

**STARK METROPOLITAN  
HOUSING AUTHORITY  
STARK COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED  
MARCH 31, 2018**

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





# Dave Yost • Auditor of State

Board of Directors  
Stark County Metropolitan Housing Authority  
400 E. Tuscarawas Street  
Canton, OH 44702

We have reviewed the *Independent Auditor's Report* of Stark County Metropolitan Housing Authority prepared by James G. Zupka, CPA, Inc., for the audit period April 1, 2017 through March 31, 2018. 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. Stark County Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 13, 2018

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**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED MARCH 31, 2018**

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

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Stark Metropolitan Housing Authority  
Canton, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Stark Metropolitan Housing Authority, Stark County, Ohio, (the Authority) as of and for the fiscal year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hunter House PSH, LLC, which represent 68 percent, 81 percent, and 36 percent, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hunter House PSH, LLC, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The other auditors audited the financial statements of Hunter House PSH, LLC, in accordance with auditing standards generally accepted in the United State of America and not in accordance with *Government Auditing Standards*.

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

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

### *Opinions*

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Stark Metropolitan Housing Authority, Ohio, as of March 31, 2018, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Other Information*

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

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



## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2018, on our consideration of the Stark Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

**James G. Zupka,**  
**CPA, President**

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

Digitally signed by James G. Zupka, CPA, President  
DN: cn=James G. Zupka, CPA, President, o=James  
G. Zupka, CPA, Inc., ou=Accounting,  
email=jgz@jgzcpa.com, c=US  
Date: 2018.10.15 09:20:01 -04'00'

October 1, 2018

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**STARK METROPOLITAN HOUSING AUTHORITY**  
**STARK COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED MARCH 31, 2018**  
**(UNAUDITED)**

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Stark Metropolitan Housing Authority's ("the Authority") management discussion and analysis complies with Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis—for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Disclosures*. Purpose of Management Discussion and Analysis (MD&A) is to assist reader on significant financial issues, provide an overview of Authority's financial activity, identify changes in Authority's financial position, and identify individual fund issues or concerns.

Management's Discussion and Analysis (MD&A) is designed to focus on fiscal year end March 31, 2018 activities, resulting changes, and currently known facts of primary government. Please read it in conjunction with Authority's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Authority's financial position at March 31, 2018, reflected total assets and deferred outflows of resources of \$57.35 million and total liabilities of \$14.64 million. Total net position was \$41.14 million. Financial operations were in accordance with revenue expectations and approved budget plan. Net position decreased by \$2.7 million, or approximately 6.2 percent.
- Operating revenue increased by \$.56 million, or 2.05 percent, in fiscal year 2018. Operating revenue was \$27.9 million in fiscal year 2018 and \$27.4 in fiscal year 2017.
- Operating expenses were \$29.2 million in fiscal year 2018 and \$29.13 million in fiscal year 2017.
- The Authority entered into two repayment agreements totaling \$10,582,920 with the U.S. Department of Housing and Urban Development (HUD) to settle an Office of Inspector General report for fiscal periods 2005 to 2012, as detailed below:
  - Capital funds repayment agreement is for \$3,789,507. The Authority made a down payment of \$1,750,000. In addition, the Authority is responsible for 9 equal annual installments of \$204,000 and a final 10<sup>th</sup> installment of \$203,507. The Authority's Capital Fund award will be reduced by installments.
  - Agreement for repayment of operating funds is for \$6,793,413. The Authority is responsible to make 38 annual payments of \$178,744. Funds (\$178,744) are required to be paid from non-federal unrestricted funds. Payments are required to be made to reimburse Low Rent Public Housing.

**FINANCIAL STATEMENTS**

The Authority's financial statements include a Statement of Net Position, which is similar to a balance sheet. Statement of Net Position reports all financial and capital resources of the Authority. The Statement is presented in a format where assets and deferred outflows of resources minus liabilities and deferred inflows of resources equal Net Position, formerly known as equity. Assets and liabilities are in order of liquidity and classified as "current" (convertible into cash within one year) and "non-current".

**STARK METROPOLITAN HOUSING AUTHORITY**  
**STARK COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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In recent years, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, which significantly revises accounting for pension costs and liabilities. General Accounting Standards Board (GASB) believes, for reasons discussed below, many end users of financial statement will gain a clearer understanding of actual financial condition by adding deferred inflows related to pension and net pension liability to reported net position and subtracting deferred outflows related to pension.

GASB standards are national and apply to all governmental financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, previously GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not 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 pensions requires additional explanation in order to properly understand information presented in these statements.

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

1. Present value of estimated future pension benefits attributable to active and inactive employee's past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of "employment exchange" - that is, employee is trading his or her labor in exchange for wages, benefits, and promise of a future pension. GASB believes unfunded portion of this pension promise is a present obligation of government, part of a bargained for benefit to employee. Therefore, government must record obligation as a liability since government received benefit of the exchange.

However, Authority is not responsible for certain key factors affecting liability. In Ohio, employee shares obligation of funding pension benefits with 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 Governor. State statute determines the benefits provisions. Employee enters employment exchange with knowledge that employer's promise is limited not by contract but by law. Employer enters exchange also knowing that there is a specific, legal limit to its contribution to pension system. In Ohio, there is no legal means to enforce an unfunded liability of the pension plan against a public employer. State law operates to mitigate/lessen the moral obligation of a public employer to employee, because all parties enter employment exchange with understanding of the law. The pension system is responsible for administration of plan.

Most long-term liabilities have set repayment schedules or, in 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 net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of net pension liability, but are outside control of the local government. In event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify responsible party for unfunded portion. Due to unique nature of how net pension liability is satisfied, the Authority separately identified liability within long-term liability section of Statement of Net Position.

**STARK METROPOLITAN HOUSING AUTHORITY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
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**(UNAUDITED)**

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The Authority's statements are prepared on an accrual basis of accounting. Therefore, the Authority is required to implement GASB 68 and include an annual pension expense for its proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

**STATEMENT OF NET POSITION**

The Statement of Net Position presents financial position of the Authority at the end of fiscal year and includes all assets and liabilities. Net position, difference between total assets and deferred outflows of resources from total liabilities and deferred inflows of resources, is an important indicator of current financial condition, while change in net position is an indicator of whether overall financial position has improved or worsened during the year.

Focus of the Statement of Net Position (the "unrestricted" net position) is designed to represent net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net position (formerly net assets) is reported in three broad categories.

Net Investment in Capital Assets: This component of net position consists of capital assets, reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to acquisition, construction, or improvement of those assets.

Restricted Net Position: This component of net position consists of restricted assets. Restricted assets are assets with constraints placed by creditors (such as debt covenants), grantors, contributors, laws, and regulations.

Unrestricted Net Position: Consists of net position that does not meet definition of "Net Investment in Capital Assets", or "Restricted Net Position".

Financial statements also include a Statement of Revenues, Expenses, and Changes in Net Position, which is similar to an income statement. This Statement includes Operating Revenues, such as rental income; Operating Expenses, such as administrative, utilities, maintenance, and depreciation; and Non-Operating Revenue and Expenses, such as capital grant revenue, investment income, and interest expense.

Focus of Statement of Revenues, Expenses, and Changes in Net Position is "Changes in Net Position", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by or used for operating activities, investing activities, and from capital and related financing activities.

**The Authority's Programs**

**Conventional Public Housing** - Under Conventional Public Housing Program, the Authority rents units it owns to low-income households. Operation of Conventional Public Housing Program is under an Annual Contributions Contract (ACC) with HUD. HUD provides Operating Subsidy and Capital Grant funding. Subsidy enables the Authority to provide housing and sets participants' rent at 30 percent of household income. Capital Fund Program is primary funding for physical and management improvements to the Authority's properties.

**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2018  
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**Housing Choice Voucher Program** - Under Housing Choice Voucher Program, the Authority administers contracts with independent property owners. The Authority subsidizes family's rent through a Housing Assistance Payment made to property owner. The Program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets participants' rent at 30 percent of household income.

**Capital Fund Program (CFP)** - This is the current primary funding source for the Authority's physical and management improvements. CFP uses a revised HUD CPG formula funding methodology. HUD's formula allocation, size, and age of units determine the Authority's funding.

**Continuum of Care Program** - This grant program, funded by U.S. Department of Housing and Urban Development (HUD), is designed to link rental assistance to supportive services for hard-to-reach homeless persons with disabilities (primarily those who are seriously mentally ill, have chronic problems with alcohol, drugs, or both, or have acquired immune deficiency syndrome (AIDS) and related diseases), and their families.

**Component Unit** - These resources were developed from a variety of activities.

**Business Activities** - These non-HUD resources were developed from a variety of activities.

**AUTHORITY-WIDE STATEMENTS**

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

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

	2018	2017
<b><u>Assets and Deferred Outflows</u></b>		
Current Assets	\$ 8,240,825	\$ 9,475,556
Capital Assets	48,002,632	49,372,064
Deferred Outflows	808,259	2,763,413
Other Non-Current Assets	307,577	267,600
<b>Total Assets and Deferred Outflows</b>	<u>57,359,293</u>	<u>61,878,633</u>
<b><u>Liabilities</u></b>		
Current Liabilities	2,734,861	2,291,544
Non-Current Liabilities	11,904,118	15,564,342
<b>Total Liabilities</b>	<u>14,638,979</u>	<u>17,855,886</u>
<b>Deferred Inflows</b>	<u>1,579,449</u>	<u>150,120</u>
<b>Net Position</b>		
Net Investment in Capital Assets	43,503,957	42,429,688
Restricted	11,509	90,043
Unrestricted	(2,374,601)	1,352,896
<b>Total Net Position</b>	<u>41,140,865</u>	<u>43,872,627</u>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<u>\$ 57,359,293</u>	<u>\$ 61,878,633</u>

For more detailed information see page 13 for the Statement of Net Position.

**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2018  
(UNAUDITED)**

**Major Factors Affecting Statement of Net Position**

Total assets and deferred outflow of resources decreased by \$4.52 million, or 7.30 percent. The change includes a decrease in total current assets of \$1.23 million, primarily due to \$1.39 million decrease in accounts receivable. Total non-current assets decreased by \$1.33 million, due to recording GASB 68 pension assets and increase in accumulated depreciation of Capital Assets Total liabilities decreased by \$3.22 million, or 18.02 percent, primarily due to recording GASB 68 pension liability.

Table 2 presents details on the change in Unrestricted Net Position.

**Table 2 - Change in Unrestricted Net Position  
Primary Government**

	2018
Beginning Balance - March 31, 2017	\$ 1,352,896
Results of Operations	1,107,745
Adjustments:	
Current Year Depreciation Expense (1)	3,241,173
Capital Expenditures less loss on disposal (2)	(1,871,741)
Debt Principal Payments	(554,460)
Debt Cancellation	(1,889,241)
Prior Period Adjustment	(3,839,507)
Change in Restricted Net Position	78,534
Ending Balance - March 31, 2018	<u>\$ (2,374,601)</u>

- (1) Depreciation is treated as an expense and reduces results of operations but does not have an impact on Unrestricted Net Position.
- (2) Capital expenditures represent an outflow of unrestricted net position, but are not treated as an expense against Results of Operations and, therefore, must be deducted.

While Results of Operations are a significant measure of the Authority's activities, the analysis of changes in Unrestricted Net Position provides a clearer change in financial well-being.

**Statement of Revenues, Expenses, and Changes in Net Position**

Total revenues increased by \$6.9 million, or 32 percent. The significant portion of increase can be attributed to fiscal year 2017 Loss on Disposal of Assets, \$5.89 million impacted its total revenue.

Total expenses decreased by \$1.82 million, or 6.26 percent. The decrease is due to the Fifth Third Bank cancelled debt, \$1.89 million.

**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2018  
(UNAUDITED)**

**Table 3 - Condensed Statement of Revenues, Expenses, and Changes in Net Position  
Primary Government**

	2018	2017
<b>Revenues</b>		
Tenant Revenue - Rent and Other	\$ 5,698,375	\$ 5,847,395
Operating Subsidies and Grants	19,953,819	18,564,144
Capital Grants	1,448,297	2,473,980
Investment Income	47,781	15,822
Other Revenues	829,944	513,826
Loss on Disposal of Assets	0	(5,891,993)
Transfer from Component Unit	443,748	0
<b>Total Revenues</b>	<b>28,421,964</b>	<b>21,523,174</b>
<b>Expenses</b>		
Administrative	5,226,082	5,365,800
Utilities	3,391,553	3,282,866
Maintenance	6,275,227	6,649,705
Tenant Services	183,574	159,447
General and Protective Services	2,241,739	2,264,912
Interest Expense	235,752	252,251
Housing Assistance Payments	8,408,361	7,398,438
Depreciation	3,241,173	3,764,458
Extraordinary Items	(1,889,242)	0
<b>Total Expenses</b>	<b>27,314,219</b>	<b>29,137,877</b>
Net Increase (Decrease)	1,107,745	(7,614,703)
Beginning Net Position	43,872,627	51,487,330
Prior Period Adjustment	(3,839,507)	0
Adjusted Beginning Net Position	40,033,120	51,487,330
<b>End Position</b>	<b>\$ 41,140,865</b>	<b>\$ 43,872,627</b>

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of year-end, the Authority had \$48 million invested in a variety of capital assets as reflected in following schedule, which represents a net decrease (addition, deductions, and depreciation) of \$1.3 million from end of last year.



**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2018  
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**Table 4 - Capital Assets at Year End (Net of Depreciation)**

<b>Primary Government</b>		
	2018	2017
Land	\$ 12,801,672	\$ 12,801,672
Construction in Progress	5,561,979	4,113,684
Buildings	150,557,320	150,285,896
Equipment	5,450,402	5,372,697
Accumulated Depreciation	(126,368,741)	(123,201,885)
<b>Total</b>	<b>\$ 48,002,632</b>	<b>\$ 49,372,064</b>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in the notes on capital asset

**Table 5 - Change in Capital Assets**

<b>Primary Government</b>	
	2018
Beginning Balance - March 31, 2017	\$ 49,372,064
Current Year Additions	1,871,741
Current Year Depreciation Expense	(3,241,173)
Ending Balance - March 31, 2018	<b>\$ 48,002,632</b>

**DEBT OUTSTANDING**

As of year-end, the Authority had \$4.5 million in debt outstanding compared to \$7.0 million last year, a \$2.5 million decrease related to new bond issuance (\$4.5m), old bond retirement \$5.0m), and a Fifth Third note cancellation (\$1.9m).

**Table 6 - Outstanding Debt at Year-End**

<b>Primary Government</b>		
	2018	2017
Beginning Balance - March 31, 2017	\$ 6,942,376	\$ 7,278,389
Current Year Debt Issued	4,498,675	0
Current Year Principal Payments	(6,942,376)	(336,013)
<b>Ending Balance - March 31, 2018</b>	<b>\$ 4,498,675</b>	<b>\$ 6,942,376</b>

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

- Federal funding and subsidies provided by U.S. Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, employee health care costs, insurances, rents, supplies, and other costs.

**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2018  
(UNAUDITED)**

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**FINANCIAL CONTACT**

Questions concerning any information provided in this report or request for additional information should be addressed to Herman Hill, Executive Director, Stark Metropolitan Housing Authority, 400 East Tuscarawas Street, Canton, Ohio 44702-1131, or call 330-454-8051.

**STARK METROPOLITAN HOUSING AUTHORITY**  
**STARK COUNTY, OHIO**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS**  
**MARCH 31, 2018**

	Primary Government	Component Units
<b><u>ASSETS</u></b>		
Current Assets:		
Cash - Unrestricted	\$ 4,654,820	\$ 258,185
Cash - Restricted	833,623	625,699
Accounts Receivable - Net of Allowance	2,384,234	23,702
Inventories - Net of Allowance	347,068	0
Prepaid Expense	21,080	28,032
Total Current Assets	<u>8,240,825</u>	<u>935,618</u>
Non-Current Assets:		
Capital Assets - Non-Depreciated	18,363,651	58,401
Depreciable Capital Assets - Net	29,638,981	7,513,141
Other Non-Current Assets	247,431	0
Other Non-Current Assets - Pension	60,146	0
Total Non-Current Assets	<u>48,310,209</u>	<u>7,571,542</u>
Deferred Outflow of Resources	<u>808,259</u>	<u>0</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<b><u>\$ 57,359,293</u></b>	<b><u>\$ 8,507,160</u></b>
<b><u>LIABILITIES</u></b>		
Current Liabilities:		
Accounts Payable	\$ 687,089	\$ 35,037
Current Portion of Long-Term Debt	603,998	31,323
Intergovernmental Payable	211,781	25,176
Accrued Wages and Payroll Taxes	249,380	0
Tenant Security Deposits	407,292	30,648
Other Current Liabilities	575,321	858,872
Total Current Liabilities	<u>2,734,861</u>	<u>981,056</u>
Non-Current Liabilities:		
Long-Term Debt - Net of Current Portion	4,098,675	4,483,758
Accrued Pension and OPEB Liabilities	5,266,168	0
Other Long-Term Liabilities and Compensated Absences	2,539,275	0
Total Non-Current Liabilities	<u>11,904,118</u>	<u>4,483,758</u>
Total Liabilities	<u>14,638,979</u>	<u>5,464,814</u>
Deferred Inflow of Resources	<u>1,579,449</u>	<u>0</u>
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	43,503,957	3,059,030
Restricted	11,509	0
Unrestricted	<u>(2,374,601)</u>	<u>(16,684)</u>
Total Net Position	<u>41,140,865</u>	<u>3,042,346</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION</b>	<b><u>\$ 57,359,293</u></b>	<b><u>\$ 8,507,160</u></b>

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

**STARK METROPOLITAN HOUSING AUTHORITY**  
**STARK COUNTY, OHIO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE FISCAL YEAR ENDED MARCH 31, 2018**

	<u>Primary Government</u>	<u>Component Units</u>
<b><u>Operating Revenues</u></b>		
Program Operating Grants/Subsidy	\$ 19,953,819	\$ 0
Tenant Revenues	5,698,375	1,040,900
Other Income	829,944	268,797
<b>Total Operating Revenues</b>	<u>26,482,138</u>	<u>1,309,697</u>
<b><u>Operating Expenses</u></b>		
Administrative	5,226,082	382,390
Utilities Expense	3,391,553	225,317
Maintenance Expense	6,275,227	224,413
Tenant Services	183,574	55,294
Protective Services	425,191	108,873
Housing Assistance Payments	8,408,361	0
Other General Expenses	1,816,548	180,404
Depreciation	3,241,173	334,135
<b>Total Operating Expenses</b>	<u>28,967,709</u>	<u>1,510,826</u>
Operating Income (Loss)	<u>(2,485,571)</u>	<u>(201,129)</u>
<b><u>Non-Operating Revenue (Expenses)</u></b>		
Interest Income	47,781	426
Interest Expense	(235,752)	(121,877)
<b>Total Non-Operating Revenue (Expenses)</b>	<u>(187,971)</u>	<u>(121,451)</u>
Excess (Deficiency) of Revenue Over (Under) Expenses before Capital Revenue and Transfers	<u>(2,673,542)</u>	<u>(322,580)</u>
<b><u>Capital Grants, Contributions and Special Items</u></b>		
Capital Grants/Contributions	1,448,297	322,869
Extraordinary Items	1,889,242	0
Gain on Disposal of Capital Assets	0	117,991
Transfer to Primary Government	443,748	(443,748)
<b>Total Capital Grants, Contributions and Special Items</b>	<u>3,781,287</u>	<u>(2,888)</u>
Results of Operations	<u>1,107,745</u>	<u>(325,468)</u>
Beginning Net Position	43,872,627	3,367,814
Prior Period Adjustment	(3,839,507)	0
Adjusted Beginning Net Position	<u>40,033,120</u>	<u>3,367,814</u>
<b>ENDING NET POSITION</b>	<u>\$ 41,140,865</u>	<u>\$ 3,042,346</u>

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

**STARK METROPOLITAN HOUSING AUTHORITY**  
**STARK COUNTY, OHIO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPE AND DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE FISCAL YEAR ENDED MARCH 31, 2018**

	Primary Government	Component Units
<b><u>Cash Flows from Operating Activities</u></b>		
Cash Received from HUD and Other Governments	\$ 19,589,585	\$ 0
Cash Received from Tenants	5,674,733	1,054,819
Cash Received from Other Sources	2,020,955	246,766
Cash Payments for Housing Assistance Payments	(8,408,361)	0
Cash Payments for Administration	(4,758,796)	(357,214)
Cash Payments for Other Operating Expenses	(11,418,376)	(770,636)
<b>Net Cash Provided by Operating Activities</b>	<b>2,699,740</b>	<b>173,735</b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>		
Payments to HUD	(1,750,000)	0
Principal Payments on Debt	(554,459)	(527,994)
Cash from Capital Asset Sale	0	400,000
Interest Expense	(235,752)	(121,877)
Acquisition of Capital Assets	(1,871,741)	(12,086)
Capital Grants and Contributions	1,448,297	322,869
Transfer to Primary Government	443,748	(443,748)
Other Non-Current Assets	(8,000)	0
<b>Net Cash (Used for) Capital and Other Related Financing Activities</b>	<b>(2,527,907)</b>	<b>(382,836)</b>
<b><u>Cash Flows from Investing Activities</u></b>		
Investment Income	47,781	426
<b>Net Cash (Used for) by Investing Activities</b>	<b>47,781</b>	<b>426</b>
Net Increase (Decrease) in Cash and Cash Equivalents	219,614	(208,675)
Cash and Cash Equivalents, Beginning	5,268,829	1,092,559
<b>Cash and Cash Equivalents, Ending</b>	<b>\$ 5,488,443</b>	<b>\$ 883,884</b>
<b><u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u></b>		
Net Operating Income (Loss)	\$ (2,485,571)	\$ (201,129)
Net Cash Provided by Operating Activities		
Depreciation	3,241,173	334,135
(Increase) Decrease in:		
Receivables - Net of Allowance	1,397,378	(6,997)
Inventory and Prepaid Expense	56,967	23,195
Deferred Outflows of Resources and Pension Asset	1,923,177	0
Increase (Decrease) in:		
Accounts Payable	683,914	(1,530)
Net Pension Liability	(2,941,293)	0
Non-Current Liabilities	(50,737)	0
Accrued Wages/Payroll Taxes	39,647	0
Intergovernmental Payable	(256,963)	25,176
Deferred Inflow of Resources	1,429,328	0
Tenant Security Deposits	9,870	(991)
Deferred Credits/Other Liabilities	(347,150)	1,876
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 2,699,740</b>	<b>\$ 173,735</b>

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

**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2018**

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

A. **Description of the Entity and Programs**

Stark Metropolitan Housing Authority (the Authority) is a political subdivision created under Ohio Revised Code Section 3735.27 to engage in acquisition, development, leasing, and administration of a low-rent housing program. The Authority contracts with United States Department of Housing and Urban Development (HUD) to provide low and moderate-income persons with safe and sanitary housing through rent subsidies provided by HUD. The Authority depends on subsidies from HUD to operate. The Authority participates in Section 8 Moderate Rehab and Voucher Programs provided by HUD. These programs help assist families in payment of rent. Under Voucher Program, the Authority determines amount of subsidy a family will receive using HUD guidelines; however, there is a limit to amount charged to family. Under Moderate Rehab Program, subsidy payments are made directly to landlord on behalf of families living in their respective unit. The Authority also participates in Public Housing Program. Under this Program, the Authority manages constructed or financed public housing units using grant funds from HUD. Tenants of these facilities pay a percentage of his/her adjusted gross income towards rent and utilities.

B. **Summary of Significant Accounting Policies**

Financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. 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.

C. **Reporting Entity**

For financial reporting purposes, reporting entity defined to include primary government, component units, and other organizations that are included to ensure that financial statements are not misleading and consistent with GASB Statement No. 14, *The Financial Reporting Entity*. Based on application of criteria set forth in GASB Statement No. 14 (as amended by GASB Statement No. 61), the Authority evaluates potential component units (PCU) for inclusion based on financial accountability, nature and significance of their relationship to the Authority, and whether exclusion would cause basic financial statements to be misleading or incomplete.

Among factors considered were whether the Authority holds PCU's corporate power, appoints a voting majority of PCU's board, able to impose its will on, or whether a financial benefit / burden relationship exists with PCU.

**STARK METROPOLITAN HOUSING AUTHORITY**  
**STARK COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED MARCH 31, 2018**  
**(CONTINUED)**

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

C. **Reporting Entity** (Continued)

Primary government of the Authority consists of all funds, agencies, departments, and offices that are not legally separate from the Authority. The financial statements include all funds and account groups of the Authority (the primary government) and the Authority's component units. The following organizations are described due to their relationship to the Authority.

D. **Discretely Presented Component Units**

Component units column in combined financial statements identifies financial data of the Authority's three component units: Alliance Senior Tower, LLC, Washington Area Housing Agency, LLC, and Hunter House, LLC. They are reported separately to emphasize that they are legally separate from the Authority and provide services to clients other than the primary government.

Alliance Senior Tower, LLC, is a for-profit limited liability corporation formed under the laws of the State of Ohio. Corporation formed for purpose of acquiring and operating Alliance Tower, a multi-family residential housing project in Stark County, Ohio. Separately issued audited financial statements are available from the Authority.

Hunter House, LLC, is a for-profit limited liability corporation formed under the laws of the State of Ohio. The entity formed for purpose of acquiring and operating Hunter House, a multi-family residential housing project in Stark County, Ohio. Hunter House, LLC has a December 31 fiscal year end. Separately issued audited financial statements are available from the Authority.

Washington Area Housing Agency, LLC, is a for-profit limited liability corporation formed under the laws of the State of Ohio. Corporation formed for purpose of acquiring and operating Washington Towne Homes, a multi-family residential housing project in Stark County, Ohio. Separately issued financial statements are available from the Authority. The Washington Towne Homes property was sold in this fiscal period and Washington Area Housing Agency, LLC, ceased to exist at March 31, 2018.

Management believes financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

E. **Fund Accounting**

The Authority uses enterprise funds to report on its financial position and results of its operations for 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 proprietary category for its programs.

**STARK METROPOLITAN HOUSING AUTHORITY**  
**STARK COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED MARCH 31, 2018**  
**(CONTINUED)**

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

**F. Proprietary Fund Types**

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

Enterprise Fund - Fund used to account for operations financed and operated in a manner similar to private business enterprises. Intent is that 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.

**G. Measurement Focus/Basis of Accounting**

Proprietary funds accounted for on accrual basis of accounting. Revenues are recognized in period earned and expenses are recognized in period incurred.

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

**H. Investments**

Investments restricted by provisions of HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2018 totaled \$47,781 for primary government and \$426 for component units.

**I. Capital Assets**

Capital assets are stated at cost. Capitalization policy of the Authority is to depreciate all non-expendable personal property that have a useful life of more than one year and purchase price of \$5,000 or more per unit. Not capitalized, cost of normal maintenance and repairs that do not add to value of asset or materially extend asset life.

Estimated useful lives for each major class of depreciable assets are as follows:

Buildings	40 years
Building and Improvements	15 Years
Furniture and Equipment Dwellings	5 to 10 Years
Furniture and Equipment Administrative	1 to 10 Years



**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2018  
(CONTINUED)**

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

**J. Cash and Cash Equivalents**

For purpose of Statement of Cash Flows, cash and cash equivalents include all liquid debt instruments with original maturities of three months or less.

**K. Compensated Absences**

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

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

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

**L. Capital Grants and Contributions**

Capital grants made available by HUD with respect to all federally aided projects under an annual contributions contract. Capital contributions in fiscal year 2018 came from private investors in Hunter House, LLC.

**M. Budgetary Accounting**

The Authority annually prepares its budget as prescribed by HUD. Budget adopted by Board of the Authority and then submitted to HUD when required.

**N. Estimates**

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 date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2018  
(CONTINUED)**

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

O. **Inter-Program Loans**

Inter-Program Due to and Due from are reflected on supplemental Financial Data Schedules (FDS) and are eliminated from totals on both the FDS and Statement of Net Position.

P. **Deferred Outflows/Inflows of Resources**

In addition to assets, 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. Deferred outflows of resources related to pension are explained in Note 6.

In addition to liabilities, statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources are reported on Statement of Net Position for pension. Deferred inflows of resources related to pension are explained in Note 6.

Q. **Pensions**

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

NOTE 2: **DEPOSITS AND INVESTMENTS**

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

**STARK METROPOLITAN HOUSING AUTHORITY**  
**STARK COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED MARCH 31, 2018**  
**(CONTINUED)**

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

A. **Deposits**

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

Active deposits are public deposits necessary to meet demands on treasury. Such monies maintained as cash in the Authority's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Inactive deposits are public deposits the Authority has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits either evidenced by certificates of deposit maturing no later than end of current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

At year-end, carrying amount of the Authority's deposits was \$5,488,443, of which \$833,623 was restricted funds.

*Custodial Credit Risk*

Custodial credit risk is the risk, in event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of year-end, deposits of the primary government totaling \$250,000 were covered by Federal Depository Insurance, and deposits totaling \$5,164,101 were uninsured and collateralized with securities held by the financial institution's trust department or agent, but not in the Authority's name.

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

**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2018  
(CONTINUED)**

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

**B. Investments**

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

**Interest Rate Risk**

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires funds which are not operating reserve funds be invested in investments with a maximum term of one year or Authority's operating cycle. For investments of the Authority's operating reserve funds, maximum term can be up to three years. The intent of policy is to avoid the need to sell securities prior to maturity. The Authority's investment in Wells Fargo 100% Treasury Money Market Fund matures in less than six months.

**Credit Risk**

Credit risk is risk that an issuer of an investment will not fulfill its obligation to holder of investment. This is measured by assignment of a rating by a nationally recognized statistical rating organization. The Authority has no investment policy that would further limit its investment choices. Credit risk does not apply to the Authority's investment in the Wells Fargo 100% Treasury Money Market Fund.

**Concentration of Credit Risk**

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

**Foreign Currency Risk**

Foreign currency risk is risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of year-end, the Authority had no exposure to foreign currency rate risk, as regulated by HUD. Reconciliation of primary government's cash and cash equivalents and investments is as follows:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Statement of Net Position	\$ 5,488,443	\$ 0
Wells Fargo 100% Treasury Money Market Fund	(348,691)	348,691
Per GASB Statement No. 3	<u>\$ 5,139,752</u>	<u>\$ 348,691</u>

**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2018  
(CONTINUED)**

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

C. **Component Units**

At year-end, carrying amount of component units' investments and deposits was \$883,884. Bank deposits of \$869,792 covered by FDIC insurance and balance was pledged collateral pool. Investments of component units consisted of money market funds at a local financial institution.

NOTE 3: **RESTRICTED CASH**

Restricted cash balances as of March 31, 2018 represents cash on hand for following:

	<u>Primary Government</u>	<u>Component Units</u>
Tenant Security Deposit	\$ 407,292	\$ 30,648
Bond Proceeds to be Used for Capital Improvement	348,691	0
Other Restricted Cash	77,640	595,051
<b>Total Restricted Cash</b>	<b>\$ 833,623</b>	<b>\$ 625,699</b>

NOTE 4: **INSURANCE COVERAGE – PRIMARY GOVERNMENT**

The Authority is exposed to various risks of loss related to torts; damage to and theft or destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority covered for property damage and general liability through Housing Authority Insurance Company. Auto liability and auto physical damage are covered through separate insurance companies. Deductible and coverage limits summarized below:

	<u>Deductible</u>	<u>Coverage Limits</u>
Property	\$ 10,000	\$ 278,642,348
General Liability	5,000	5,000,000
Auto Liability	0	1,000,000
Auto Physical Damage	500	ACV
Commercial Inland Marine	13,000	130,000
Lead Inspectors' Professional Liability	5,000	1,000,000
Equipment Breakdown	10,000	50,000,000

There was no significant reduction in coverages and no claims exceeded insurance coverage during the past three years.

**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2018  
(CONTINUED)**

**NOTE 5: CAPITAL ASSETS**

The following is a summary of the Authority's capital assets:

	<u>Primary Government</u>	<u>Component Units</u>
<b><i>Capital Assets Not Being Depreciated</i></b>		
Land	\$ 12,801,672	\$ 58,401
Construction in Progress	<u>5,561,979</u>	<u>0</u>
<b><i>Total Capital Assets Not Being Depreciated</i></b>	<u>18,363,651</u>	<u>58,401</u>
<b><i>Capital Assets Being Depreciated</i></b>		
Buildings and Building Improvements	150,557,320	9,117,948
Furniture and Equipment - Dwelling	5,450,402	210,247
Less: Accumulated Depreciation	<u>(126,368,741)</u>	<u>(1,815,054)</u>
<b><i>Total Capital Assets Being Depreciated</i></b>	<u>29,638,981</u>	<u>7,513,141</u>
<b>Total Capital Assets</b>	<u>\$ 48,002,632</u>	<u>\$ 7,571,542</u>

	<u>Primary Government</u>			
	<u>Balance 3/31/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/2018</u>
<b><i>Capital Asset Not being Depreciated</i></b>				
Land	\$ 12,801,672	\$ 0	\$ 0	\$ 12,801,672
Construction in Progress	<u>4,113,684</u>	<u>1,448,295</u>	<u>0</u>	<u>5,561,979</u>
<b><i>Total Capital Assets Not being Depreciated</i></b>	<u>16,915,356</u>	<u>1,448,295</u>	<u>0</u>	<u>18,363,651</u>
<b><i>Capital Assets Being Depreciated</i></b>				
Buildings and Building Improvements	150,285,896	271,424	0	150,557,320
Furniture and Equipment Dwelling	<u>5,372,697</u>	<u>152,022</u>	<u>(74,317)</u>	<u>5,450,402</u>
<b><i>Total Capital Assets Being Depreciated</i></b>	<u>155,658,593</u>	<u>423,446</u>	<u>(74,317)</u>	<u>156,007,722</u>
<b>Accumulated Depreciation</b>				
Buildings and Improvements	(118,140,657)	(3,109,324)	0	(121,249,981)
Furniture and Equipment	<u>(5,061,228)</u>	<u>(131,849)</u>	<u>74,317</u>	<u>(5,118,760)</u>
<b>Subtotal Accumulated Depreciation</b>	<u>(123,201,885)</u>	<u>(3,241,173)</u>	<u>74,317</u>	<u>(126,368,741)</u>
Net Capital Assets being Depreciated	<u>32,456,708</u>	<u>(2,817,727)</u>	<u>0</u>	<u>29,638,981</u>
<b>Total Primary Government</b>	<u>\$ 49,372,064</u>	<u>\$ (1,369,432)</u>	<u>\$ 0</u>	<u>\$ 48,002,632</u>

**STARK METROPOLITAN HOUSING AUTHORITY**  
**STARK COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED MARCH 31, 2018**  
**(CONTINUED)**

NOTE 5: **CAPITAL ASSETS** (Continued)

	<b>Component Units</b>			Balance 3/31/2018
	Balance 3/31/2017	Additions	Deletions	
<i>Capital Assest Not being Depreciated</i>				
Land	\$ 86,124	\$ 0	\$ (27,723)	\$ 58,401
<b>Total Capital Assets Not being Depreciated</b>	<b>86,124</b>	<b>0</b>	<b>(27,723)</b>	<b>58,401</b>
<i>Capital Assets Being Depreciated</i>				
Buildings and Building Improvements	9,658,216	12,086	(552,354)	9,117,948
Furniture and Equipment Dwelling	210,247	0	0	210,247
<b>Total Capital Assets Being Depreciated</b>	<b>9,868,463</b>	<b>12,086</b>	<b>(552,354)</b>	<b>9,328,195</b>
<b>Accumulated Depreciation</b>				
Buildings and Improvements	(1,610,010)	(333,674)	298,067	(1,645,617)
Furniture and Equipment	(168,976)	(461)	0	(169,437)
<b>Subtotal Accumulated Depreciation</b>	<b>(1,778,986)</b>	<b>(334,135)</b>	<b>298,067</b>	<b>(1,815,054)</b>
Net Capital Assets being Depreciated	8,089,477	(322,049)	(254,287)	7,513,141
<b>Total Primary Government</b>	<b>\$ 8,175,601</b>	<b>\$ (322,049)</b>	<b>\$ (282,010)</b>	<b>\$ 7,571,542</b>

NOTE 6: **DEFINED BENEFIT PENSION PLAN**

*Net Pension Liability*

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

Net pension liability represents the Authority’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. 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 receives benefit of employees’ services in exchange for compensation, including pension.

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

*Net Pension Liability* (Continued)

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

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

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

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

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

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



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

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

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

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

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

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

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

	<u>State and Local</u>
<b>2017 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2017 Actual Contribution Rates</b>	
Employer:	
Pension	13.0 %
Post-Employment Health Care Benefits	1.0
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

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

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

Employer contribution rates are actuarially determined and expressed as a percentage of covered payroll. The Authority had contractually required contributions of \$614,845 for fiscal year end March 31, 2018.

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

Net pension liability for OPERS measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	Total
Proportion of the Net Pension Liability/Asset Prior Measurement Date	0.036143%	0.050612%	
Proportion of the Net Pension Liability/Asset Current Measurement Date	<u>0.033568%</u>	<u>0.044182%</u>	
Change in Proportionate Share	<u>-0.002575%</u>	<u>-0.006430%</u>	
Proportion Share of the Net Pension Liability/(Asset)	\$ 5,266,168	\$ (60,146)	\$ 5,206,022
Pension Expense	\$ 575,002	\$ (8,926)	\$ 566,076

At March 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from following sources:

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

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

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	Total
<b>Deferred Outflows of Resources</b>			
Changes of assumptions	\$ 629,340	\$ 5,256	\$ 634,596
Differences between expected and actual experience	5,378	0	5,378
Changes in proportion and differences between Authority contributions and proportionate share of contributions	10,304	3,118	13,422
Authority contributions subsequent to the measurement date	148,794	6,069	154,863
<b>Total Deferred Outflows of Resources</b>	<b><u>\$ 793,816</u></b>	<b><u>\$ 14,443</u></b>	<b><u>\$ 808,259</u></b>
<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 1,130,575	\$ 9,492	\$ 1,140,067
Differences between expected and actual experience	103,778	17,919	121,697
Changes in proportion and differences between Authority contributions and proportionate share of contributions	310,670	7,015	317,685
<b>Total Deferred Inflows of Resources</b>	<b><u>\$ 1,545,023</u></b>	<b><u>\$ 34,426</u></b>	<b><u>\$ 1,579,449</u></b>

\$154,863 reported as deferred outflows of resources related to pension resulting from Authority's contributions subsequent to measurement date recognized as a reduction of the net pension liability in the year ending March 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension recognized in pension expense as follows:

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	Total
Year Ending March 31:			
2019	\$ 306,273	\$ (3,686)	\$ 302,587
2020	(243,860)	(3,944)	(247,804)
2021	(497,845)	(6,072)	(503,917)
2022	(464,569)	(5,846)	(470,415)
2023	0	(2,514)	(2,514)
Thereafter	0	(3,990)	(3,990)
<b>Total</b>	<b><u>\$ (900,001)</u></b>	<b><u>\$ (26,052)</u></b>	<b><u>\$ (926,053)</u></b>

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

*Actuarial Assumptions - OPERS*

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

Projections of benefits for financial reporting purposes based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15% simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

The total pension asset in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 8.25 percent including wage inflation Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15% simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

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

*Actuarial Assumptions – OPERS* (Continued)

Mortality rates based on the RP-2014 Health Annuitant Mortality table. For males, Health Annuitant Mortality tables used, adjusted for mortality improvement back to the observant period base of 2006 and then established the base year as 2015. For females, Health Annuitant Mortality tables used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. Mortality rates used in evaluating disability allowances 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 above described tables.

The most recent study was completed for the 5-year period ended December 31, 2015.

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, money-weighted rate of return considered the same for all plans within portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in annual investment plan. Plan assets managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

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

*Actuarial Assumptions – OPERS* (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	<u>100.00 %</u>	<u>5.66 %</u>

**Discount Rate** The discount rate used to measure the total pension liability was 7.5 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Authority’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

Following table presents the Authority’s proportionate share of net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the Authority’s proportionate share of net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than current rate:

<u>Authority's proportionate share of the net pension liability/(asset)</u>	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Traditional Pension Plan	\$ 9,351,373	\$ 5,266,168	\$ 1,860,339
Combined Plan	\$ (32,695)	\$ (60,146)	\$ (79,086)

**STARK METROPOLITAN HOUSING AUTHORITY  
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NOTE 7: **POST-EMPLOYMENT BENEFITS**

A. **Plan Description**

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

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

In order to qualify for health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2017 CAFR for details.

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

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

*Funding Policy*

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, State and Local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

*Funding Policy* (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree and their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants was 4.0 percent. The portion of actual Authority contributions for the years ended December 31, 2018, 2017, and 2016, which were used by OPERS to fund post-employment benefits were \$37,444, \$86,532, and \$99,352, respectively.

NOTE 8: **COMPENSATED ABSENCES**

Board of Commissioners based on local and state laws establishes vacation and sick leave policies.

All permanent employees earn 4.6 hours sick leave per eighty hours of service. Unused sick leave accumulated without limit. At time of separation, if an employee states separation is due to retirement, employee will be eligible to receive payment for 50 percent of their accumulated sick leave balance. Employees hired on or after April 1, 2008, payment on sick leave reduced from 50 percent to 33.33 percent. Employees hired on or after April 1, 2011, payment on sick leave reduced from 50 percent to 25 percent. All permanent employees earn vacation hours accumulated based on length of service. All vacation time earned may be accumulated up to three times annual amount that can be accrued in a calendar year.

Following is a summary of changes in compensated absences for the year ended March 31, 2018:

	Balances at 3/31/2017	Increase	Decrease	Balances at 3/31/2018	Due Within One Year
Compensated Absences Liability	\$ 549,198	\$ 67,419	\$ (91,224)	\$ 525,393	\$ 38,879



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**NOTE 9: LONG-TERM OBLIGATIONS**

Changes in the Authority's long-term obligations during fiscal year 2018 are as follows:

<b>General Long-Term Obligations</b>					
	Balance at 3/31/2017	Additions	Deletions	Balance at 3/31/2018	Due Within One Year
<b><u>Primary Government</u></b>					
Long-Term Debt:					
Fifth Third - Equipment Lease	\$ 1,889,241	\$ 0	\$ (1,889,241)	\$ 0	\$ 0
Ohio Housing Finance Agency					
Serial Bonds 2007A	5,053,135	0	(5,053,135)	0	400,000
Serial Bonds 2018A	0	4,498,675	0	4,498,675	0
HUD CF Repayment	0	2,039,507	0	2,039,507	203,998
Other Non-Current Liabilities	742,830	0	(525,576)	217,254	0
Net Pension Liability	8,207,461	0	(2,941,293)	5,266,168	0
<b>Total Primary Government</b>	<b>\$ 15,892,667</b>	<b>\$ 6,538,182</b>	<b>\$ (10,409,245)</b>	<b>\$ 12,021,604</b>	<b>\$ 603,998</b>
<b><u>Component Units</u></b>					
Alliance Senior Tower, LLC	\$ 2,111,359	\$ 0	\$ (178,184)	\$ 1,933,175	\$ 31,323
Hunter House, LLC	2,774,189	50,000	(242,283)	2,581,906	0
<b>Total Component Units</b>	<b>\$ 4,885,548</b>	<b>\$ 50,000</b>	<b>\$ (420,467)</b>	<b>\$ 4,515,081</b>	<b>\$ 31,323</b>

The Authority was obligated on the following notes as of March 31, 2018:

	2018
<b><u>Fifth Third Bank</u></b>	
<b>Serial Bond 2018A - Bond</b> dated March 13, 2018; due April 2027, funding by a bond issue in the principal amount of \$22,585,000, of which the Authority's share is \$4,390,000. Payments are due semi-annually beginning April 1, 2018, totaling approximately \$500,000 annually. This series replaces Serial Bond 2007A with a lower fixed interest rate between 3.00% and 4.00%. The bond is repaid from the Capital Fund Program and was issued to provide major renovations at three high-rise buildings: W.L. Hart Apartments, Plaza Apartments, and Lincoln Apartments. Premium on the bond of \$108,675 was added to the debt and is being amortized over the life of the bond.	\$ 4,498,675
<b><u>HUD Capital Fund Repayment</u></b>	
The Authority entered into the repayment agreement on September 28, 2017 for \$3,789,507 as a result of ineligible expenditures in the Capital Fund Program for grants years 2005-2012. An initial payment of \$1,750,000 was paid with the remaining balance, \$2,039,507 paid in 10 equal annual installments. Payments will be made through a reduction in the annual Capital Fund Program starting with the 2017 Capital Grant year.	2,039,507
<b>Total</b>	<b>\$ 6,538,182</b>

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NOTE 9: **LONG-TERM OBLIGATIONS** (Continued)

Total payments including interest necessary over the next five years for the primary government on the above notes are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 614,867	\$ 73,942	\$ 688,809
2020	599,867	127,575	727,442
2021	609,867	115,875	725,742
2022	624,867	103,800	728,667
2023	639,867	91,275	731,142
Thereafter	3,448,847	204,850	3,653,697
Total	<u>\$ 6,538,182</u>	<u>\$ 717,317</u>	<u>\$ 7,255,499</u>

Debt schedule for component units is as follows:

**Alliance Senior Tower LLC**

First Mortgage - Principal Amount \$922,900 - Interest Rate of 1.0%	\$ 663,552
2nd Mortgage - Payable to HUD - Interest Rate of 1.0%	925,709
3rd Mortgage - Payable to HUD - Interest Rate of 1.0%	143,914
Notes Payable Affiliates	200,000

**Hunter House PSH, LLC**

OHFA Loan	1,286,114
HDAP Loan	1,100,000
Home Loan: Stark County	83,792
Home Loan: City of Canton	62,000
Managing Member	50,000
<b>Total</b>	<u>\$ 4,515,081</u>

Amortization of the debt was not available.

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**NOTE 10: CONDENSED FINANCIAL STATEMENT INFORMATION - COMPONENT UNITS**

	<u>FYE 12/2017</u>	<u>FYE 12/2017</u>	<u>FYE 3/2018</u>	
	Washington Area Housing, LLC	Hunter House PSH, LLC	Alliance Senior Tower, LLC	Total
<b><u>Balance Sheet</u></b>				
Current and Other Assets	\$ 0	\$ 212,885	\$ 722,733	\$ 935,618
Capital Assets	0	5,606,498	1,965,044	7,571,542
Current Liabilities	0	(773,391)	(207,665)	(981,056)
Non-Current Liabilities	0	(2,579,337)	(1,904,421)	(4,483,758)
<b>Net Position</b>	<b>\$ 0</b>	<b>\$ 2,466,655</b>	<b>\$ 575,691</b>	<b>\$ 3,042,346</b>
<b><u>Revenues, Expenses, and Changes in Equity</u></b>				
Total Revenues	\$ 289,683	\$ 622,085	\$ 839,215	\$ 1,750,983
Total Expenses and Transfers	(178,016)	(770,953)	(683,734)	(1,632,703)
Excess Revenue Over Expenses	111,667	(148,868)	155,481	118,280
Transfers Out	(443,748)	0	0	(443,748)
Beginning Net Position	332,081	2,615,523	420,210	3,367,814
<b>Ending Net Position</b>	<b>\$ 0</b>	<b>\$ 2,466,655</b>	<b>\$ 575,691</b>	<b>\$ 3,042,346</b>

**NOTE 11: CONTINGENCIES**

**Litigations and Claims**

In normal course of operations, the Authority may be subjected to litigation and claims. At March 31, 2018, the Authority is involved in several matters. While the outcome of these matters cannot presently be determined, management believes that the ultimate resolution will not have a material effect on financial statements.

**NOTE 12: RESTRICTED NET POSITION**

For the fiscal year ended March 31, 2018, the Authority had \$11,509 HAP reserve for the Section 8 Program, which was reported as restricted net pension.

**NOTE 13: EXTRAORDINARY ITEM**

During the fiscal year ended March 31, 2018, Fifth Third Bank cancelled debt in the amount of \$1,889,242 that was owed by the Authority. The note was issued for the purpose of making energy efficient improvements to the Canton Senior Center project. Payments had been suspended since January 2013.

As a result of the debt cancellation, the note balance was removed from the general ledger and an extraordinary item was recognized in the amount of \$1,889,242.

**STARK METROPOLITAN HOUSING AUTHORITY**  
**STARK COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED MARCH 31, 2018**  
**(CONTINUED)**

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**NOTE 14: TRANSFER TO PRIMARY GOVERNMENT**

The Washington Area Housing Agency, LLC property was sold during the period ending March 31, 2018. The remaining cash in this entity was transferred to the Authority as it was the only member in this Corporation. The amount of this transfer was \$443,748.

**NOTE 15: PRIOR PERIOD ADJUSTMENT**

On March 29, 2017, the Authority entered into a Repayment Agreement with HUD to settle an Office of Inspector General audit report for the fiscal periods 2005 to 2012. The amount owed to HUD was \$3,789,507, but was reduced by \$1,750,000 in funds received from the sale of the Metro Center, which was purchased with HUD funds. This agreement is for reimbursement of capital grant funds paid by HUD. The balance due HUD at March 31, 2018 is \$2,039,507. In addition, an adjustment of \$50,000 was necessary to reflect a payment to HUD's Homeownership Program that was not previously recorded.

**NOTE 16: HUD REPAYMENT AGREEMENTS**

During the fiscal year, the Authority entered into two repayment agreements with the U.S. Department of Housing and Urban Development (HUD). Note 15 discusses the repayment agreement of capital grant funds. The other repayment agreement is for operating funds and is in the amount of \$6,793,413. The agreement obligates the Authority to make 38 annual payments of \$178,744 from non-federal funds to reimburse the Low-Rent Public Housing Program. This interprogram transaction is eliminated on the Authority's financial statements.

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

<b>Traditional Plan</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Authority's Proportion of the Net Pension Liability	0.033568%	0.036143%	0.037071%	0.035394%	0.035394%
Authority's Proportionate Share of the Net Pension Liability	\$ 5,266,168	\$ 8,207,461	\$ 6,421,164	\$ 4,268,911	\$ 4,172,491
Authority's Covered-Employee Payroll	\$ 4,583,625	\$ 4,634,450	\$ 4,355,925	\$ 4,484,225	\$ 4,062,138
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	114.89%	177.10%	147.41%	95.20%	102.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	77.25%	81.08%	86.45%	86.36%
<b>Combined Plan</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Authority's Proportion of the Net Pension (Asset)	0.044182%	0.050612%	0.041660%	0.023007%	0.023007%
Authority's Proportionate Share of the Net Pension (Asset)	\$ (60,146)	\$ (28,169)	\$ (20,273)	\$ (8,858)	\$ (2,414)
Authority's Covered-Employee Payroll	\$ 191,900	\$ 152,308	\$ 143,150	\$ 147,367	\$ 133,500
Authority's Proportionate Share of the Net Pension (Asset) as a Percentage of its Covered Employee Payroll	31.34%	18.49%	14.16%	6.01%	1.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	116.55%	116.55%	116.90%	114.83%	104.33%

(1) - Information prior to 2014 is not available.

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Contractually Required Contributions</u>						
Traditional Plan	\$ 589,854	\$ 550,035	\$ 556,134	\$ 522,711	\$ 538,107	\$ 528,078
Combined Plan	24,991	23,028	18,277	17,178	17,684	17,355
Total Required Contributions	614,845	573,063	574,411	539,889	555,791	545,433
Contributions in Relation to the Contractually Required Contribution	(614,845)	(573,063)	(574,411)	(539,889)	(555,791)	(545,433)
Contribution Deficiency / (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Authority's Covered-Employee Payroll</u>						
Traditional Plan	\$ 4,455,591	\$ 4,583,625	\$ 4,634,450	\$ 4,355,925	\$ 4,484,225	\$ 4,062,138
Combined Plan	\$ 181,742	\$ 191,900	\$ 152,308	\$ 143,150	\$ 147,367	\$ 133,500
<u>Pension Contributions as a Percentage of Covered-Employee Payroll</u>						
Traditional Plan	13.00%	12.00% *	12.00%	12.00%	12.00%	13.00%
Combined Plan	13.00%	12.00% *	12.00%	12.00%	12.00%	13.00%

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

\* Contribution rate increased to 14.00% as of January 1, 2018.

**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED MARCH 31, 2018**

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*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for fiscal years 2014-2018.

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

**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
ENTITY WIDE BALANCE SHEET SUMMARY  
MARCH 31, 2018**

	Project Total	State/Local	Component Unit - Discretely Presented	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	14,239 HOME Investment Partnerships Program	14,267 Continuum of Care Program	14,871 Housing Choice Vouchers	14,856 Lower Income Housing Assistance Program, Section 8, Moderate	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	2,662,560	71,930	258,185	84,008	13,819	106,480	27,053	51,205	1,637,765	4,913,005	-	4,913,005
112 Cash - Restricted - Modernization and Development	348,691	-	-	-	-	-	-	-	-	348,691	-	348,691
113 Cash - Other Restricted	66,131	-	595,051	-	-	-	11,509	-	-	672,691	-	672,691
114 Cash - Tenant Security Deposits	404,339	2,953	30,648	-	-	-	-	-	-	437,940	-	437,940
<b>100 Total Cash</b>	<b>3,481,721</b>	<b>74,883</b>	<b>883,884</b>	<b>84,008</b>	<b>13,819</b>	<b>106,480</b>	<b>38,562</b>	<b>51,205</b>	<b>1,637,765</b>	<b>6,372,327</b>	<b>-</b>	<b>6,372,327</b>
122 Accounts Receivable - HUD Other Projects	1,271,716	-	-	-	-	-	45,972	16,556	-	1,334,244	-	1,334,244
125 Accounts Receivable - Miscellaneous	261,040	21,060	22,215	-	-	-	-	75	1,019,562	1,323,952	-369,198	954,754
126 Accounts Receivable - Tenants	131,838	2,658	2,761	-	-	-	-	-	-	137,257	-	137,257
126.1 Allowance for Doubtful Accounts - Tenants	-55,757	-181	-1,274	-	-	-	-	-	-	-57,212	-	-57,212
127 Notes, Loans, & Mortgages Receivable - Current	203,764	-	-	-	-	-	-	-	-	203,764	-178,774	24,990
128 Fraud Recovery	-	-	-	-	-	-	23,747	135	-	23,882	-	23,882
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-	-9,844	-135	-	-9,979	-	-9,979
<b>120 Total Receivables, Net of Allowances for Doubtful Accounts</b>	<b>1,812,601</b>	<b>23,537</b>	<b>23,702</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>59,875</b>	<b>16,631</b>	<b>1,019,562</b>	<b>2,955,908</b>	<b>-547,972</b>	<b>2,407,936</b>
142 Prepaid Expenses and Other Assets	-	-	28,032	-	-	-	4,680	-	16,400	49,112	-	49,112
143 Inventories	454,719	-	-	-	-	-	-	-	-	454,719	-	454,719
143.1 Allowance for Obsolete Inventories	-107,651	-	-	-	-	-	-	-	-	-107,651	-	-107,651
144 Inter Program Due From	-	-	-	-	-	-	-	22,299	75,464	97,763	-97,763	-
<b>150 Total Current Assets</b>	<b>5,641,390</b>	<b>98,420</b>	<b>935,618</b>	<b>84,008</b>	<b>13,819</b>	<b>106,480</b>	<b>103,117</b>	<b>90,135</b>	<b>2,749,191</b>	<b>9,822,178</b>	<b>-645,735</b>	<b>9,176,443</b>
161 Land	12,293,459	-	58,401	-	-	-	-	-	508,213	12,860,073	-	12,860,073
162 Buildings	1,474,876,700	931,152	9,117,948	-	-	-	-	-	2,138,498	1,591,675,268	-	1,591,675,268
163 Furniture, Equipment & Machinery - Dwellings	3,102,500	-	196,447	-	-	-	-	-	-	3,298,947	-	3,298,947
164 Furniture, Equipment & Machinery - Administration	1,110,078	-	13,800	-	-	-	-	-	1,237,824	2,361,702	-	2,361,702
166 Accumulated Depreciation	-123,653,386	-372,461	-1,815,054	-	-	-	-	-	-2,342,894	-128,183,795	-	-128,183,795
167 Construction in Progress	5,561,979	-	-	-	-	-	-	-	-	5,561,979	-	5,561,979
<b>160 Total Capital Assets, Net of Accumulated Depreciation</b>	<b>45,902,300</b>	<b>558,691</b>	<b>7,571,542</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,541,641</b>	<b>55,574,174</b>	<b>-</b>	<b>55,574,174</b>
171 Notes, Loans and Mortgages Receivable - Non-Current	6,435,865	-	-	-	-	-	-	-	247,431	6,683,296	-6,435,865	247,431
174 Other Assets	36,727	-	-	-	-	-	2,715	299	20,405	60,146	-	60,146
<b>180 Total Non-Current Assets</b>	<b>52,374,892</b>	<b>558,691</b>	<b>7,571,542</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,715</b>	<b>299</b>	<b>1,809,477</b>	<b>62,317,616</b>	<b>-6,435,865</b>	<b>55,881,751</b>
200 Deferred Outflow of Resources	493,548	-	-	-	-	-	36,492	4,011	274,208	808,259	-	808,259
<b>290 Total Assets and Deferred Outflow of Resources</b>	<b>58,509,830</b>	<b>657,111</b>	<b>8,507,160</b>	<b>84,008</b>	<b>13,819</b>	<b>106,480</b>	<b>142,324</b>	<b>94,445</b>	<b>4,832,876</b>	<b>72,948,053</b>	<b>-7,081,600</b>	<b>65,866,453</b>



**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
ENTITY WIDE BALANCE SHEET SUMMARY  
MARCH 31, 2018**

	Project Total	State/Local	Component Unit - Discretely Presented	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	14,239 HOME Investment Partnerships Program	14,267 Continuum of Care Program	14,871 Housing Choice Vouchers	14,856 Lower Income Housing Assistance Program - Section 8/Moderate	COCC	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	521,883	3,720	35,057	1,018	-	-	563	31	159,850	722,102	-	722,102
313 Accounts Payable >90 Days Past Due	-	-	-	-	-	-	-	25	-	25	-	25
321 Accrued Wage/Payroll Taxes Payable	70,138	-	-	42	-	830	4,779	583	134,127	210,499	-	210,499
322 Accrued Compensated Absences - Current Portion	27,059	-	-	-	-	-	2,497	-	9,325	38,881	-	38,881
325 Accrued Interest Payable	7,266	-	149,054	-	-	-	-	-	156,320	156,320	-	156,320
331 Accounts Payable - HUD PHA Programs	203,998	-	-	2,203	-	-	-	39,011	50,000	295,212	-	295,212
333 Accounts Payable - Other Government	211,781	-	-	-	-	-	-	-	-	211,781	-	211,781
341 Tenant Security Deposits	404,339	2,953	30,648	-	-	-	-	-	-	437,940	-	437,940
342 Unearned Revenue	83,332	387	6,022	-	-	46,847	145	-	-	136,733	-	136,733
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	400,000	-	31,323	-	-	-	-	-	-	431,323	-	431,323
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-	-	-	178,774	178,774	-178,774	-
345 Other Current Liabilities	688,442	-	728,972	-	-	-	-	-	26,569	1,443,983	-369,198	1,074,785
346 Accrued Liabilities - Other	-	-	-	-	-	25	291	-	-	316	-	316
347 Inter Program - Due To	-	-	-	-	-	-	75,464	22,299	-	97,763	-97,763	-
<b>310 Total Current Liabilities</b>	<b>2,618,238</b>	<b>7,060</b>	<b>981,056</b>	<b>3,263</b>	<b>-</b>	<b>47,702</b>	<b>83,739</b>	<b>61,949</b>	<b>558,645</b>	<b>4,361,652</b>	<b>-645,735</b>	<b>3,715,917</b>
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	4,098,675	-	4,483,758	-	-	-	-	-	-	8,582,433	-	8,582,433
353 Non-current Liabilities - Other	1,856,096	-	-	-	-	-	-	-	6,652,532	8,488,628	-6,435,865	2,052,763
354 Accrued Compensated Absences - Non Current	338,577	-	-	-	-	-	31,248	-	116,687	486,512	-	486,512
357 Accrued Pension and OPEB Liabilities	3,215,684	-	-	-	-	-	237,752	26,140	1,786,592	5,266,168	-	5,266,168
<b>350 Total Non-Current Liabilities</b>	<b>9,489,032</b>	<b>-</b>	<b>4,483,758</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>269,000</b>	<b>26,140</b>	<b>8,555,811</b>	<b>22,823,741</b>	<b>-6,435,865</b>	<b>16,387,876</b>
<b>300 Total Liabilities</b>	<b>12,107,270</b>	<b>7,060</b>	<b>5,464,814</b>	<b>3,263</b>	<b>-</b>	<b>47,702</b>	<b>352,739</b>	<b>88,089</b>	<b>9,114,456</b>	<b>27,185,393</b>	<b>-7,081,600</b>	<b>20,103,793</b>
400 Deferred Inflow of Resources	964,461	-	-	-	-	-	71,308	7,840	535,840	1,579,449	-	1,579,449
508.4 Net Investment in Capital Assets	41,403,625	558,691	3,059,030	-	-	-	-	-	1,541,641	46,562,987	-	46,562,987
511.4 Restricted Net Position	-	-	-	-	-	-	11,509	-	-	11,509	-	11,509
512.4 Unrestricted Net Position	4,084,474	91,360	-16,684	80,745	13,819	58,778	-293,232	-1,484	-6,359,061	-2,391,285	-	-2,391,285
<b>513 Total Equity - Net Assets / Position</b>	<b>45,438,099</b>	<b>650,051</b>	<b>3,042,346</b>	<b>80,745</b>	<b>13,819</b>	<b>58,778</b>	<b>-281,723</b>	<b>-1,484</b>	<b>-4,817,420</b>	<b>44,183,211</b>	<b>-</b>	<b>44,183,211</b>
<b>600 Total Liabilities, Deferred Inflow of Resources, and Equity - Net</b>	<b>58,509,830</b>	<b>657,111</b>	<b>8,507,160</b>	<b>84,008</b>	<b>13,819</b>	<b>106,480</b>	<b>142,324</b>	<b>94,445</b>	<b>4,852,876</b>	<b>72,948,053</b>	<b>-7,081,600</b>	<b>65,866,453</b>

**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
MARCH 31, 2018**

	Project Total	State/Local	Component Unit - Discretely Presented	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	14.239 HOME Investment Partnerships Program	14.267 Continuum of Care Program	14.871 Housing Choice Vouchers	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	5,407,914	37,253	1,032,493	-	-	-	-	-	-	6,477,660	-	6,477,660
70400 Tenant Revenue - Other	251,756	1,452	8,407	-	-	-	-	-	-	261,615	-	261,615
<b>70500 Total Tenant Revenue</b>	<b>5,659,670</b>	<b>38,705</b>	<b>1,040,900</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,739,275</b>	<b>-</b>	<b>6,739,275</b>
70600 HUD PHA Operating Grants	10,553,936	-	-	104,284	-	558,977	8,205,084	424,277	-	19,846,548	-	19,846,548
70610 Capital Grants	1,448,297	-	-	-	-	-	-	-	-	1,448,297	-	1,448,297
70710 Management Fee	-	-	-	-	-	-	-	-	2,149,346	2,149,346	-2,149,346	-
70720 Asset Management Fee	-	-	-	-	-	-	-	-	151,178	151,178	-151,178	-
70730 Book Keeping Fee	-	-	-	-	-	-	-	-	377,061	377,061	-377,061	-
70740 Front Line Service Fee	-	-	-	-	-	-	-	-	654,314	654,314	-654,314	-
70750 Other Fees	-	-	-	-	-	-	-	-	84,924	84,924	-	84,924
<b>70700 Total Fee Revenue</b>	<b>18,024,328</b>	<b>88,936</b>	<b>1,428,114</b>	<b>104,284</b>	<b>60,288</b>	<b>559,457</b>	<b>8,227,435</b>	<b>424,966</b>	<b>3,416,823</b>	<b>32,738,229</b>	<b>-3,331,899</b>	<b>29,406,330</b>
70800 Other Government Grants	-	46,983	90,582	-	60,288	-	-	-	-	197,853	-	197,853
71100 Investment Income - Unrestricted	26,082	-	426	-	-	-	1	-	21,698	48,207	-	48,207
71400 Fraud Recovery	-	-	-	-	-	480	11,710	356	-	12,546	-	12,546
71500 Other Revenue	336,353	248	178,215	-	-	-	10,640	333	384,900	910,689	-	910,689
71600 Gain or Loss on Sale of Capital Assets	-	-	117,991	-	-	-	-	-	-	117,991	-	117,991
<b>70000 Total Revenue</b>	<b>18,024,328</b>	<b>88,936</b>	<b>1,428,114</b>	<b>104,284</b>	<b>60,288</b>	<b>559,457</b>	<b>8,227,435</b>	<b>424,966</b>	<b>3,823,421</b>	<b>32,738,229</b>	<b>-3,331,899</b>	<b>29,406,330</b>
91100 Administrative Salaries	909,611	-	119,197	1,905	7,473	35,521	208,748	25,664	1,448,273	2,756,392	-	2,756,392
91200 Auditing Fees	15,438	91	13,360	218	73	589	9,018	539	1,471	40,797	-	40,797
91300 Management Fee	1,930,557	-	67,531	-	-	-	151,258	-	-	2,149,346	-2,149,346	-
91310 Book-keeping Fee	220,581	-	2,811	2,918	923	8,790	133,680	7,358	-	377,061	-377,061	-
91400 Advertising and Marketing	-	791	-	-	-	-	-	-	-	791	-	791
91500 Employee Benefit contributions - Administrative	531,054	-	3,124	589	2,281	11,079	152,196	15,661	693,806	1,409,790	-	1,409,790
91600 Office Expenses	230,035	8,390	39,093	60	-	284	29,585	6,449	138,856	452,752	-	452,752
91700 Legal Expense	134,268	115	7,568	-	-	-	3,858	274	16,450	162,533	-92,925	69,608
91800 Travel	14,985	-	4,352	-	-	2,122	-	-	2,227	23,686	-	23,686
91900 Other	463,332	26,477	125,354	84	2,171	3,924	48,823	2,653	234,861	907,679	-53,023	854,656
<b>91000 Total Operating - Administrative</b>	<b>4,449,861</b>	<b>35,864</b>	<b>382,390</b>	<b>5,774</b>	<b>12,921</b>	<b>62,309</b>	<b>737,166</b>	<b>58,598</b>	<b>2,535,944</b>	<b>8,280,827</b>	<b>-2,672,355</b>	<b>5,608,472</b>
92000 Asset Management Fee	151,178	-	-	-	-	-	-	-	-	151,178	-151,178	-
92100 Tenant Services - Salaries	113,073	-	-	-	-	-	-	-	15,385	128,458	-	128,458
92300 Employee Benefit Contributions - Tenant Services	50,139	-	-	-	-	-	-	-	5,804	55,943	-	55,943
92400 Tenant Services - Other	-33,205	188	55,294	-	-	-	-	-	53,927	76,204	-21,737	54,467
<b>92500 Total Tenant Services</b>	<b>130,007</b>	<b>188</b>	<b>55,294</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,116</b>	<b>260,605</b>	<b>-21,737</b>	<b>238,868</b>

**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
FOR THE FISCAL YEAR ENDED MARCH 31, 2018**

	Project Total	State/Local	Component Unit - Discretely Presented	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	14,239 HOME Investment Partnerships Program	14,267 Continuum of Care Program	14,871 Housing Choice Vouchers	14,856 Lower Income Housing Assistance Program_Section 8 Moderate	COCC	Subtotal	ELIM	Total
93100 Water	592,809	8,003	36,720	-	-	-	427	-	2,059	640,018	-	640,018
93200 Electricity	1,020,048	1,607	140,940	-	-	-	8,114	534	34,662	1,205,905	-	1,205,905
93300 Gas	1,059,533	6,324	28,697	-	-	-	1,147	-	4,624	1,100,325	-	1,100,325
93600 Sewer	647,063	3,992	18,960	-	-	-	115	-	502	670,622	-	670,622
<b>93000 Total Utilities</b>	<b>3,319,443</b>	<b>19,926</b>	<b>225,317</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,803</b>	<b>534</b>	<b>41,817</b>	<b>3,616,870</b>	<b>-</b>	<b>3,616,870</b>
94100 Ordinary Maintenance and Operations - Labor	1,757,595	1,875	3,205	-	-	-	-	-	268,717	2,031,392	-	2,031,392
94200 Ordinary Maintenance and Operations - Materials and Other	832,662	3,998	23,593	-	-	-	517	-	23,309	884,079	-	884,079
94300 Ordinary Maintenance and Operations Contracts	2,696,924	29,916	182,974	-	-	-	419	-	77,236	2,987,469	-486,629	2,500,840
94500 Employee Benefit Contributions - Ordinary Maintenance	944,506	-	14,641	-	-	-	-	-	124,182	1,083,329	-	1,083,329
<b>94000 Total Maintenance</b>	<b>6,231,687</b>	<b>35,789</b>	<b>224,413</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>936</b>	<b>-</b>	<b>493,444</b>	<b>6,986,269</b>	<b>-486,629</b>	<b>6,499,640</b>
95100 Protective Services - Labor	186,270	-	-	-	-	-	9,256	-	-	195,526	-	195,526
95200 Protective Services - Other Contract Costs	102,497	-	98,117	-	-	-	-	-	37,019	237,633	-	237,633
95300 Protective Services - Other	7,512	-	10,756	-	-	-	-	-	480	18,748	-	18,748
95500 Employee Benefit Contributions - Protective Services	82,157	-	-	-	-	-	-	-	-	82,157	-	82,157
<b>95000 Total Protective Services</b>	<b>378,436</b>	<b>-</b>	<b>108,873</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,256</b>	<b>-</b>	<b>37,499</b>	<b>534,064</b>	<b>-</b>	<b>534,064</b>
96110 Property Insurance	391,778	4,985	47,982	-	-	-	-	-	3,306	448,051	-	448,051
96120 Liability Insurance	145,229	893	5,418	-	-	-	12,863	-	-	162,403	-	162,403
96130 Workmen's Compensation	36,181	-	23,696	4	-	428	2,521	3	21,252	84,085	-	84,085
96140 All Other Insurance	32,750	-	5,719	1	-	-	9,190	15	8,259	55,934	-	55,934
<b>96100 Total Insurance Premiums</b>	<b>603,938</b>	<b>5,878</b>	<b>82,815</b>	<b>5</b>	<b>-</b>	<b>428</b>	<b>24,574</b>	<b>18</b>	<b>32,817</b>	<b>750,473</b>	<b>-</b>	<b>750,473</b>
96200 Other General Expenses	531,007	27	74,680	743	57,322	2,202	4,375	-	13,289	683,645	-	683,645
96230 Compensated Absences	41,363	-	-	-	-	332	5,537	731	43,261	91,224	-	91,224
96300 Payments in Lieu of Taxes	197,584	-	42	-	-	-	-	-	-	197,626	-	197,626
96400 Bad debt - Tenant Rents	143,585	3,342	22,867	-	-	-	-	-	-	169,794	-	169,794
<b>96000 Total Other General Expenses</b>	<b>913,539</b>	<b>3,369</b>	<b>97,589</b>	<b>743</b>	<b>57,322</b>	<b>2,534</b>	<b>9,912</b>	<b>731</b>	<b>56,550</b>	<b>1,142,289</b>	<b>-</b>	<b>1,142,289</b>
96710 Interest of Mortgage (or Bonds) Payable	235,752	-	121,877	-	-	-	-	-	-	357,629	-	357,629
<b>96700 Total Interest Expense and Amortization Cost</b>	<b>235,752</b>	<b>-</b>	<b>121,877</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>357,629</b>	<b>-</b>	<b>357,629</b>
<b>96900 Total Operating Expenses</b>	<b>16,413,841</b>	<b>101,014</b>	<b>1,298,568</b>	<b>6,522</b>	<b>70,243</b>	<b>65,271</b>	<b>791,647</b>	<b>59,881</b>	<b>3,273,217</b>	<b>22,080,204</b>	<b>-3,331,899</b>	<b>18,748,305</b>

**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
ENTITY WIDE REVENUE AND EXPENSE SUMMARY  
FOR THE FISCAL YEAR ENDED MARCH 31, 2018**

	Project Total	State/Local	Component Unit - Discretely Presented	14,249 Section 8 Moderate Rehabilitation Single Room Occupancy	14,239 HOME Investment Partnerships Program	14,267 Continuum of Care Program	14,871 Housing Choice Vouchers	14,856 Lower Income Housing Assistance Program, Section 8 Moderate	COCC	Subtotal	ELIM	Total
<b>97000 Excess of Operating Revenue over Operating Expenses</b>	1,610,487	-15,078	129,546	97,762	-9,955	494,186	7,435,788	365,085	550,204	10,658,025	-	10,658,025
97200 Casualty Losses - Non-capitalized	104,190	-	-	-	-	-	-	-	-	104,190	-	104,190
97300 Housing Assistance Payments	-	-	-	81,121	-	487,996	7,472,765	366,479	-	8,408,361	-	8,408,361
97400 Depreciation Expense	3,099,190	46,558	334,135	-	-	-	-	-	95,425	3,575,308	-	3,575,308
<b>90000 Total Expenses</b>	19,617,221	147,572	1,632,703	87,643	70,243	553,267	8,264,412	426,360	3,368,642	34,168,063	-3,331,899	30,836,164
10010 Operating Transfer In	922,993	-	-	-	-	15,227	-	-	443,748	1,381,968	-938,220	443,748
10020 Operating transfer Out	-922,993	-	-443,748	-	-	-15,227	-	-	-	-1,381,968	938,220	-443,748
10070 Extraordinary Items, Net Gain/Loss	-	-	-	-	-	-	-	-	1,889,242	1,889,242	-	1,889,242
10080 Special Items (Net Gain/Loss)	-	-	322,869	-	-	-	-	-	-	322,869	-	322,869
<b>10100 Total Other financing Sources (Uses)</b>	-	-	-120,879	-	-	-	-	-	2,332,990	2,212,111	-	2,212,111
<b>10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses</b>	-1,592,893	-61,656	-325,468	16,641	-9,955	6,190	-36,977	-1,394	2,787,769	782,277	-	782,277
11030 Beginning Equity	46,316,970	711,687	3,367,814	64,104	23,774	52,588	-252,871	-90	-3,043,555	47,240,441	-	47,240,441
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	714,022	-	-	-	-	-	8,125	-	-4,561,654	-3,839,507	-	-3,839,507
11170 Administrative Fee Equity	-	-	-	-	-	-	-293,232	-	-	-293,232	-	-293,232
11180 Housing Assistance Payments Equity	-	-	-	-	-	-	11,509	-	-	11,509	-	11,509

**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2018**

<b>Federal Grantor</b> <i>Pass Through Grantor/ Program/Title</i>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
<i><u>Direct Programs</u></i>		
Public and Indian Housing	14.850	\$ 9,013,446
<i><u>Section 8 Project Based Cluster</u></i>		
Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	104,284
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	424,277
Total Section 8 Project Based Cluster		<u>528,561</u>
<i><u>Housing Voucher Cluster</u></i>		
Section 8 Housing Choice Vouchers	14.871	8,205,084
Total Housing Voucher Cluster		<u>8,205,084</u>
Public Housing Capital Fund	14.872	<u>2,988,777</u>
Continuum of Care Program	14.267	<u>558,977</u>
<i>Total Direct Programs</i>		<u>21,294,845</u>
<i><u>Pass Through Programs</u></i>		
<i><u>Passed through Stark County</u></i>		
HOME Investement Partnerships Program	14.239	60,288
<i>Total Passed through Stark County</i>		<u>60,288</u>
<i><u>Passed through City of Canton</u></i>		
<i><u>CDBG - Entitlement Grants Cluster</u></i>		
Community Development Block Grant/Entitlement Grants	14.218	46,983
Total CDBG - Entitlement Grants Cluster		<u>46,983</u>
<i>Total Passed through City of Canton</i>		<u>46,983</u>
<i>Total Pass Through Programs</i>		<u>107,271</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>21,402,116</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 21,402,116</u>

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

**STARK METROPOLITAN HOUSING AUTHORITY**  
**STARK COUNTY, OHIO**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED MARCH 31, 2018**

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**NOTE 1: PRESENTATION**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) includes the federal award activity of the Stark Metropolitan Housing Authority under programs of the federal government for the year ended March 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Stark Metropolitan Housing Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Stark Metropolitan Housing Authority.

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

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business in amounts reported as expenditures in prior years.

**NOTE 3: INDIRECT COST RATE**

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

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

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

Board of Directors  
Stark Metropolitan Housing Authority  
Canton, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban Development

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Stark Metropolitan Housing Authority, Ohio, (Housing Authority) as of and for the fiscal year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Stark Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated October 1, 2018.

Our report includes a reference to other auditors who audited the financial statements of Hunter House PSH, LLC, as described in our report on the Housing Authority's financial statements. The financial statements of Hunter House PSH, LLC were not audited in accordance with *Government Auditing Standards*.

***Internal Control Over Financial Reporting***

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

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

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

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

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

### ***Purpose of this Report***

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

**James G. Zupka, CPA,**  
**President**

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

Digitally signed by James G. Zupka, CPA, President  
DN: cn=James G. Zupka, CPA, President, o=James G.  
Zupka, CPA, Inc., ou=Accounting,  
email=jgz@jgzcpa.com, c=US  
Date: 2018.10.15 09:20:32 -04'00'

October 1, 2018



**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
5240 East 98<sup>th</sup> Street  
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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Stark Metropolitan Housing Authority  
Canton, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban Development

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

We have audited the Stark Metropolitan Housing Authority, Stark County, Ohio's (Housing Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Stark Metropolitan Housing Authority, Ohio's major federal programs for the year ended March 31, 2018. The Stark Metropolitan Housing Authority, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each of its major federal programs. However, our audit does not provide a legal determination of the Stark Metropolitan Housing Authority, Ohio's compliance.

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

In our opinion, the Stark Metropolitan Housing Authority, Ohio, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2018.

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

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

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

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

### ***Purpose of this Report***

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

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

Digitally signed by James G. Zupka, CPA, President  
DN: cn=James G. Zupka, CPA, President, o=James G.  
Zupka, CPA, Inc., ou=Accounting,  
email=jgz@jgzcpa.com, c=US  
Date: 2018.10.15 09:20:55 -04'00'

October 1, 2018

**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
MARCH 31, 2018**

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

2018(i) Type of Financial Statement Opinion	Unmodified
2018(ii) Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2018(ii) Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2018(iii) Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2018(iv) Were there any material internal control weaknesses reported for major federal programs?	No
2018(iv) Were there any significant deficiencies in internal control reported for major federal programs?	No
2018(v) Type of Major Programs' Compliance Opinion	Unmodified
2018(vi) Are there any reportable findings under 2 CFR 200.516(a)?	No
2018(vii) Major Programs (list):  Section 8 Housing Choice Vouchers - CFDA #14.871	
2018(viii) Dollar Threshold: Type A\B Programs	Type A: \$750,000 Type B: All Others
2018(ix) Low Risk Auditee?	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**STARK METROPOLITAN HOUSING AUTHORITY  
STARK COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
MARCH 31, 2018**

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The prior audit report, as of March 31, 2017, included no citations or instances of noncompliance. Management letter recommendations were corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



# Dave Yost • Auditor of State

**STARK COUNTY METROPOLITAN HOUSING AUTHORITY**

**STARK 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  
NOVEMBER 27, 2018**