarial Methods and Assumptions** (continued)

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

The discount rate used to measure the total pension liability was 7.5%, post-experience study results, for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. 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 benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate - The following table presents the net pension liability calculated using the discount rate of 7.5% and the expected net pension liability if it were calculated using a discount rate that is 1.0% lower or higher than the current rate.

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| Authority's proportionate share of the net pension liability/(assets) | | | |
| Traditional Plan | $ 3,424,100 | $ 2,241,309 | $ 1,255,661 |
| Contribution Plan | $ 2 | $ (35) | $ (63) |

NOTE 5: **DEFINED BENEFIT PENSION PLANS — OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM** (continued)

**Actuarial Methods and Assumptions** (continued)

The allocation of investment assets within 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 following table displays the Board of Trustees approved asset allocation policy for 2016 and the long-term expected real rates of return.

| Asset Class | Allocation | Real Rate of Return |
|---|---|---|
| Fixed Income | 23.00% | 2.75% |
| Domestic Equities | 20.70% | 6.34% |
| Real Estate | 10.00% | 4.75% |
| Private Equity | 10.00% | 8.97% |
| International Equities | 18.30% | 7.95% |
| Other Investments | 18.00% | 4.92% |
| Total | 100.00% | 35.68% |

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 are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan, and the VEBA 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 money-weighted rate of return, net of investment expense, for the Defined Benefit portfolio was .4% for 2016.

**Average Remaining Service Life**

GASB 68 requires that changes arising from differences between expected and actual experience or from changes in actuarial assumptions be recognized in pension expense over the average remaining service life of all employees provided with benefits through the pension plan (active and inactive). This is to consider these differences on a pooled basis, rather than an individual basis, to reflect the expected remaining service life of the entire pool of employees with the understanding that inactive employees have no remaining service period. As of December 31, 2016, the average of the expected remaining service lives of all employees calculated by our external actuaries for the Traditional Pension Plan was 3.1673 years and for the Combined Plan was 9.4080 years.

NOTE 5: **DEFINED BENEFIT PENSION PLANS — OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM** (continued)

**Deferred Inflows and Deferred Outflows**

The deferred inflows and outflows reported in the Statement of Net Position do not include the layer of amortization that is recognized in current year pension expense and represents the balances of deferred amounts as of December 31, 2017. The table below discloses the original amounts of the deferred inflows and outflows, calculated by OPERS external actuaries, and the current year amortization on those amounts included in pension expense as of and for the year ended December 31, 2016.

At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Traditional Plan:

| | |
|---|---|
| **Deferred Outflows of Resources** | |
| Net difference between projected and actual earnings on pension plan investments | $512,096 |
| Authority contributions subsequent to the measurement Date | 180,207 |
| Total Deferred Outflows of Resources | $ 692,303 |
| | |
| **Deferred Inflows of Resources** | |
| Differences between expected and actual experience | $ 13,339 |

Combined Plan:

| | |
|---|---|
| **Deferred Outflows of Resources** | |
| Net difference between projected and actual earnings on pension plan investments | $ 103 |
| Authority contributions subsequent to the measurement Date | (86) |
| Total Deferred Outflows of Resources | $ 17 |
| | |
| **Deferred Inflows of Resources** | |
| Differences between expected and actual experience | $ 18 |

$180,224 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Calendar Year Ending December 31 | Traditional Pension Plan Net Deferred Outflows of Resources | Combined Plan Net Deferred Inflows of Resources |
|---|---|---|
| 2018 | $ (290,045) | $ (2) |
| 2019 | (118,653) | (1) |
| 2020 | 9,784 | 2 |
| 2021 | | 1 |
| Thereafter | - | 2 |
| Total | $( 398,914) | $ 2 |

NOTE 6: **OTHER POST-EMPLOYMENT BENEFITS**

**Plan Description**

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

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health are plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2017. Please see the Plan Statement in the OPERS 2017 CAFR for details.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS(7377).

NOTE 6: **OTHER POST-EMPLOYMENT BENEFITS** (continued)

**Funding Policy**

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In fiscal year 2017, the Authority contributed at a rate of 14 percent of earnable salary. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14 percent of covered payroll. Active member contributions do not fund the OPEB Plan.

OPERS' Post-employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2017. Effective January 1, 2017, the portion of employer contributions allocated to healthcare remains at 2.0% for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

In calendar year 2017, the Authority's contributions to OPERS totaled $204,530. Of this amount, $65,742 was allocated to the health care plan. The portion of the Authority's fiscal year 2016 and 2015 contributions that were allocated to the health care plan were $60,743 and $60,203 respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2017. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

NOTE 7: **COMPENSATED ABSENCES**

Vacation and sick leave policies are established by the Board of Directors based on local and state laws.

All full-time employees earn 5.0 hours sick leave per pay period. Unused sick leave may be accumulated up to a total of 130 hours per year. There is no maximum on the total accumulation of sick time hours; however, only employees with 10 years or more of service will be paid for accumulated sick leave upon voluntary separation, up to a maximum of 25 percent of accumulated sick leave hours, not to exceed payment for 240 hours.

All full-time non contract employees will earn vacation hours accumulated based on length of service. All vacation time accumulated will be paid upon separation.

At December 31, 2017, based on the vesting method, $133,982 was accrued by the Authority for unused vacation and sick time.

## NOTE 8: INSURANCE

The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public officials liability and other crime liabilities through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance risk pool comprised of thirty-nine (39) Ohio housing authorities, of which Portage is one. Deductibles and coverage limits are summarized below:

| Type of Coverage | Deductible | Coverage Limits |
|---|---|---|
| Property | $ 1,500 | $ 53,778,200 (per occurrence) |
| Boiler and Machinery | 1,000 | 50,000,000 |
| General Liability | 0 | 6,000,000 |
| Automobile Physical Damage/Liability | 500/0 | ACV/6,000,000 |
| Public Officials | 0 | 6,000,000 |

Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively. The Authority is also fully insured through a premium payment plan with SummaCare for employee health care benefits. Settled claims have not exceeded the Authority's insurance in any of the past three years.

## NOTE 9: CONTINGENCIES AND OTHER COMMITMENTS

### Litigation and Claims

In the normal course of operations, the Authority may be subject to litigation and claims. At December 31, 2017, the Authority was involved in no matters which management believes would have a material effect on the financial statements. In addition, the Authority had no material operating lease commitments or construction commitments at December 31, 2017.

## NOTE 10: RESTRICTED NET POSITION

Portage Metropolitan Housing Authority reported Restricted Net Position from the sale of Public Housing property in the amount of $201,412; $111,916 for MTW unspent HAP and $48,477 for Housing Choice Voucher as of December 31, 2017.

## NOTE 11: LONG-TERM LIABILITIES

The following is a summary of long-term liabilities at December 31, 2017:

| | Balance at 01/01/17 | Additions | Deletions | Balance at 12/31/17 | Due Within One Year |
|---|---|---|---|---|---|
| Compensated Absences | $ 127,092 | $ 24,041 | $(17,151) | $ 133,982 | $105,827 |
| Net Pension Liability | $1,752,063 | $489,211 | $ 0 | $2,241,274 | $ 0 |
| Total | $1,879,155 | $513,252 | $(17,151) | $2,375,256 | $105,827 |

See Note 5 for information on the Authority's net pension liability.

NOTE 12 **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal financial assistance programs of the Portage Metropolitan Housing Authority (the Authority) for the year ended December 31, 2017. The Authority's reporting entity is defined in Note 1 to the Authority's financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 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.

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

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

NOTE 13 **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 May 4, 2018, the date on which the financial statements were available to be issued.

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2017

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

| Line item | Account Description | Public Housing | Resident Opportunity & Supportive Services | Housing Choice Voucher | Supportive Housing for Persons with Disabilities |
|---|---|---|---|---|---|
| 111 | Cash - Unrestricted | $ 286,161 | | | $ 51,837 |
| 112 | Cash - Restricted | 201,412 | | $ 48,477 | |
| 114 | Cash - Tenant Security Deposits | 68,653 | | | |
| 100 | Total Cash | 556,226 | - | 48,477 | 51,837 |
| | | | | | |
| 122 | Acct. Rec. - HUD | | | 8,017 | |
| 125 | Acct. Rec. - Misc. | | | | 827 |
| 126 | Acct. Rec. - Tenants | 9,001 | | | 390 |
| 126.1 | Allowance Doubtful Accts. - Tenants | (1,146) | | | (260) |
| 126.2 | Allowance Doubtful Accts. - Other | - | | | (827) |
| 127 | Notes, Loans, & Mortgages Rec. - Current | 2,035 | | | |
| 128 | Fraud Recovery | 6,368 | | | 4,015 |
| 128.1 | Allowance Doubtful Accts. | (6,368) | | | (4,015) |
| 129 | Accrued Interest Receivable | 2,078 | | | |
| 120 | Net Total Receivables | 11,968 | - | 8,017 | 130 |
| | | | | | |
| 142 | Prepaid Expenses | 53,244 | | 1,183 | 1,142 |
| 143 | Inventories | 51,820 | | | |
| 143.1 | Allowance for Obsolete Inventories | (2,000) | | | |
| **150** | **Total Current Assets** | 671,258 | - | 57,677 | 53,109 |
| | | | | | |
| 161 | Land | 1,413,461 | | | |
| 162 | Buildings | 20,175,432 | | | |
| 164 | Furniture, Equip. & Mach. - Admin. | 342,358 | | | |
| 166 | Accumulated Depreciation | (16,684,198) | | | |
| 160 | Net Fixed Assets | 5,247,053 | - | - | - |
| | | | | | |
| 200 | Deferred Outflow of Resources | 216,994 | | 7,210 | 9,583 |
| | | | | | |
| **190** | **TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES** | **$ 6,135,305** | **$ -** | **$ 64,887** | **$ 62,692** |

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2017

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

| Line item | Account Description | Public Housing | Resident Opportunity & Supportive Services | Housing Choice Voucher | Supportive Housing for Persons with Disabilities |
|---|---|---|---|---|---|
| 312 | A/P <= 90 days | $ 20,341 | | $ 321 | $ 345 |
| 321 | Accrued Wage/Taxes Payable | 16,824 | | 563 | 796 |
| 322 | Accrued Compensated Absences - Current Portion | 34,900 | | 1,813 | 2,585 |
| 331 | Accounts Payable - HUD PHA | | | 19,422 | 23,283 |
| 333 | Accounts Payable - Other Government | 36,031 | | | |
| 341 | Tenant Security Deposits | 68,653 | | | |
| 342 | Unearned Revenue | 4,458 | | | |
| 345 | Other Current Liabilities | 45,840 | | 44 | 42 |
| 357 | Accrued Pension | 687,276 | | 12,391 | 29,923 |
| 310 | Total Current Liabilities | 914,323 | - | 34,554 | 56,974 |
| 353 | Non-current Liabilities - Other | | | | |
| 354 | Accrued Comp. Abs. - Noncurrent | 8,151 | | 416 | 881 |
| | TOTAL Liabilities | 922,474 | - | 34,970 | 57,855 |
| 400 | Deferred Inflow of Resources | 2,882 | | | 252 |
| 508.1 | Invested in Capital Assets Net | 5,247,053 | | | |
| 511.1 | Restricted Net Position | 201,412 | | 56,077 | |
| 512.1 | Unrestricted Net Position | (238,516) | | (26,160) | 4,585 |
| 513 | TOTAL Equity/Net Position | 5,209,949 | - | 29,917 | 4,585 |
| **600** | **TOTAL LIAB., DEFERRED INFLOWS OF RESOURCES AND EQUITY** | **$ 6,135,305** | **$ -** | **$ 64,887** | **$ 62,692** |

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2017

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

| Line item | Account Description | Moving to Work Demonstration Program | Shelter Plus Care | State & Local | Business Activities |
|---|---|---|---|---|---|
| 111 | Cash - Unrestricted | $ 1,705,240 | $ - | $ 373,525 | $ 745,478 |
| 112 | Cash - Restricted | 140,086 | | | |
| 114 | Cash - Tenant Security Deposits | | | | 1,148 |
| 100 | Total Cash | 1,845,326 | - | 373,525 | 746,626 |
| 122 | Acct. Rec. - HUD | | | | |
| 125 | Acct. Rec. - Misc. | 80,535 | 2,476 | | |
| 126 | Acct. Rec. - Tenants | 37,725 | 1,339 | 8,954 | 1,051 |
| 126.1 | Allowance Doubtful Accts. - Tenants | (25,963) | (1,339) | | |
| 126.2 | Allowance Doubtful Accts. - Other | (57,607) | (1,991) | | |
| 127 | Notes, Loans, & Mortgages Rec. - Current | | - | | |
| 128 | Fraud Recovery | 87,989 | 2,172 | | |
| 128.1 | Allowance Doubtful Accts. | (87,938) | (2,172) | | |
| 129 | Accrued Interest Receivable | 2,215 | | 1,569 | 2,998 |
| 120 | Net Total Receivables | 36,956 | 485 | 10,523 | 4,049 |
| 142 | Prepaid Expenses | 87,109 | 1,860 | 3,057 | 6,024 |
| 143 | Inventories | | | 57 | |
| 143.1 | Allowance for Obsolete Inventories | | | | |
| **150** | **Total Current Assets** | 1,969,391 | 2,345 | 387,162 | 756,699 |
| 161 | Land | | | 100,713 | 19,187 |
| 162 | Buildings | 272,590 | | 177,795 | 1,078,780 |
| 164 | Furniture, Equip. & Mach. - Admin. | 56,790 | | | |
| 166 | Accumulated Depreciation | (117,173) | | (144,750) | (952,161) |
| 160 | Net Fixed Assets | 212,207 | - | 133,758 | 145,806 |
| 200 | Deferred Outflow of Resources | 286,377 | 8,773 | 17,434 | 18,587 |
| **190** | **TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES** | **$ 2,467,975** | **$ 11,118** | **$ 538,354** | **$ 921,092** |

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2017

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

| Line item | Account Description | Moving to Work Demonstration Program | Shelter Plus Care | State & Local | Business Activities |
|---|---|---|---|---|---|
| 312 | A/P <= 90 days | $ 18,532 | $ 752 | $ 8,589 | $ 1,508 |
| 321 | Accrued Wage/Taxes Payable | 47,347 | 669 | 1,274 | 1,156 |
| 322 | Accrued Compensated Absences - Current Portion | 41,277 | 2,185 | 3,001 | 2,226 |
| 331 | Accounts Payable - HUD PHA | | | | |
| | Accounts Payable - Other Government | | | | |
| 341 | Tenant Security Deposits | | | | 1,148 |
| 342 | Unearned Revenue | 2,105 | | | |
| 345 | Other Current Liabilities | 1,664 | 69 | 374 | 4,546 |
| 357 | Accrued Pension | 933,675 | 25,345 | 63,464 | 53,600 |
| 310 | Total Current Liabilities | 1,044,600 | 29,020 | 76,702 | 64,184 |
| 353 | Non-current Liabilities - Other | 28,170 | | | |
| 354 | Accrued Comp. Abs. - Noncurrent | 12,570 | 727 | 238 | 608 |
| | TOTAL Liabilities | 1,085,340 | 29,747 | 76,940 | 64,792 |
| 400 | Deferred Inflow of Resources | 4,635 | | 432 | 695 |
| 508.1 | Invested in Capital Assets Net | 212,207 | | 133,758 | 145,806 |
| 511.1 | Restricted Net Position | 111,916 | | | |
| 512.1 | Unrestricted Net Position | 1,053,877 | (18,629) | 327,224 | 709,799 |
| 513 | TOTAL Equity/Net Position | 1,378,000 | (18,629) | 460,982 | 855,605 |
| **600** | **TOTAL LIAB., DEFERRED INFLOWS OF RESOURCES AND EQUITY** | **$ 2,467,975** | **$ 11,118** | **$ 538,354** | **$ 921,092** |

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2017

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

| Line item | Account Description | Section 8 Moderate | COCC | Subtotal |
|---|---|---|---|---|
| 111 | Cash - Unrestricted | $ 347,653 | 10,592 | $ 3,520,486 |
| 112 | Cash - Restricted | | | 389,975 |
| 114 | Cash - Tenant Security Deposits | | | 69,801 |
| 100 | Total Cash | 347,653 | 10,592 | 3,980,262 |
| 122 | Acct. Rec. - HUD | 8,169 | | 16,186 |
| 125 | Acct. Rec. - Misc. | 3,102 | | 86,940 |
| 126 | Acct. Rec. - Tenants | 872 | | 59,332 |
| 126.1 | Allowance Doubtful Accts. - Tenants | (611) | | (29,319) |
| 126.2 | Allowance Doubtful Accts. - Other | (3,102) | | (63,527) |
| 127 | Notes, Loans, & Mortgages Rec. - Current | | | 2,035 |
| 128 | Fraud Recovery | 1,780 | | 102,324 |
| 128.1 | Allowance Doubtful Accts. | (1,780) | | (102,273) |
| 129 | Accrued Interest Receivable | | | 8,860 |
| 120 | Net Total Receivables | 8,430 | - | 80,558 |
| 142 | Prepaid Expenses | 4,970 | 10,073 | 168,662 |
| 143 | Inventories | | 10,488 | 62,365 |
| 143.1 | Allowance for Obsolete Inventories | | | (2,000) |
| **150** | **Total Current Assets** | 361,053 | 31,153 | 4,289,847 |
| 161 | Land | 46,354 | 89,900 | 1,669,615 |
| 162 | Buildings | | 406,428 | 22,111,025 |
| 164 | Furniture, Equip. & Mach. - Admin. | 146,910 | | 546,058 |
| 166 | Accumulated Depreciation | (30,741) | (279,221) | (18,208,244) |
| 160 | Net Fixed Assets | 162,523 | 217,107 | 6,118,454 |
| 200 | Deferred Outflow of Resources | 28,103 | 99,259 | 692,320 |
| **190** | **TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES** | **$ 551,679** | **$ 347,519** | **$ 11,100,621** |

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2017

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

| Line item | Account Description | Section 8 Moderate | COCC | Subtotal |
|---|---|---|---|---|
| 312 | A/P <= 90 days | $ 2,882 | $ 4,759 | $ 58,029 |
| 321 | Accrued Wage/Taxes Payable | 1,396 | 6,270 | 76,295 |
| 322 | Accrued Compensated Absences - Current Portion | 3,661 | 14,179 | 105,827 |
| 331 | Accounts Payable - HUD PHA | 8,844 | | 51,549 |
| 333 | Accounts Payable - Other Government | | | 36,031 |
| 341 | Tenant Security Deposits | | | 69,801 |
| 342 | Unearned Revenue | | | 6,563 |
| 345 | Other Current Liabilities | 184 | 311 | 53,074 |
| 357 | Accrued Pension | 98,395 | 337,205 | 2,241,274 |
| 310 | Total Current Liabilities | 115,362 | 362,724 | 2,698,443 |
| 353 | Non-current Liabilities - Other | | | 28,170 |
| 354 | Accrued Comp. Abs. - Noncurrent | 1,756 | 2,808 | 28,155 |
| | TOTAL Liabilities | 117,118 | 365,532 | 2,754,768 |
| 400 | Deferred Inflow of Resources | 445 | 4,016 | 13,357 |
| 508.1 | Invested in Capital Assets Net | 162,523 | 217,107 | 6,118,454 |
| 511.1 | Restricted Net Position | | | 369,405 |
| 512.1 | Unrestricted Net Position | 271,593 | (239,136) | 1,844,637 |
| 513 | TOTAL Equity/Net Position | 434,116 | (22,029) | 8,332,496 |
| **600** | **TOTAL LIAB., DEFERRED INFLOWS OF RESOURCES AND EQUITY** | **$ 551,679** | **$ 347,519** | **$ 11,100,621** |

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2017

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

| Line item | Account Description | Elimination | Total |
|---|---|---|---|
| 111 | Cash - Unrestricted | $ - | $ 3,520,486 |
| 112 | Cash - Restricted | | 389,975 |
| 114 | Cash - Tenant Security Deposits | | 69,801 |
| 100 | Total Cash | - | 3,980,262 |
| 122 | Acct. Rec. - HUD | | 16,186 |
| 125 | Acct. Rec. - Misc. | | 86,940 |
| 126 | Acct. Rec. – Tenants | | 59,332 |
| 126.1 | Allowance Doubtful Accts. – Tenants | | (29,319) |
| 126.2 | Allowance Doubtful Accts. – Other | | (63,527) |
| 127 | Notes, Loans, & Mortgages Rec. – Current | | 2,035 |
| 128 | Fraud Recovery | | 102,324 |
| 128.1 | Allowance Doubtful Accts. | | (102,273) |
| 129 | Accrued Interest Receivable | | 8,860 |
| 120 | Net Total Receivables | | 80,558 |
| 142 | Prepaid Expenses | | 168,662 |
| 143 | Inventories | | 62,365 |
| 143.1 | Allowance for Obsolete Inventories | | (2,000) |
| **150** | **Total Current Assets** | - | 4,289,847 |
| 161 | Land | | 1,669,615 |
| 162 | Buildings | | 22,111,025 |
| 164 | Furniture, Equip. & Mach. - Admin. | | 546,058 |
| 166 | Accumulated Depreciation | | (18,208,244) |
| 160 | Net Fixed Assets | - | 6,118,454 |
| 200 | Deferred Outflow of Resources | | 692,320 |
| **190** | **TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES** | **$ -** | $ 11,100,621 |

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2017

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

| Line item | Account Description | Elimination | |
|---|---|---|---|
| 312 | A/P <= 90 days | $ - | $ 58,029 |
| 321 | Accrued Wage/Taxes Payable | | 76,295 |
| 322 | Accrued Compensated Absences - Current Portion | | 105,827 |
| 331 | Accounts Payable - HUD PHA | | 51,549 |
| 333 | Accounts Payable - Other Government | | 36,031 |
| 341 | Tenant Security Deposits | | 69,801 |
| 342 | Unearned Revenue | | 6,563 |
| 345 | Other Current Liabilities | | 53,074 |
| 357 | Accrued Pension | | 2,241,274 |
| 310 | Total Current Liabilities | - | 2,698,443 |
| 353 | Non-current Liabilities - Other | | 28,170 |
| 354 | Accrued Comp. Abs. - Noncurrent | | 28,155 |
| | TOTAL Liabilities | - | 2,754,768 |
| 400 | Deferred Inflow of Resources | | 13,357 |
| 508.1 | Invested in Capital Assets Net | | 6,118,454 |
| 511.1 | Restricted Net Position | | 369,405 |
| 512.1 | Unrestricted Net Position | | 1,844,637 |
| 513 | TOTAL Equity/Net Position | - | 8,332,496 |
| **600** | **TOTAL LIAB., DEFERRED INFLOWS OF RESOURCES AND EQUITY** | **$ -** | $ 11,100,621 |

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2017

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

| Line item | Account Description | Public Housing | Resident Opportunity & Supportive Services | Housing Choice Voucher | Supportive Housing for Persons with Disabilities |
|---|---|---|---|---|---|
| 703 | Net Tenant Rental Revenue | $ 651,241 | $ - | $ - | $ - |
| 704 | Tenant Revenue - Other | 50,741 | | | |
| 705 | Total Tenant Revenue | 701,982 | - | - | - |
| 706 | HUD PHA Operating Grants | | 124,379 | 169,739 | 392,981 |
| 706.1 | Capital Grants | | | | |
| 707.1 | Management Fee | | | | |
| 707.2 | Asset Management Fee | | | | |
| 707.3 | Bookkeeping Fee | | | | |
| 708 | Other Government Grants | | | | |
| 711 | Investment Income - Unrestricted | 3,756 | | | |
| 713 | Proceeds from Disposition of Assets Held for Sale | 27,172 | | | |
| 714 | Fraud Recovery | 16,386 | | | 4,427 |
| 715 | Other Revenue | 16,908 | | 25 | |
| 716 | Gain or Loss on Sale of Capital Assets | 4,219 | | | |
| 720 | Investment Income - Rrestricted | 1,594 | | | |
| 700 | TOTAL REVENUE | 772,017 | 124,379 | 169,764 | 397,408 |
| 911 | Admin Salaries | 346,408 | 63,309 | 16,511 | 23,617 |
| 912 | Audit | 4,560 | | 153 | 152 |
| 913 | Management Fee | 184,906 | | | |
| 913.1 | Bookkeeping Fee | 26,580 | | | |
| 914 | Advertising and Marketing | 3,744 | | 36 | 35 |
| 915 | Employee Benefits | 223,308 | 11,065 | 11,743 | 12,822 |
| 916 | Office Expenses | 23,067 | 214 | 1,724 | 2,081 |
| 917 | Legal Expense | 15,812 | | 739 | 714 |
| 918 | Travel | 7,652 | | 179 | 177 |
| 919 | Other | 1,339 | | 22 | 21 |
| | Total Operating - Admin. | 837,376 | 74,588 | 31,107 | 39,619 |
| 920 | Asset Management Fee | 36,360 | | | |
| 921 | Tenant Services - Salaries | | 24,899 | | |
| 922 | Relocation Costs | 164 | | | |
| 923 | Employee Benefit Contributions - Tenant Services | | 12,944 | | |
| 924 | Tenant Services - Other | 9,103 | 11,204 | | |
| 925 | Total Tenant Services | 9,267 | 49,047 | - | - |
| 931 | Water | 80,717 | | | |
| 932 | Electricity | 95,208 | | 218 | 210 |
| 933 | Gas | 15,332 | | 66 | 69 |
| 936 | Sewer | 106,428 | | | |
| 930 | Total Utilities | 297,685 | - | 284 | 279 |

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2017

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

| Line item | Account Description | Public Housing | Resident Opportunity & Supportive Services | Housing Choice Voucher | Supportive Housing for Persons with Disabilities |
|---|---|---|---|---|---|
| 941 | Ordinary Maint. & Operations - Labor | $ 175,735 | | | |
| 942 | Ordinary Maint. & Operations - Materials & Other | 161,085 | | 193 | 193 |
| 943 | Ordinary Maint. & Operations - Contracts | 273,666 | | 2,619 | 2,922 |
| 945 | Employee Benefits Contributions - Ordinary Maint. | 182,619 | | 1 | 1 |
| 940 | Total Maintenance | 793,105 | - | 2,813 | 3,116 |
| 961.1 | Property Insurance | 61,308 | | 227 | 350 |
| 961.3 | Workmen's Compensation | 12,234 | 744 | 443 | 425 |
| 961.4 | All Other Insurance | 1,888 | | 10 | 10 |
| 961 | Total Insurance | 75,430 | 744 | 680 | 785 |
| 962 | Other General Expenses | 87,296 | | | |
| 962.1 | Compensated Absences | (2,155) | | 1,398 | 2,190 |
| 963 | Payments in Lieu of Taxes | 37,117 | | 3 | 3 |
| 964 | Bad Debt - Tenant Rents | 7,010 | | | 108 |
| 966 | Bad Debt - Other | - | | - | |
| 960 | Total Other General Expenses | 129,268 | - | 1,401 | 2,301 |
| | TOTAL OPERATING EXPENSES | 2,178,491 | 124,379 | 36,285 | 46,100 |
| 970 | Excess Operating Revenue over Expenses | (1,406,474) | - | 133,479 | 351,308 |
| 973 | Housing Assistance Payments | | | 157,955 | 348,337 |
| 974 | Depreciation Expense | 470,961 | | | |
| 900 | TOTAL EXPENSES | 2,649,452 | 124,379 | 194,240 | 394,437 |
| 1001 | Operating Transfer In | 2,175 | | | |
| 1002 | Operating Transfer Out | (2,175) | | | |
| 10093 | Transfers between Program and Project-In | 1,338,129 | | | |
| 10094 | Transfers between Program and Project-Out | | | | |
| 1010 | Total Other Financing Sources (Uses) | 1,338,129 | - | - | - |
| 1000 | Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | $ (539,306) | $ - | $ (24,476) | $ 2,971 |

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2017

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

| Line item | Account Description | Moving to Work Demonstration Program | Shelter Plus Care | State & Local | Business Activities |
|---|---|---|---|---|---|
| 703 | Net Tenant Rental Revenue | | | | $ 122,164 |
| 704 | Tenant Revenue - Other | $ 30 | | | 7,269 |
| 705 | Total Tenant Revenue | 30 | - | - | 129,433 |
| 706 | HUD PHA Operating Grants | | 366,414 | | |
| 706.1 | Capital Grants | | | | |
| 707.1 | Management Fee | | | | |
| 707.2 | Asset Management Fee | | | | |
| 707.3 | Bookkeeping Fee | | | | |
| 708 | Other Government Grants | | | 5,000 | |
| 711 | Investment Income - Unrestricted | 6,201 | | 2,973 | 5,712 |
| 713 | Proceeds from Disposition of Assets Held for Sale | | | | |
| 714 | Fraud Recovery | 125,924 | 3,215 | - | - |
| 715 | Other Revenue | 19,749 | | 138,160 | 43,732 |
| 716 | Gain or Loss on Sale of Capital Assets | | | | |
| 720 | Investment Income - Restricted | | | | |
| 700 | TOTAL REVENUE | 151,904 | 369,629 | 146,133 | 178,877 |
| 911 | Admin Salaries | 643,049 | 10,251 | 48,790 | 25,424 |
| 912 | Audit | 6,081 | 252 | 367 | 164 |
| 913 | Management Fee | | | | |
| 913.1 | Bookkeeping Fee | | | | |
| 914 | Advertising and Marketing | 1,776 | 54 | 222 | 39 |
| 915 | Employee Benefits | 437,573 | 11,286 | 28,860 | 11,533 |
| 916 | Office Expenses | 77,132 | 1,934 | 4,665 | 1,703 |
| 917 | Legal Expense | 31,180 | 489 | 39,462 | 997 |
| 918 | Travel | 8,463 | 289 | 4,312 | 172 |
| 919 | Other | 845 | 35 | 7,934 | - |
| | Total Operating - Admin. | 1,206,099 | 24,590 | 134,612 | 40,032 |
| 920 | Asset Management Fee | | | | |
| 921 | Tenant Services – Salaries | | | 1,144 | |
| 922 | Relocation Costs | | | 152 | |
| 923 | Employee Benefit Contributions - Tenant Services | | | 150 | |
| 924 | Tenant Services – Other | | | 3,118 | |
| 925 | Total Tenant Services | - | - | 4,564 | - |
| 931 | Water | | | | 5,816 |
| 932 | Electricity | 8,279 | 342 | 494 | 10,158 |
| 933 | Gas | 2,452 | 93 | 145 | 8,211 |
| 936 | Sewer | | | | 10,510 |
| 930 | Total Utilities | 10,731 | 435 | 639 | 34,695 |

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2017

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

| Line item | Account Description | Moving to Work Demonstration Program | Shelter Plus Care | State & Local | Business Activities |
|---|---|---|---|---|---|
| 941 | Ordinary Maint. & Operations - Labor | $ 3,758 | | $ 13,862 | $ 4,366 |
| 942 | Ordinary Maint. & Operations - Materials & Other | 9,898 | 293 | 16,778 | 11,511 |
| 943 | Ordinary Maint. & Operations - Contracts | 98,262 | 1,627 | 43,539 | 53,751 |
| 945 | Employee Benefits Contributions - Ordinary Maint. | 2,118 | 1 | 16,051 | 7,808 |
| 940 | Total Maintenance | 114,036 | 1,921 | 90,230 | 77,436 |
| 961.1 | Property Insurance | 9,025 | 264 | 1,470 | 5,693 |
| 961.3 | Workmen's Compensation | 13,818 | 689 | 1,051 | 448 |
| 961.4 | All Other Insurance | 414 | 17 | 24 | 2,329 |
| 961 | Total Insurance | 23,257 | 970 | 2,545 | 8,470 |
| 962 | Other General Expenses | | | | |
| 962.1 | Compensated Absences | (3,760) | 1,552 | (1,785) | 439 |
| 963 | Payments in Lieu of Taxes | 103 | 4 | 6 | 77 |
| 964 | Bad Debt - Tenant Rents | 54,018 | 2,171 | | 752 |
| 966 | Bad Debt - Other | 4,708 | 296 | | |
| 960 | Total Other General Expenses | 55,069 | 4,023 | (1,779) | 1,268 |
| | TOTAL OPERATING EXPENSES | 1,409,192 | 31,939 | 230,811 | 161,901 |
| 970 | Excess Operating Revenue over Expenses | (1,257,288) | 337,690 | (84,678) | 16,976 |
| 973 | Housing Assistance Payments | 8,379,730 | 344,067 | 7,550 | |
| 974 | Depreciation Expense | 14,436 | | 3,897 | 37,138 |
| 900 | TOTAL EXPENSES | 9,803,358 | 376,006 | 242,258 | 199,039 |
| 1001 | Operating Transfer In | | | | |
| 1002 | Operating Transfer Out | | | | |
| 10093 | Transfers between Program and Project-In | 10,825,180 | | | |
| 10094 | Transfers between Program and Project-Out | | | | |
| 1010 | Total Other Financing Sources (Uses) | 10,825,180 | - | - | - |
| 1000 | Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | $ 1,173,726 | $ (6,377) | $ (96,125) | $ (20,162) |

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2017

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

| Line item | Account Description | Section 8 Moderate | COCC | CFP Moving to Work Demonstration Program |
|---|---|---|---|---|
| 703 | Net Tenant Rental Revenue | | | |
| 704 | Tenant Revenue - Other | | | |
| 705 | Total Tenant Revenue | - | - | - |
| 706 | HUD PHA Operating Grants | 879,326 | | |
| 706.1 | Capital Grants | | | 492,343 |
| 707.1 | Management Fee | | $ 184,906 | |
| 707.2 | Asset Management Fee | | 36,360 | |
| 707.3 | Bookkeeping Fee | | 26,580 | |
| 708 | Other Government Grants | | | |
| 711 | Investment Income - Unrestricted | | | |
| 713 | Proceeds from Disposition of Assets Held for Sale | | | |
| 714 | Fraud Recovery | 270 | | |
| 715 | Other Revenue | | 3,191 | |
| 716 | Gain or Loss on Sale of Capital Assets | | | |
| 720 | Investment Income - Restricted | | | |
| 700 | TOTAL REVENUE | 879,596 | 251,037 | 492,343 |
| 911 | Admin Salaries | 75,377 | 116,383 | |
| 912 | Audit | 683 | 59 | |
| 913 | Management Fee | | | |
| 913.1 | Bookkeeping Fee | | | |
| 914 | Advertising and Marketing | 148 | 45 | |
| 915 | Employee Benefits | 49,077 | 92,015 | |
| 916 | Office Expenses | 6,627 | 15,751 | |
| 917 | Legal Expense | 3,100 | 3,210 | |
| 918 | Travel | 731 | 1,813 | |
| 919 | Other | 93 | 61 | |
| | Total Operating - Admin. | 135,836 | 229,337 | - |
| 920 | Asset Management Fee | | | |
| 921 | Tenant Services - Salaries | | | |
| 922 | Relocation Costs | | . | |
| 923 | Employee Benefit Contributions - Tenant Services | | | |
| 924 | Tenant Services - Other | | | |
| 925 | Total Tenant Services | - | - | - |
| 931 | Water | | | |
| 932 | Electricity | 914 | 1,547 | |
| 933 | Gas | 260 | 521 | |
| 936 | Sewer | | | |
| 930 | Total Utilities | 1,174 | 2,068 | - |

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2017

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

| Line item | Account Description | Section 8 Moderate | COCC | CFP Moving to Work Demonstration Program |
|---|---|---|---|---|
| 941 | Ordinary Maint. & Operations - Labor | | $ 1,688 | |
| 942 | Ordinary Maint. & Operations - Materials & Other | 797 | 3,984 | |
| 943 | Ordinary Maint. & Operations - Contracts | 11,131 | 21,274 | |
| 945 | Employee Benefits Contributions - Ordinary Maint. | 3 | 925 | |
| 940 | Total Maintenance | 11,931 | 27,871 | - |
| 961.1 | Property Insurance | 886 | 2,251 | |
| 961.3 | Workmen's Compensation | 1,848 | 3,130 | |
| 961.4 | All Other Insurance | 46 | 77 | |
| 961 | Total Insurance | 2,780 | 5,458 | - |
| 962 | Other General Expenses | 43 | | |
| 962.1 | Compensated Absences | 497 | 7,782 | |
| 963 | Payments in Lieu of Taxes | 11 | 25 | |
| 964 | Bad Debt - Tenant Rents | 266 | | |
| 966 | Bad Debt - Other | 30 | | |
| 960 | Total Other General Expenses | 847 | 7,807 | - |
| | TOTAL OPERATING EXPENSES | 152,568 | 272,541 | - |
| 970 | Excess Operating Revenue over Expenses | 727,028 | (21,504) | 492,343 |
| 973 | Housing Assistance Payments | 754,256 | | |
| 974 | Depreciation Expense | 21,470 | 16,935 | |
| 900 | TOTAL EXPENSES | 928,294 | 289,476 | - |
| 1001 | Operating Transfer In | | | |
| 1002 | Operating Transfer Out | | | |
| 10093 | Transfers between Program and Project-In | | | |
| 10094 | Transfers between Program and Project-Out | | | (492,343) |
| 1010 | Total Other Financing Sources (Uses) | - | - | (492,343) |
| 1000 | Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | $ (48,698) | $ (38,439) | $ - |

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2017

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

| Line item | Account Description | HVC Moving to Work Demonstration Program | Low Rent Moving to Work Demonstration Program | Subtotal | Elimination | Total |
|---|---|---|---|---|---|---|
| 703 | Net Tenant Rental Revenue | | | $ 773,405 | $ - | $ 773,405 |
| 704 | Tenant Revenue - Other | | | 58,040 | | 58,040 |
| 705 | Total Tenant Revenue | - | - | 831,445 | - | 831,445 |
| 706 | HUD PHA Operating Grants | $ 10,825,180 | $ 845,786 | 13,603,805 | | 13,603,805 |
| 706.1 | Capital Grants | | | 492,343 | | 492,343 |
| 707.1 | Management Fee | | | 184,906 | (184,906) | - |
| 707.2 | Asset Management Fee | | | 36,360 | (36,360) | - |
| 707.3 | Bookkeeping Fee | | | 26,580 | (26,580) | - |
| 708 | Other Government Grants | | | 5,000 | | 5,000 |
| 711 | Investment Income - Unrestricted | | | 18,642 | | 18,642 |
| 713 | Proceeds from Disposition of Assets Held for Sale | | | 27,172 | | 27,172 |
| 714 | Fraud Recovery | | | 150,222 | | 150,222 |
| 715 | Other Revenue | | | 221,765 | | 221,765 |
| 716 | Gain or Loss on Sale of Capital Assets | | | 4,219 | | 4,219 |
| 720 | Investment Income - Restricted | | | 1,594 | | 1,594 |
| 700 | TOTAL REVENUE | 10,825,180 | 845,786 | 15,604,053 | (247,846) | 15,356,207 |
| 911 | Admin Salaries | | | 1,369,119 | | 1,369,119 |
| 912 | Audit | | | 12,471 | | 12,471 |
| 913 | Management Fee | | | 184,906 | (184,906) | - |
| 913.1 | Bookkeeping Fee | | | 26,580 | (26,580) | - |
| 914 | Advertising and Marketing | | | 6,099 | | 6,099 |
| 915 | Employee Benefits | | | 889,282 | | 889,282 |
| 916 | Office Expenses | | | 134,898 | | 134,898 |
| 917 | Legal Expense | | | 95,703 | | 95,703 |
| 918 | Travel | | | 23,788 | | 23,788 |
| 919 | Other | | | 10,350 | | 10,350 |
| | Total Operating - Admin. | - | - | 2,753,196 | (211,486) | 2,541,710 |
| 920 | Asset Management Fee | | | 36,360 | (36,360) | - |
| 921 | Tenant Services - Salaries | | | 26,043 | | 26,043 |
| 922 | Relocation Costs | | | 316 | | 316 |
| 923 | Employee Benefit Contributions - Tenant Services | | | 13,094 | | 13,094 |
| 924 | Tenant Services - Other | | | 23,425 | | 23,425 |
| 925 | Total Tenant Services | - | - | 62,878 | | 62,878 |
| 931 | Water | | | 86,533 | | 86,533 |
| 932 | Electricity | | | 117,370 | | 117,370 |
| 933 | Gas | | | 27,149 | | 27,149 |
| 936 | Sewer | | | 116,938 | | 116,938 |
| 930 | Total Utilities | - | - | 347,990 | - | 347,990 |

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2017

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

| Line item | Account Description | HVC Moving to Work Demonstration Program | Low Rent Moving to Work Demonstration Program | Subtotal | Elimination | Total |
|---|---|---|---|---|---|---|
| 941 | Ordinary Maint. & Operations - Labor | | | $ 199,409 | | $ 199,409 |
| 942 | Ordinary Maint. & Operations - Materials & Other | | | 204,732 | | 204,732 |
| 943 | Ordinary Maint. & Operations - Contracts | | | 508,791 | | 508,790 |
| 945 | Employee Benefits Contributions - Ordinary Maint. | | | 209,527 | | 209,527 |
| 940 | Total Maintenance | - | - | 1,122,459 | - | 1,122,458 |
| 961.1 | Property Insurance | | | 81,474 | | 81,474 |
| 961.3 | Workmen's Compensation | | | 34,830 | | 34,830 |
| 961.4 | All Other Insurance | | | 4,815 | | 4,815 |
| 961 | Total Insurance | - | - | 121,119 | - | 121,119 |
| 962 | Other General Expenses | | | 87,339 | | 87,339 |
| 962.1 | Compensated Absences | | | 6,158 | | 6,158 |
| 963 | Payments in Lieu of Taxes | | | 37,349 | | 37,349 |
| 964 | Bad Debt - Tenant Rents | | | 64,325 | | 64,325 |
| 966 | Bad Debt – Other | | | 5,034 | | 5,034 |
| 960 | Total Other General Expenses | - | - | 200,205 | - | 200,205 |
| | TOTAL OPERATING EXPENSES | - | - | 4,644,207 | (247,846) | 4,397,731 |
| 970 | Excess Operating Revenue over Expenses | 10,825,180 | 845,786 | 10,959,846 | - | 10,959,846 |
| 973 | Housing Assistance Payments | | | 9,991,895 | | 9,991,895 |
| 974 | Depreciation Expense | | | 564,837 | | 564,837 |
| 900 | TOTAL EXPENSES | - | - | 15,200,939 | (247,846) | 14,954,463 |
| 1001 | Operating Transfer In | | | 2,175 | | 2,175 |
| 1002 | Operating Transfer Out | | | (2,175) | | (2,175) |
| 10093 | Transfers between Program and Project-In | | | 12,163,309 | | 12,163,309 |
| 10094 | Transfers between Program and Project-Out | (10,825,180) | (845,786) | (12,163,309) | | (12,163,309) |
| 1010 | Total Other Financing Sources (Uses) | (10,825,180) | (845,786) | - | - | $ - |
| 1000 | Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | $ - | $ - | $ 403,114 | $ - | $ 403,114 |

Portage Metropolitan Housing Authority
Additional Information Required by HUD
For the Year Ended December 31, 2017

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

| Line item | Account Description | Public Housing | Section 8 Moderate | Moving to Work Demonstration Program | Supportive Housing for Persons with Disabilities |
|---|---|---|---|---|---|
| 11190 | Unit Months Available | 3,636 | 1,848 | 18,504 | 900 |
| 11210 | Number of Unit Month Leased | 3,544 | 1,256 | 17,710 | 847 |

Portage Metropolitan Housing Authority
Additional Information Required by HUD
For the Year Ended December 31, 2017

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

| Line item | Account Description | Business Activities | Housing Choice Vouchers | Shelter Plus Care |
|---|---|---|---|---|
| 11190 | Unit Months Available | 324 | 480 | 600 |
| 11210 | Number of Unit Month Leased | 200 | 447 | 600 |

**PORTAGE METROPOLITAN HOUSING AUTHORITY**
**RAVENNA, OHIO**
**REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017 AND 2016**
**(UNAUDITED)**

| | 2016 | 2017 |
|---|---|---|
| **Traditional Plan:** | | |
| Authority's Proportion of the Net Pension Liability | 0.0101160% | 0.0098700% |
| Authority's Proportionate Share of the Net Pension Liability | $ 1,752,219 | $ 2,241,309 |
| Authority's Covered Employee Payroll | $ 1,341,768 | $ 1,424,289 |
| Authority's Proportionate Share of the Net Pension Liability as a percentage of its covered employee payroll | 130.59% | 157.36% |
| Plan Fiduciary Net Position as a percentage of the total Pension Liability | 81.08% | 77.25% |
| **Combined Plan:** | | |
| Authority's Proportion of the Net Pension Liability | 0.0003160% | 0.0000620% |
| Authority's Proportionate Share of the Net Pension Liability | $ (155) | $ (35) |
| Authority's Covered Employee Payroll | $ 8,075 | $ 36,640 |
| Authority's Proportionate Share of the Net Pension Liability as a percentage of its covered employee payroll | -1.92% | -0.10% |
| Plan Fiduciary Net Position as a percentage of the total Pension Liability | 116.90% | 116.55% |

# PORTAGE METROPOLITAN HOUSING AUTHORITY
# RAVENNA, OHIO
# REQUIRED SUPPLEMENTARY INFORMATION
# SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
# LAST TEN YEARS
# (UNAUDITED)

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required employer contribution | $ 204,530 | $188,978 | $ 187,299 | $ 167,984 | $ 162,896 | $ 167,569 | $ 163,108 | $ 165,020 | $ 165,512 | $ 154,963 |
| Contributions in relation to the contractually required contribution | $(204,530) | $(188,978) | $(187,299) | $(167,984) | $(162,896) | $(167,569) | $(163,108) | $ (165,020) | $ (165,512) | $(154,963) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Authority covered-employee payroll | $1,460,929 | $ 1,349,843 | $ 1,337,850 | $ 1,199,886 | $1,163,543 | $1,196,921 | $1,165,057 | $ 1,178,714 | $1,182,229 | $1,113,240 |
| Contribution as a percentage of covered-employee payroll | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 13.92% |

**Ohio Public Employees' Retirement System**

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017 and 2016.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2017 and 2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**PORTAGE METROPOLITAN HOUSING AUTHORITY**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED DECEMBER 31, 2017**

| FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE | Federal CFDA Number | Fund Expended |
|---|---|---|
| **U.S. Department of Housing and Urban Development** | | |
| Direct Programs: | | |
| Section 8 Programs: | | |
| Section 8 Project Based Cluster: | | |
| Moving to Work Demonstration Program | 14.881 | $12,163,309 |
| Annual Contribution – Mod. Rehab. | 14.856 | 879,326 |
| Supportive Housing for Persons with Disabilities | 14.181 | 392,981 |
| Annual Contribution – Housing Choice Voucher | 14.871 | 169,739 |
| Total Section 8 Program | | 13,605,355 |
| Resident Opportunity and Supportive Services | 14.870 | 124,379 |
| Shelter Plus Care | 14.238 | 366,414 |
| Total U.S. Department of Housing and Urban Development | | 14,096,148 |
| TOTAL ALL PROGRAMS | | $14,096,148 |

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

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Kevin L.
Penn, Inc.

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

Board of Trustees
Portage Metropolitan Housing Authority
Ravenna, Ohio 44266

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 Portage Metropolitan Housing Authority, Portage County, (the Authority) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued my report thereon dated May 4, 2018.

***Internal Control Over Financial Reporting***

As part of my financial statement audit, I considered the 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 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 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, I did not identify any deficiencies in internal control that I consider material weaknesses. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings that I consider a significant deficiency. I consider finding 2017-001 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, I 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 our tests disclosed no instances of noncompliance or other matters I must report under *Government Auditing Standards*.

I noted certain matters that I reported to management of Portage Metropolitan Housing Authority's in a separate letter dated May 4, 2018.

***Entity's Response to Findings***

The Authority's response to the finding identified in my audit is described in the accompanying Schedule of Findings. I did not audit the Authority's response and, accordingly, I express no opinion on it.

***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 Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Kevin L. Penn, Inc.

May 4, 2018

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**

Board of Trustees
Portage Metropolitan Housing Authority
Ravenna, Ohio 44266

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

I have audited Portage Metropolitan Housing Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Portage Metropolitan Housing Authority's major federal programs for the year ended December 31, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal programs.

***Management's Responsibility***

The Authority's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

My responsibility is to opine on the Authority's compliance for each of the Authority's major federal programs based on my audit of the applicable compliance requirements referred to above. My compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in 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). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

***Opinion on each Major Federal Program***

In my opinion, Portage Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2017.

***Report on Internal Control Over Compliance***

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, I considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, I have not opined on the effectiveness of the Authority's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, I cannot assure I have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I identified a certain deficiency in internal control over compliance that I consider to be a significant deficiency, described in the accompanying schedule of findings as item 2017-001.

The Authority's response to the internal control over compliance finding I identified is described in the accompanying schedule of findings and corrective action plan. I did not audit the Authority's response and, accordingly, I express no opinion on it.

This report only describes the scope of my tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Kevin L. Penn, Inc.

May 4, 2018

**Portage Metropolitan Housing Authority**
Schedule of Findings
December 31, 2017

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? | Yes |
| 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? | Yes |
| Type of auditor's report issued on compliance for major program: | Unmodified |
| Are there any reportable findings under 2 CFR Section 200.516(a)? | Yes |
| Identification of major programs: | |
| 14.881 | Move-To-Work |
| 14.856 | Moderate Rehabilitation |
| Dollar threshold used to distinguish between Type A and Type B programs: | Type A: > $750,000<br>Type B: all others |
| Auditee qualified as low-risk auditee? | Yes |

Section II - Financial Statement Findings

2017-001

**U.S. Department of HUD**
**Moderate Rehabilitation Program (CFDA # 14.856)**

**<u>Tenant Files – Moderate Rehabilitation Program</u>**

Condition:

During the testing of tenant files, the following weaknesses in the Authority's procedures and controls were noted:

1. In six (6) out of twenty-five (25) files tested, the "Authorization for Background Check" form was not properly completed and was not signed and dated by PMHA staff.
2. In four (4) out of twenty-five (25) files tested, the income improperly reported as follows:

    - In one instance the income reported on the Form HUD-50058 was $3,251; however, the actual income verified was $8,876, resulting in the overstatement of HUD subsidy of $141 per month.
    - In one instance the income reported was based on income verified, during the 2016 recertification. The income reported was $12,117; however, the actual income verified was $11,746. In addition, the total annual unreimbursed childcare costs were recorded on the Form HUD-50058 as $5,200; however, the actual annual childcare costs were $6,240.
    - In one instance the social security benefits were underreported on the Form HUD-50058.

3. In one (1) instance out of twenty-five (25) files tested, the Form HUD-50058 was completed with an effective date of 9/1/2017; however, the following procedures were not performed: 1) Authorization for Background Check form was not obtained; 2) the Declaration of Zero Income Status and the Zero Income Checklist and Worksheet was not obtained; 3) the Personal Declaration was not obtained and 4) the Notice of Change to Lease and Contract was not obtained. There was a HAP in the amount of $893 paid for the months of September, October, November and December.
4. In one (1) instance out of twenty-five (25) files tested, the lease agreement was signed on March 6, 2017 and rent amount was $570; however, the Form HUD-50058 had an effective date of March 8, 2017 and total contract rent of $559.
5. In one (1) instance out of twenty-five (25) files tested, the lease agreement reported rent in the amount of $586; however, the Form HUD-50058 reported total contract rent of $570.
6. In one (1) instance out of twenty-five (25) files tested, the Notice of Change to Lease and Contract was not signed by the Housing Agency representative until October 30, 2017; however, the effective date of the Form HUD-50058 was February 1, 2017. In addition, the tenant moved-out on May 7, 2017.
7. In two (2) instances out of twenty-five (25) files tested, the Notice of Change to Lease and Contract was not signed by a Housing Agency representative.

Criteria:

Tenant files should be maintained in accordance with HUD guidelines and the Administrative Plan.

Section II - Financial Statement Findings

2017-001

**U.S. Department of HUD**
**Moderate Rehabilitation Program (CFDA # 14.856)** (continued)

**<u>Tenant Files – Moderate Rehabilitation Program</u>** (continued)

Effect:

Procedures and controls relating to tenant files processing were inadequate, resulting in potential questioned costs of $4,656.00.

Cause:

Weakness in the system of internal controls and compliance, regarding the tenant files.

Recommendation:

The Authority should maintained the tenant files, pertaining to the Moderate Rehabilitation program in accordance with guidelines established by the U.S. Department of Housing and Urban Development and the Administrative Plan. By performed these procedures, the risk of potential questioned costs and files being processed inadequately, will be significant reduced.

Views of Responsible Officials:

Management agrees with the finding and the auditor’s recommendation will be implemented.

Auditee’s Response:

All of the tenant file errors have either been corrected or paperwork has been sent out to make the necessary corrections. In addition, the staff member who was responsible for the Moderate Rehabilitation Program is no longer employed at the agency. After a Performance Improvement Plan and subsequent disciplinary notice, with no improvement, the staff member was given the option to either resign from her position or be terminated; consequently she resigned on February 22, 2018.

Additionally, in an effort to maintain greater file integrity quality control measures have been increased. This will assist in ensuring all files are maintained in accordance with all applicable HUD guidelines and our Administration Plan.

Section III - Federal Award Findings

See 2017-001 above.

**Portage Metropolitan Housing Authority**
Status of Prior Year Findings
December 31, 2017

2016-001

**<u>Indirect Cost Allocation Plan</u>**

Condition:

During the testing of payroll and non-payroll transactions, the percentages used to allocate payroll and non-payroll transactions to the various federal programs were based on the percentages used in the prior fiscal year, which was not documented by financial data.

Recommendation:

The Authority needs to document the percentages used to allocate indirect cost, based on current data (usually data from the most recently ended fiscal year, known as the base period), or the Authority should prepare a narrative cost allocation methodology should be developed, documented, maintained for audit, or submitted, as appropriate, to the cognizant agency for review, negotiation, and approval.

Auditee's Response:

PMHA completed a time study of staff during the final quarter of 2017. This study serves as the basis for allocations used in 2017.

Current Status:

This finding has been corrected.

CORRECTIVE ACTION PLAN

December 31, 2017

Oversight Agency for Audit: Department of Housing and Urban Development.

Portage Metropolitan Housing Authority respectively submits the following corrective action plan for the year ended December 31, 2017.

Name and address of the independent public accounting firm: Kevin L. Penn, Inc., 11811 Shaker Blvd., Suite 421, Cleveland, Ohio 44120.

Audit Period: December 31, 2017

The findings from December 31, 2017 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**Significant Deficiency**

2017-001

**U.S. Department of HUD**
**Moderate Rehabilitation Program (CFDA # 14.856)**

**Tenant Files – Moderate Rehabilitation Program**

Recommendation:

The Authority should maintain the tenant files, pertaining to the Moderate Rehabilitation program in accordance with guidelines established by the U.S. Department of Housing and Urban Development and the Administrative Plan. By performing these procedures, the risk of potential questioned costs and files being processed inadequately, will be significantly reduced.

Action Taken:

All of the tenant file errors have either been corrected or paperwork has been sent out to make the necessary corrections. In addition, the staff member who was responsible for the Moderate Rehabilitation Program is no longer employed at the agency. After a Performance Improvement Plan and subsequent disciplinary notices, with no improvement, the staff member was given the option to either resign from her position or be terminated; consequently she resigned on February 22, 2018.

Additionally, in an effort to maintain greater file integrity quality control measures have been increased. This will assist in ensuring all files are maintained in accordance with all applicable HUD guidelines and our Administrative Plan.

2832 State Route 59, Ravenna, Ohio 44266 Phone: 330-297-1489 Fax: 330-297-6295
• Equal Housing Opportunity •

Contact Person: Pamela Nation Calhoun, Executive Director

Anticipated Date of Finding Resolution: June 1, 2018

If the Department of Housing and Urban Development has any questions, regarding this plan please call Pamela Nation Calhoun, Executive Director at (330) 297-1489 extension 244.

Sincerely,

PORTAGE METROPOLITAN HOUSING AUTHORITY

Pamela Nation Calhoun

Pamela Nation Calhoun
Executive Director

**PORTAGE COUNTY METROPOLITAN HOUSING AUTHORITY**

**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**JULY 19, 2018**

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