PORTAGE METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

December 31, 2018

Together with Auditors' Report

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
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(800) 282-0370

Board of Directors
Portage County Metropolitan Housing Authority
2832 State Route 59
Ravenna, OH 44266

We have reviewed the *Independent Auditor's Report* of the Portage County Metropolitan Housing Authority, Portage County, prepared by Kevin L. Penn, Inc, for the audit period January 1, 2018 through December 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. The Portage County Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

July 10, 2019

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PORTAGE METROPOLITAN HOUSING AUTHORITY
RAVENNA, OHIO

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Portage Metropolitan Housing Authority
Ravenna, Ohio 44266

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of Portage Metropolitan Housing Authority, Portage County as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Portage Metropolitan Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Portage Metropolitan Housing Authority, Portage County, Ohio as of December 31, 2018, and the respective changes in financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, during 2018, the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. I did not modify my opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 31, 2019 on my consideration of the Portage Metropolitan Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Portage Metropolitan Housing Authority's internal control over financial reporting and compliance.

Kevin L. Penn, Inc.

May 31, 2019

This Management's Discussion and Analysis (MD&A) for the Portage Metropolitan Housing Authority (the Authority) is intended to assist the reader to identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify changes in the Authority's financial position. It is designed to focus on the financial activity for the calendar year ended December 31, 2018, resulting changes, and currently known facts. Please read it in conjunction with the financial statements found elsewhere in this report.

FINANCIAL HIGHLIGHTS

- During FY 2018, the Authority's net position increased by $484,000 (or 6%). The increase was mainly due from the adjustment from GASB 68. Net Position was $8,306,000 and $8,790,000 for FY 2017 and FY 2018 respectively.

- The revenue decreased by $1,162,000 (or 8%) during FY 2018, and was $15,356,000 and $14,194,000 for FY 2017 and FY 2018 respectively.

- The total expenses of the Authority decreased by $1,242,000 (or 8%). Total expenses were $14,953,000 and $13,711,000 for FY 2017 and FY 2018 respectively.

Overview in the Financial Statements

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

The Statement of Net Position is very similar to what most people would think of as a Balance Sheet. In the first half it reports the value of assets the Authority holds at December 31, 2018; that is, the cash the Authority has, the amounts that are owed the Authority from others, and the value of the equipment the Authority owns. The other half reports the Authority's liabilities; that is, what the Authority owes others at December 31, 2018, and what Net Position (equity) the Authority has at December 31, 2018. The two parts of the report are in balance and is why many might refer to this type of report as a balance sheet, in that the total of the assets part equals the total of the liabilities plus Net Position (or equity) part. In the statement, the Net Position is broken out into three broad categories:

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

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

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

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

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

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

The Authority's Business Type Fund

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

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

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

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

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

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

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

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

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

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

GASB 68 and GASB 75

The net pension liability (NPL) is the largest single liability reported by the Authority at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For calendar year 2018, the Authority adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pension costs (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability or net OPEB liability*.

GASB 68 and GASB 75 takes an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.

2. Minus plan assets available to pay these benefits.

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute.

The Ohio revised Code permits but does not require the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is for the administration of the plan pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability.

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

In accordance with GASB 68 and 75, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the Authority is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating the net position at December 31, 2017, from $8,332,496 to $8,306,314.

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

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

	2017-Restated	2018
Assets		
Current and Other Assets	$4,982,000	$4,944,000
Capital Assets	6,118,000	6,177,000
Total Assets	$11,100,000	$11,121,000
Liabilities		
Current Liabilities	$457,000	$721,000
Long-Term Liabilities	2,337,000	1,610,000
Total Liabilities	$2,794,000	$2,331,000
Net Position		
Net Investment in Capital Assets	$6,118,000	$6,177,000
Restricted Net Position	$362,000	291,000
Unrestricted Net Position	1,826,000	2,322,000
Total Net Position	8,306,000	8,790,000
Total Liabilities and Net Position	$11,100,000	$11,121,000

Major Factors Affecting the Statement of Net Position

The total net position increased 6% from year-end 2017 to year-end 2018. See the discussion in the next section of factors contributing to this change. During 2018, current and other assets decreased by $38,000 while current liabilities decreased by $264,000. Capital assets increased $59,000 reflecting capital fund increases.

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

Table 2 -Statement of Revenues, Expenses, and Changes in Net Position
(Values rounded to nearest Thousand)

	2017	2018
Revenues		
Tenant Revenues	$ 832,000	$ 768,000
HUD Operating Subsidies and Grants	13,604,000	12,370,000
Capital Grants	492,000	695,000
Non-Operating Revenue	24,000	68,000
Other Revenues	404,000	293,000
Total Revenues	$15,356,000	$14,194,000
Expenses		
Administrative	$ 2,589,000	$ 1,736,000
Tenant Services	63,000	56,000
Utilities	348,000	364,000
Maintenance and Operations	1,077,000	1,040,000
General	320,000	160,000
Housing Assistance Payments	9,991,000	9,808,000
Depreciation	565,000	547,000
Total Expenses	$ 14,953,000	$ 13,711,000
Net Increases (Decreases) in Net Position	$ 403,000	$ 483,000

For 2018, the Authority revenues decreased 8% and expenses decreased 8%. The Authority experienced decreases in HUD subsidies but experienced an increase in capital funding. The Authority experienced decreases in expenses because of GASB 68 and GASB 75.

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

Unrestricted Net Position12/31/2017 - Restated		$ 1,826,000
Results from Operations	483,000	
Adjustments:		
Depreciation(1)	547,000	
Adjusted Results from Operations		1,030,000
Decrease in Restricted Net Position		71,000
Capital Expenditures		(605,000)
Unrestricted Net Position 12/31/2018		$ 2,322,000
CHANGE OF RESTRICTED NET POSITION		
Restricted Net Position 12/31/2017		$ 362,000
Results of Operations		
HAP spent from reserves	(71,000)	
Adjusted Results from Operations		(71,000)
Restricted Net Position 12/31/2018		$ 291,000

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

The following is a condensed Statement of Changes in Capital Assets comparing balances in capital assets for 2017 and 2018.

Table 4 - Condensed Statement of Changes in Capital Assets

	2017	**2018**
Land and Land Rights	$ 1,623,000	$ 1,623,000
Building and Improvements	22,157,000	22,762,000
Equipment	546,000	518,000
Construction in Progress	0	0
Accumulated Depreciation	(18,208,000)	(18,726,000)
Total	$ 6,118,000	$ 6,177,000

Debt

The Authority has no debt outstanding at year end 2018.

Economic Factors

Significant economic factors affecting the Authority are as follows:

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

Contact the Authority

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

PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2018

ASSETS		
Current Assets		
Cash and Cash Equivalents - Unrestricted (Note 2)	$	3,332,363
Cash and Cash Equivalents - Restricted (Note 3)		319,351
Accounts Receivable, (Net of Allowance for Doubtful Accounts)		86,022
Inventory (Net of Allowance for obsolete)		83,252
Prepaid Expenses and Other Assets		164,406
Total Current Assets		3,985,394
Non-Current Assets		
Interest Receivable		22,392
Capital Assets: (Note 4)		
Non-Depreciable Capital Assets		1,623,261
Depreciation Capital Assets		4,553,590
Total Non-Current Assets		6,199,243
Deferred Outflow of Resources - Pension		936,205
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	$	11,120,842
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION		
Current Liabilities		
Accounts Payable	$	66,396
Accrued Wages/Payroll		87,904
Tenant Security Deposits		69,262
Accrued Compensated Absences - Current Portion		78,032
Unearned Revenue		12,136
Other Liabilities		56,604
Total Current Liabilities		370,334
Non-Current Liabilities		
Noncurrent Liabilities - Other		45,977
Accrued Pension		1,513,829
Accrued Compensated Absences, Net of Current Portion		50,561
Total Non-Current Liabilities		1,610,367
Total Liabilities	$	1,980,701
Deferred Inflow of Resources - Pension	$	350,578
Net Position		
Investment in Capital Assets	$	6,176,851
Restricted		290,409
Unrestricted		2,322,303
Total Net Position	$	8,789,563

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

PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

Operating Revenue:	
HUD Operating Subsidies and Grants	$ 12,370,922
Tenant Revenue	768,952
Other Revenue	297,335
Total Operating Revenue	13,437,209
Operating Expenses:	
Administrative Expense	1,854,982
Tenant Services	56,564
Utilities	364,103
Maintenance and Operations	1,040,202
General Expenses	40,486
Housing Assistance Payments	9,807,649
Depreciation Expense	547,144
Total Operating Expenses	13,711,130
Net Operating Income (Loss)	(273,921)
Non-Operating Revenues (Expenses)	
Interest Income	49,809
Gain(Loss) on Sale of Capital Assets	11,943
Total Non-Operating Revenues (Expenses)	61,752
Excess of Revenue Over(Under) Expenses before Capital Grants	(212,169)
Capital Grants	695,418
Change in Net Position	483,249
Net Position - Beginning of Year as Previously Stated	8,332,496
Prior Period Adjustment (See Note 13)	(26,182)
Net Position - Beginning of Year as Restated	8,306,314
Net Position - End of Year	$ 8,789,563

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

PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows From Operating Activities:	
Cash Received from HUD	$ 11,962,450
Cash Received from Tenant	768,952
Cash Received from Other Income	297,335
Cash Payments for Housing assistance payments	(9,807,649)
Cash Payments for Administrative	(2,202,972)
Cash Payments for Other Operating Expenses	(1,498,293)
Net Cash Provided (Used) by Operating Activities	(480,177)
Cash Flows From Capital and Related Financing Activities:	
Acquisition of Capital Assets	(605,541)
Gain(Loss) on Sale of Capital Assets	11,943
Capital Grant Funds Received	695,418
Net Cash Provided (Used) by Capital and Related Financing Activities	101,820
Cash Flows From Investing Activities:	
Interest Income	49,809
Net Cash Provided (Used) by Investing Activities	49,809
Increase (Decrease) in Cash and Cash Equivalents	(328,548)
Cash and Cash Equivalents - Beginning of Year	3,980,262
Cash and Cash Equivalents - End of Year	$ 3,651,714
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:	
Operating Income (Loss)	$ (273,921)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:	
Depreciation	547,144
(Increase) decrease in:	
Accounts Receivable	(16,359)
Notes Receivable	2,035
Interest Receivable	(13,532)
Inventory	(22,887)
Deferred Outflow of Resources - Pension	(243,885)
Prepaid Expenses	4,256
Increase (decrease) in:	
Accounts Payable	(79,213)
Accrued Wages/Payroll	11,609
Unearned Revenue	5,573
Compensated Absences	(5,389)
Other Liabilities	3,530
Accrued Pension	(753,627)
Deferred Inflow of Resources - Pension	337,221
Tenant Security Deposits	(539)
Noncurrent Liabilities - Other	17,807
Net Cash Provided (Used) by Operating Activities	$ (480,177)

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Portage Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

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

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

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

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

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

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

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

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

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

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

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

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

Measurement Focus/Basis of Accounting

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

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

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

Accounting and Reporting for Nonexchange Transactions

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

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

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

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

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

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

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

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

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

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

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

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

Net Position

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

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in calendar year 2018 totaled $49,809.

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less, and certificates of deposits regardless of original maturities.

Compensated Absences

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

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

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

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

Inventories
Inventories are stated at cost. The allowance for obsolete inventory was $2,000 at December 31, 2018.

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

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

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

NOTE 2: **DEPOSITS AND INVESTMENTS**

Deposits

At calendar year end, the carrying amount of the Authority's deposits were $3,651,714 and the bank balance was $3,679,640. Included in the carrying amount of deposits at December 31, 2018 is $75 in petty cash. Based on criteria described in GASB Statement No. 40, Deposits and Investments Risk Disclosures, as of December 31, 2018, $750,000 of the Authority's bank balance was covered by Federal Depository Insurance. The remainder was collateralized by securities pledged in the name of the Authority.

Custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Authority's Board. All deposits are collateralized with eligible securities in amounts equal to 105 percent of the carrying value of deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank, and pledged as a pool of collateral against the public deposits it holds, or as specific collateral held at the Federal Reserve bank in the name of the Authority.

Investments

The Authority has a formal investment policy; however the Authority's investments at December 31, 2018, were limited to certificates of deposit.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

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

Concentration of Credit Risk (Continued)

Cash and investments included in the Authority's cash position at December 31, 2018, are as follows:

Cash and Investment Type	Fair Value	Investment Maturities (in Years) <1
Carrying Amount of Deposits – Unrestricted	$3,332,363	$3,332,363
Carrying Amount of Deposits – Restricted	319,351	319,351
Totals	$3,651,714	$3,651,714

NOTE 3: **RESTRICTED CASH**

The restricted cash balance of $319,351 on the financial statements represents the following:

FSS Escrow Funds	$ 45,977
Sale of HUD Property	204,212
Tenant Security Deposits	69,162
Total Restricted Cash	$ 319,351

NOTE 4: **CAPITAL ASSETS**

A summary of capital assets at December 31, 2018, by class is as follows:

	12/31/2017	Reclasses	Additions	Disposals	12/31/2018
Capital Assets Not Being Depreciated					
Land	$1,623,261	$ 0	$ 0	$ 0	$ 1,623,261
Construction in Progress	0	0	0	0	0
Total Capital Assets Not Being Depreciated	1,623,261	0	0	0	1,623,261
Capital Assets Being Depreciated					
Buildings and Improvements	22,157,378		604,329		22,761,707
Furniture, Equipment, and Machinery-Administrative	546,059		9,334	(37,726)	517,667
Subtotal Capital Assets Being Depreciated	22,703,437	0	613,663	(37,726)	23,279,374
Accumulated Depreciation:					
Buildings and Improvements	(18,058,903)	0	(466,175)		(18,525,078)
Furniture, Equipment and Machinery-Administrative	(149,341)	0	(80,969)	29,604	(200,706)
Total Accumulated Depreciation	(18,208,244)	0	(547,144)	29,604	(18,725,784)
Depreciable Assets, Net	4,495,193	0	66,519	(8,122)	4,553,590
Total Capital Assets, Net	$ 6,118,454	$ 0	$ 66,519	$ (8,122)	$ 6,176,851

Depreciation is calculated using the straight line method with lives varying between 3 and 30 years. The depreciation expense for the year ended December 31, 2018 was $547,144.

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

For calendar year 2018, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective.

Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

Plan Description

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

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

All public employees, except those covered by another state retirement system in Ohio or the Cincinnati Retirement System, are required to become contributing members of OPERS when they begin public employment unless they are exempted or excluded as defined by the Ohio Revised Code. For actuarial purposes, employees who have earned sufficient service credit (60 contributing months) are entitled to a future benefit from OPERS. Employer, employee and retiree data as of December 31, 2018 can be found in the OPERS 2017 Comprehensive Annual Financial Report.

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

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

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

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

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

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

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

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

The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employee contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. At retirement, members may select one of several distribution options for payment of the vested balance of their individual OPERS accounts. Options include the purchase of a monthly annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vest account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

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

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

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

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

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

Contributions – The OPERS funding policy provides for periodic employee and employer contributions to all three plans (Traditional Pension, Combined and Member-Directed) at rates established by the Board of Trustees, subject to limits set in statute. The rates established for member and employer contributions were approved based upon the recommendations of the OPERS external actuary. All contribution rates were within the limits authorized by the Ohio Revised Code. Member and employer contribution rates, as a percent of covered payroll, were the same for each covered group across all three plans for the year ended December 31, 2018.

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

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

The employee and employer contribution rates are currently set at the maximums authorized by Ohio Revised Code of 10% and 14%, respectively. Based upon the recommendation of the OPERS external actuary, a portion of each employer's contributions to OPERS is set aside for the funding of post-employment health care coverage. The portion of Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 2.0% for calendar year 2018 The employer contribution as a percent of covered payroll deposited to the VEBA for participants in the Combined Plan for calendar year 2018 was 4.5%. The amount of contributions recognized by the OPERS from the Authority during calendar year 2018 was $210,534, which represented 100% of the Authority's required contribution.

Ohio Revised Code Chapter 145 assigned authority to the Board of Trustees to amend the funding policy. As of December 31, 2018, the Board of Trustees adopted the contribution rates that were recommended by the external actuary. The contribution rates were included in a new funding policy adopted by the Board of Trustees in October 2013, and are certified biennially by the Board of Trustees as required by the Ohio Revised Code.

As of December 31, 2018, the date of the last actuarial study, the funding period for all defined benefits of the OPERS was 21 years.

Net Pension Liability

The net pension liability was measured as of December 31, 2017, and the total pension liabilities were determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on both member and employer contributions to OPERS relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

Traditional Plan:

Proportionate Share of the Net Pension Liability	$1,485,973
Proportion of the Net Pension Liability	0.0094720%
Pension Expense	$ 319,035

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

Net Pension Liability (continued)

Combined Plan:

Proportionate Share of the Net Pension Liability	$ (377)
Proportion of the Net Pension Liability	0.0002770%
Pension Expense	$ 61

Actuarial Methods and Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requires of GASB 67. Key methods and assumptions used in the latest actuarial valuations are presented below:

Actuarial Information	Traditional Pension Plan	Combined Plan
Valuation Date	December 31, 2017	December 31, 2017
Experience Study	5 Year Period Ending December 31, 2015	5 Year Period Ending December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25-10.75% (includes wage inflation at 3.25%)	3.25–8.25% (includes wage inflation at 3.25%)
Cost-of-living Adjustments	Pre 1/7/2013 Retireees: 3.00% Simple Post 1/7/2013 Retireees: 3.00% Simple through 2018, then 2.15% Simple	Pre 1/7/2013 Retireees: 3.00% Simple Post 1/7/2013 Retireees: 3.00% Simple through 2018, then 2.15% Simple

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

Actuarial Methods and Assumptions (continued)

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension liability/(assets)			
Traditional Plan	$ 2,638,710	$ 1,485,973	$ 524,938
Contribution Plan	$ (205)	$ (377)	$ (496)

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

Actuarial Methods and Assumptions (continued)

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

Asset Class	Allocation	Real Rate of Return
Fixed Income	23.00%	2.75%
Domestic Equities	20.70%	6.34%
Real Estate	10.00%	4.75%
Private Equity	10.00%	8.97%
International Equities	18.30%	7.95%
Other Investments	18.00%	4.92%
Total	100%	5.66%

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

OPERS manages investments in four investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan, and the VEBA Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investment expense, for the Defined Benefit portfolio was .4% for 2017.

Average Remaining Service Life

GASB 68 requires that changes arising from differences between expected and actual experience or from changes in actuarial assumptions be recognized in pension expense over the average remaining service life of all employees provided with benefits through the pension plan (active and inactive). This is to consider these differences on a pooled basis, rather than an individual basis, to reflect the expected remaining service life of the entire pool of employees with the understanding that inactive employees have no remaining service period. As of December 31, 2017, the average of the expected remaining service lives of all employees calculated by our external actuaries for the Traditional Pension Plan was 3.1673 years and for the Combined Plan was 9.4080 years.

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

Deferred Inflows and Deferred Outflows

The deferred inflows and outflows reported in the Statement of Net Position do not include the layer of amortization that is recognized in current year pension expense and represents the balances of deferred amounts as of December 31, 2018. The table below discloses the original amounts of the deferred inflows and outflows, calculated by OPERS external actuaries, and the current year amortization on those amounts included in pension expense as of and for the year ended December 31, 2018.

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

Traditional Plan:

Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 179,101
Changes in Assumptions	544,835
Authority contributions subsequent to the measurement date	210,534
Total Deferred Outflows of Resources	$ 934,470
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 348,303

Combined Plan:

Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 33
Change in Assumptions	(376)
Total Deferred Outflows of Resources	$ (343)
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 172

$210,534 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Calendar Year Ending December 31	Traditional Pension Plan Net Deferred Outflows of Resources	Combined Plan Net Deferred Inflows of Resources
2019	$ 30,736	$ 21
2020	140,479	1,158
2021	131,090	1,110
2022	-	396
Thereafter	-	-
Total	$ 302,305	$ 2,685

NOTE 6: **OTHER POST EMPLOYEMENT BENEFITS**

Net OPEB Liability

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

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

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

Authority does receive the benefit of employees' services in exchange for compensation including OPEB.

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

NOTE 6: **OTHER POST EMPLOYEMENT BENEFITS** (continued)

Net OPEB Liability (continued)

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

Plan Description – OPERS

Health Care Plan Description - The Ohio Public Employees Retirement System (OPERS. OPERS administers three separate plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit plan. The member directed plan is a defined contribution plan and the combined plan is a cost sharing, multiple-employer defined benefit plan with defined contribution features. As of December 2017, OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to initially provide a funding mechanism for a health reimbursement arrangement (HRA), as the prior trust structure could not support the HRA. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate health care assets into the 115 Trust. The 401(h) Health Care Trust (401(h) Trust) was a pre-funded trust that provided health care funding for eligible members of the Traditional Pension Plan and the Combined Plan through December 31, 2017, when plans funded through the 401(h) Trust were terminated.

The Voluntary Employees' Beneficiary Association Trust (VEBA Trust) accumulated funding for retiree medical accounts for participants in the Member-Directed Plan through June 30, 2016. The 401(h) Trust and the VEBA Trust were closed as of June 30, 2016 and the net positions transferred to the 115Ttrust on July 1, 2016. Beginning in 2016, the 115 Trust, established under Internal Revenue Code (IRC) Section 115, is the funding vehicle for all health care plans.

The OPERS health care plans are reported as other post-employment benefit plans (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care program design to improve the ongoing solvency of the plans. Eligibility requirements for access to the OPERS health care options have changed over the history of the program for Traditional Pension Plan and Combined Plan members. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage.

Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Beginning 2016, Traditional Pension Plan and Combined Plan retirees enrolled in Medicare A and B were eligible to participate in the OPERS Medicare Connector (Connector). The Connector, a vendor selected by OPERS, assists eligible retirees in the selection and purchase of Medicare supplemental coverage through the Medicare market. Retirees that purchase supplemental coverage through the Connector may receive a monthly allowance in their HRA that can be used to reimburse eligible health care expenses.

NOTE 6: **OTHER POST EMPLOYEMENT BENEFITS** (continued)

Plan Description – OPERS (continued)

The Ohio Revised Code permits, but does not require, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml #CAFR, by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Employer contribution rates are expressed as a percentage of the earnable salary of active members. In fiscal year 2018, Authority contributed at a rate of 14 percent of earnable salary. The Ohio Revised Code currently limits the employer contribution rate not to exceed 14 percent of covered payroll. Active member contributions do not fund health care. With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage.

The portion of employer contributions allocated to healthcare was 1.0% for calendar year 2017. As recommended by OPERSs actuary, the portion of employer contributions allocated to healthcare beginning January 1, 2018 decrease to 0%.

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

Authority's contractually required contribution was $210,534 for the calendar year 2018.

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

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

Proportionate Share of the Net OPEB Liability	$ 28,233
Proportion of the Net OPEB Liability	0.0066900%
OPEB Expense	$ 2,408

NOTE 6: **OTHER POST EMPLOYEMENT BENEFITS** (continued)

At December 31, 2018, The Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Total Deferred Outflows
Difference between expected and actual experience	$ 2,078

	Total Deferred Inflows
Net difference between projected and actual investment earnings on pension plan investments	$ 2,103

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

Fiscal Year Ending December 31:	
2019	$ (468)
2020	435
2021	526
2022	0
Thereafter	0
Total	$ 493

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all periods included in the measurement:

Wage Inflation	3.25%
Future Salary Increases, including inflation	3.25% 3.25 - 10.75%
Single Discount Rate	3.85%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Health Care Cost Trend Rate	7.5% initial, 3.25% ultimate in 2028
Actuarial Cost Method	Individual entry age

NOTE 6: **OTHER POST EMPLOYEMENT BENEFITS** (continued)

Actuarial Assumptions – OPERS (continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	34.00%	1.88%
Domestic Equities	21.00%	6.37%
REITs	6.00%	5.91%
International Equities	22.00%	7.88%
Other Investments	17.00%	5.39%
TOTAL	100.00%	4.98%

Discount Rate: The single discount rate used to measure the OPEB liability was 3.85 percent. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This discount rate was based on an expected rate of return on the health care investment portfolio of 6.50% and a municipal bond rate of 3.31%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

NOTE 6: **OTHER POST EMPLOYEMENT BENEFITS** (continued)

Actuarial Assumptions – OPERS (continued)

Sensitivity of Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate:

The following table presents the Authority's proportionate share of the net OPEB liability calculated using the current period discount rate assumption of 3.85 percent, as well as what The Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Single Discount Rate (3.85%)	1% Increase (4.85%)
Authority's proportionate share of the net OPEB liability	$ 37,510	$ 28,233	$ 20,730

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability.

The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate. Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50%.

If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease (6.50%)	Current Cost Trend Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net OPEB liability	$ 27,014	$ 28,233	$ 29,494

NOTE 7: **COMPENSATED ABSENCES**

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

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

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

At December 31, 2018, based on the vesting method, $128,593 was accrued by the Authority for unused vacation and sick time.

NOTE 8: **INSURANCE**

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

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

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

NOTE 9: **CONTINGENCIES AND OTHER COMMITMENTS**

Litigation and Claims

In the normal course of operations, the Authority may be subject to litigation and claims. At December 31, 2018, the Authority was involved in no matters which management believes would have a material effect on the financial statements. In addition, the Authority had no material operating lease commitments or construction commitments at December 31, 2018.

NOTE 10: **RESTRICTED NET POSITION**

Portage Metropolitan Housing Authority reported Restricted Net Position from the sale of Public Housing property in the amount of $204,212; $45,977 for MTW unspent HAP and $40,220 for Housing Choice Voucher as of December 31, 2018.

NOTE 11: **LONG-TERM LIABILITIES**

The following is a summary of long-term liabilities at December 31, 2018:

	Restated Balance at 01/01/17	Additions	Deletions	Balance at 12/31/18	Due Within One Year
Compensated Absences	$ 133,982	$ 24,042	$(29,231)	$ 128,593	$ 78,032
Net OPEB Liability	26,261	$ 1,973	$ 0	$ 28,234	$ 0
Net Pension Liability	$2,241,274	$ 0	$(755,678)	$1,485,596	$ 0
Total	$2,401,517	$ 26,015	$(784,909)	$1,642,423	$ 78,032

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

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

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal financial assistance programs of the Portage Metropolitan Housing Authority (the Authority) for the year ended December 31, 2018. The Authority's reporting entity is defined in Note 1 to the Authority's financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

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

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

NOTE 13: **CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION**

For calendar year 2018, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the Authority's calendar year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:

Net position December 31, 2017	$ 8,332,496
Adjustments:	
Net OPEB Liability	(26,182)
Restated Net Position December 31, 2017	$ 8,306,314

NOTE 14 **OPERATING TRANSFERS**

The Authority had the following operating transfers in 2018:

	Transfer From	Transfer To
Lower Income Housing Assistance - Section 8 Moderate	$ 124,123	
Moving to Work Demonstration	$1,654,076	
Business Activities	$ 196	
Public Housing	$ 803	$1,779,198
Total	$1,779,198	$1,779,198

NOTE 15: **SUBSEQUENT EVENTS**

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through May 31, 2019, the date on which the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2018

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

Line item	Account Description	Public Housing	Resident Opportunity & Supportive Services	Housing Choice Voucher	Supportive Housing for Persons with Disabilities
111	Cash - Unrestricted	$ 319,893		32,965	27,166
112	Cash - Restricted	204,212			
114	Cash - Tenant Security Deposits	67,514			
100	Total Cash	591,619	-	32,965	27,166
122	Acct. Rec. - HUD		1,709		
125	Acct. Rec. - Misc.				714
126	Acct. Rec. - Tenants	9,406			
126.1	Allowance Doubtful Accts. - Tenants	(165)			
126.2	Allowance Doubtful Accts. - Other	-			(714)
127	Notes, Loans, & Mortgages Rec. - Current				
128	Fraud Recovery	2,126			2,401
128.1	Allowance Doubtful Accts.	(160)			(382)
129	Accrued Interest Receivable	2,852			
120	Net Total Receivables	14,059	1,709	-	2,019
142	Prepaid Expenses	54,535		816	1,709
143	Inventories	49,369			
143.1	Allowance for Obsolete Inventories	(2,000)			
150	**Total Current Assets**	707,582	1,709	33,781	30,894
161	Land	1,413,461			
162	Buildings	20,684,172			
163	Furniture, Equip. & Mach. - Dwellings	17,356			
164	Furniture, Equip. & Mach. - Admin.	304,632			
166	Accumulated Depreciation	(17,114,268)			
160	Net Fixed Assets	5,305,353	-	-	-
200	Deferred Outflow of Resources	246,761		7,906	11,397
190	**TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES**	**$ 6,259,696**	**$ 1,709**	**$ 41,687**	**$ 42,291**

Portage Metropolitan Housing Authority
Statement of Net Position
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Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Public Housing	Resident Opportunity & Supportive Services	Housing Choice Voucher	Supportive Housing for Persons with Disabilities
312	A/P <= 90 days	$ 23,821		$ 244	$ 321
321	Accrued Wage/Taxes Payable	18,076	1,709	381	822
322	Accrued Compensated Absences - Current Portion	30,207		618	177
331	Accounts Payable - HUD PHA			170	5,193
333	Accounts Payable - Other Government				
341	Tenant Security Deposits	67,614			
342	Unearned Revenue	9,513			
345	Other Current Liabilities	50,520		5	13
357	Accrued Pension	588,667		10,231	24,295
310	Total Current Liabilities	788,418	1,709	11,649	30,821
353	Non-current Liabilities - Other				
354	Accrued Comp. Abs. - Noncurrent	16,293		480	43
	TOTAL Liabilities	804,711	1,709	12,129	30,864
400	Deferred Inflow of Resources	48,594		1,001	2,861
508.1	Invested in Capital Assets Net	5,305,353			
511.1	Restricted Net Position	204,212		40,220	
512.1	Unrestricted Net Position	(103,174)		(11,663)	8,566
513	TOTAL Equity/Net Position	5,406,391	-	28,557	8,566
600	**TOTAL LIAB., DEFERRED INFLOWS OF RESOURCES AND EQUITY**	**$ 6,259,696**	**$ 1,709**	**$ 41,687**	**$ 42,291**

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2018

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

Line item	Account Description	Moving to Work Demonstration Program	Shelter Plus Care	State & Local	Business Activities
111	Cash - Unrestricted	$ 1,622,097	$ -	$ 344,668	$ 701,529
112	Cash - Restricted	45,977			
114	Cash - Tenant Security Deposits				1,648
100	Total Cash	1,668,074	-	344,668	703,177
122	Acct. Rec. - HUD				
125	Acct. Rec. - Misc.	47,279	1,597		
126	Acct. Rec. - Tenants	6,515		17,785	1,986
126.1	Allowance Doubtful Accts. - Tenants	(4,929)			(374)
126.2	Allowance Doubtful Accts. - Other	(43,291)	(1,597)		
127	Notes, Loans, & Mortgages Rec. - Current				
128	Fraud Recovery	220,549	1,850		
128.1	Allowance Doubtful Accts.	(174,605)	(1,819)		
129	Accrued Interest Receivable	12,841		3,624	1,654
120	Net Total Receivables	64,359	31	21,409	3,266
142	Prepaid Expenses	71,439	1,286	2,214	6,420
143	Inventories			647	
143.1	Allowance for Obsolete Inventories				
150	**Total Current Assets**	1,803,872	1,317	368,938	712,863
161	Land			100,713	19,187
162	Buildings	309,137		177,795	1,120,464
163	Furniture, Equip. & Mach. - Dwellings				
164	Furniture, Equip. & Mach. - Admin.	58,124			
166	Accumulated Depreciation	(140,181)		(148,646)	(969,174)
160	Net Fixed Assets	227,080	-	129,862	170,477
200	Deferred Outflow of Resources	469,432	9,629	19,076	18,370
190	**TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES**	**$ 2,500,384**	**$ 10,946**	**$ 517,876**	**$ 901,710**

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2018

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

Line item	Account Description	Moving to Work Demonstration Program	Shelter Plus Care	State & Local	Business Activities
312	A/P <= 90 days	$ 17,434	$ 375	$ 9,934	$ 712
321	Accrued Wage/Taxes Payable	42,379	465	775	568
322	Accrued Compensated Absences - Current Portion	19,888	767	961	621
331	Accounts Payable - HUD PHA				
	Accounts Payable - Other Government				
341	Tenant Security Deposits				1,648
342	Unearned Revenue	1,985	44		561
345	Other Current Liabilities	1,244	6	12	4,611
357	Accrued Pension	412,103	22,690	58,128	46,785
310	Total Current Liabilities	495,033	24,347	69,810	55,506
353	Non-current Liabilities – Other	45,977			
354	Accrued Comp. Abs. – Noncurrent	9,013	612	298	408
	TOTAL Liabilities	550,023	24,959	70,108	55,914
400	Deferred Inflow of Resources	246,418	1,231	2,906	3,856
508.1	Invested in Capital Assets Net	227,080		129,862	170,477
511.1	Restricted Net Position	45,977			
512.1	Unrestricted Net Position	1,430,886	(15,244)	315,000	671,463
513	TOTAL Equity/Net Position	1,703,943	(15,244)	444,862	841,940
600	**TOTAL LIAB., DEFERRED INFLOWS OF RESOURCES AND EQUITY**	**$ 2,500,384**	**$ 10,946**	**$ 517,876**	**$ 901,710**

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2018

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

Line item	Account Description	Section 8 Moderate	COCC	Subtotal
111	Cash - Unrestricted	$ 247,809	36,236	$ 3,332,363
112	Cash - Restricted			250,189
114	Cash - Tenant Security Deposits			69,162
100	Total Cash	247,809	36,236	3,651,714
122	Acct. Rec. – HUD			1,709
125	Acct. Rec. - Misc.	2,451		52,041
126	Acct. Rec. - Tenants	28		35,720
126.1	Allowance Doubtful Accts. - Tenants			(5,468)
126.2	Allowance Doubtful Accts. - Other	(2,338)		(47,940)
127	Notes, Loans, & Mortgages Rec. - Current			-
128	Fraud Recovery	359		227,285
128.1	Allowance Doubtful Accts.	(359)		(177,325)
129	Accrued Interest Receivable	1,421		22,392
120	Net Total Receivables	1,562	-	108,414
142	Prepaid Expenses	3,674	22,313	164,406
143	Inventories		35,236	85,252
143.1	Allowance for Obsolete Inventories			(2,000)
150	**Total Current Assets**	253,045	93,785	4,007,786
161	Land	46,354	89,900	1,669,615
162	Buildings		406,428	22,697,996
163	Furniture, Equip. & Mach. - Dwellings			17,356
164	Furniture, Equip. & Mach. - Admin.	154,911		517,667
166	Accumulated Depreciation	(57,358)	(296,156)	(18,725,783)
160	Net Fixed Assets	143,907	200,172	6,176,851
200	Deferred Outflow of Resources	30,481	123,153	936,205
190	**TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES**	**$ 427,433**	**$ 417,110**	**$ 11,120,842**

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2018

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

Line item	Account Description	Section 8 Moderate	COCC	Subtotal
312	A/P <= 90 days	$ 1,012	$ 7,180	$ 61,033
321	Accrued Wage/Taxes Payable	1,287	21,442	87,904
322	Accrued Compensated Absences - Current Portion	1,571	23,222	78,032
331	Accounts Payable - HUD PHA			5,363
333	Accounts Payable - Other Government			-
341	Tenant Security Deposits			69,262
342	Unearned Revenue	33		12,136
345	Other Current Liabilities	17	176	56,604
357	Accrued Pension	91,015	259,915	1,513,829
310	Total Current Liabilities	94,935	311,935	1,884,163
353	Non-current Liabilities - Other			45,977
354	Accrued Comp. Abs. - Noncurrent	1,018	22,396	50,561
	TOTAL Liabilities	95,953	334,331	1,980,701
400	Deferred Inflow of Resources	3,866	39,845	350,578
508.1	Invested in Capital Assets Net	143,907	200,172	6,176,851
511.1	Restricted Net Position			290,409
512.1	Unrestricted Net Position	183,707	(157,238)	2,322,303
513	TOTAL Equity/Net Position	327,614	42,934	8,789,563
600	**TOTAL LIAB., DEFERRED INFLOWS OF RESOURCES AND EQUITY**	**$ 427,433**	**$ 417,110**	**$ 11,120,842**

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2018

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

Line item	Account Description	Elimination	Total
111	Cash - Unrestricted	$ -	$ 3,332,363
112	Cash - Restricted		250,189
114	Cash - Tenant Security Deposits		69,162
100	Total Cash	-	3,651,714
122	Acct. Rec. - HUD		1,709
125	Acct. Rec. - Misc.		52,041
126	Acct. Rec. - Tenants		35,720
126.1	Allowance Doubtful Accts. - Tenants		(5,468)
126.2	Allowance Doubtful Accts. - Other		(47,940)
127	Notes, Loans, & Mortgages Rec. - Current		-
128	Fraud Recovery		227,285
128.1	Allowance Doubtful Accts.		(177,325)
129	Accrued Interest Receivable		22,392
120	Net Total Receivables		108,414
142	Prepaid Expenses		164,406
143	Inventories		85,252
143.1	Allowance for Obsolete Inventories		(2,000)
150	**Total Current Assets**	-	4,007,786
161	Land		1,669,615
162	Buildings		22,697,996
163	Furniture, Equip. & Mach. - Dwellings		17,356
164	Furniture, Equip. & Mach. - Admin.		517,667
166	Accumulated Depreciation		(18,725,783)
160	Net Fixed Assets	-	6,176,851
200	Deferred Outflow of Resources		936,205
190	**TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES**	**$ -**	$ 11,120,842

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2018

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

Line item	Account Description	Elimination	Total
312	A/P <= 90 days	$ -	$ 61,033
321	Accrued Wage/Taxes Payable		87,904
322	Accrued Compensated Absences - Current Portion		78,032
331	Accounts Payable - HUD PHA		5,363
333	Accounts Payable - Other Government		-
341	Tenant Security Deposits		69,262
342	Unearned Revenue		12,136
345	Other Current Liabilities		56,604
357	Accrued Pension		1,513,829
310	Total Current Liabilities	-	1,884,163
353	Non-current Liabilities - Other		45,977
354	Accrued Comp. Abs. - Noncurrent		50,561
	TOTAL Liabilities	-	1,980,701
400	Deferred Inflow of Resources		350,578
508.1	Invested in Capital Assets Net		6,176,851
511.1	Restricted Net Position		290,409
512.1	Unrestricted Net Position		2,322,303
513	TOTAL Equity/Net Position	-	8,789,563
600	**TOTAL LIAB., DEFERRED INFLOWS OF RESOURCES AND EQUITY**	**$ -**	$ 11,120,842

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2018

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

Line item	Account Description	Public Housing	Resident Opportunity & Supportive Services	Housing Choice Voucher	Supportive Housing for Persons with Disabilities
703	Net Tenant Rental Revenue	$ 624,623	$ -	$ -	$ -
704	Tenant Revenue - Other	43,990			
705	Total Tenant Revenue	668,613	-	-	-
706	HUD PHA Operating Grants		127,880	183,760	395,888
706.1	Capital Grants				
707.1	Management Fee				
707.2	Asset Management Fee				
707.3	Bookkeeping Fee				
708	Other Government Grants				
711	Investment Income - Unrestricted	3,515			
713	Proceeds from Disposition of Assets Held for Sale				
714	Fraud Recovery	1,932			2,552
715	Other Revenue	29,879		216	458
716	Gain or Loss on Sale of Capital Assets	11,943			
720	Investment Income - Restricted	3,151			
700	TOTAL REVENUE	719,033	127,880	183,976	398,898
911	Admin Salaries	371,927	46,338	10,127	21,456
912	Audit	4,560		148	153
913	Management Fee	195,233		5,388	16,087
913.1	Bookkeeping Fee	26,827			
914	Advertising and Marketing	2,604		30	31
915	Employee Benefits	108,173	25,693	391	1,331
916	Office Expenses	18,536	5,210	1,341	2,397
917	Legal Expense	15,495		606	945
918	Travel	8,131	2,490	158	155
919	Other	5,657		3,473	129
	Total Operating - Admin.	757,143	79,731	21,662	42,684
920	Asset Management Fee	36,360			
921	Tenant Services - Salaries		23,384		
922	Relocation Costs				
923	Employee Benefit Contributions - Tenant Services		15,514		
924	Tenant Services - Other	5,758	7,489		
925	Total Tenant Services	5,758	46,387	-	-
931	Water	86,335			
932	Electricity	102,446		130	287
933	Gas	14,075		47	103
934	Fuel	1,094			
936	Sewer	112,199			
930	Total Utilities	316,149	-	177	390

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2018

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

Line item	Account Description	Public Housing	Resident Opportunity & Supportive Services	Housing Choice Voucher	Supportive Housing for Persons with Disabilities
941	Ordinary Maint. & Operations - Labor	$ 168,470			
942	Ordinary Maint. & Operations - Materials & Other	111,529		93	181
943	Ordinary Maint. & Operations - Contracts	303,425		2,592	4,103
945	Employee Benefits Contributions - Ordinary Maint.	112,509		-	-
940	Total Maintenance	695,933	-	2,685	4,284
961.1	Property Insurance	58,201		182	187
961.3	Workmen's Compensation	11,993	1,762	258	548
961.4	All Other Insurance	200			
961	Total Insurance	70,394	1,762	440	735
962	Other General Expenses	3,773			
962.1	Compensated Absences	3,449		(1,129)	(3,246)
963	Payments in Lieu of Taxes	1,282		2	4
964	Bad Debt - Tenant Rents	11,005		-	
960	Total Other General Expenses	19,509	-	(1,127)	(3,242)
	TOTAL OPERATING EXPENSES	1,901,246	127,880	23,837	44,851
970	Excess Operating Revenue over Expenses	(1,182,213)	-	160,139	354,047
973	Housing Assistance Payments			161,499	349,856
974	Depreciation Expense	465,966			
900	TOTAL EXPENSES	2,367,212	127,880	185,336	394,707
1001	Operating Transfer In	1,779,198			
1002	Operating Transfer Out	(803)			
1010	Total Other Financing Sources (Uses)	1,778,395	-	-	-
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	$ 130,216	$ -	$ (1,360)	$ 4,191

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2018

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

Line item	Account Description	Moving to Work Demonstration Program	Shelter Plus Care	State & Local	Business Activities
703	Net Tenant Rental Revenue				$ 96,638
704	Tenant Revenue - Other				3,701
705	Total Tenant Revenue	-	-	-	100,339
706	HUD PHA Operating Grants	10,572,273	358,524		
706.1	Capital Grants	695,418			
707.1	Management Fee				
707.2	Asset Management Fee				
707.3	Bookkeeping Fee				
708	Other Government Grants			6,500	
711	Investment Income - Unrestricted	24,207		5,453	10,671
713	Proceeds from Disposition of Assets Held for Sale				
714	Fraud Recovery	62,339	1,496	-	-
715	Other Revenue	23,174	296	135,472	14,948
716	Gain or Loss on Sale of Capital Assets				
720	Investment Income - Restricted				
700	TOTAL REVENUE	11,377,411	360,316	147,425	125,958
911	Admin Salaries	463,793	9,277	29,243	13,293
912	Audit	5,929	245	356	163
913	Management Fee	340,294	11,973		13,709
913.1	Bookkeeping Fee				
914	Advertising and Marketing	3,569	46	4	2,075
915	Employee Benefits	(187,921)	1,552	13,800	2,861
916	Office Expenses	50,417	2,551	3,888	3,452
917	Legal Expense	29,594	911	817	1,221
918	Travel	15,615	247	2,383	114
919	Other	4,591	167	13,352	1,665
	Total Operating - Admin.	725,881	26,969	63,843	38,553
920	Asset Management Fee				
921	Tenant Services - Salaries				
922	Relocation Costs	2,623			200
923	Employee Benefit Contributions - Tenant Services				
924	Tenant Services - Other			1,596	
925	Total Tenant Services	2,623	-	1,596	200
931	Water				3,570
932	Electricity	5,915	186	270	11,640
933	Gas	2,508	65	97	11,270
934	Fuel				
936	Sewer				6,259
930	Total Utilities	8,423	251	367	32,739

Portage Metropolitan Housing Authority

Statement of Revenues and Expenses

For the Year Ended December 31, 2018

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

Line item	Account Description	Moving to Work Demonstration Program	Shelter Plus Care	State & Local	Business Activities
941	Ordinary Maint. & Operations - Labor	$ 3,271		$ 10,313	$ 4,848
942	Ordinary Maint. & Operations - Materials & Other	6,284	132	12,408	5,633
943	Ordinary Maint. & Operations - Contracts	133,518	3,880	68,341	31,468
945	Employee Benefits Contributions - Ordinary Maint.	1,892	-	1,955	2,583
940	Total Maintenance	144,965	4,012	93,017	44,532
961.1	Property Insurance	6,996	287	985	5,536
961.3	Workmen's Compensation	22,507	354	820	639
961.4	All Other Insurance				2,443
961	Total Insurance	29,503	641	1,805	8,618
962	Other General Expenses			793	
962.1	Compensated Absences	(24,946)	(1,534)	(1,980)	(1,805)
963	Payments in Lieu of Taxes	80	3	4	77
964	Bad Debt - Tenant Rents	29,343	8		(561)
960	Total Other General Expenses	4,477	(1,523)	(1,183)	(2,289)
	TOTAL OPERATING EXPENSES	915,872	30,350	159,445	122,353
970	Excess Operating Revenue over Expenses	10,461,539	329,966	(12,020)	3,605
973	Housing Assistance Payments	8,375,499	326,482		
974	Depreciation Expense	16,912		3,897	16,817
900	TOTAL EXPENSES	9,308,283	356,832	163,342	139,170
1001	Operating Transfer In				
1002	Operating Transfer Out	(1,654,076)			(196)
1010	Total Other Financing Sources (Uses)	(1,654,076)	-	-	-
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	$ 415,052	$ 3,484	$ (15,917)	$ (13,212)

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2018

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

Line item	Account Description	Section 8 Moderate	COCC	Subtotal	Elimination	Total
703	Net Tenant Rental Revenue			$ 721,261	$ -	$ 721,261
704	Tenant Revenue - Other			47,691		47,691
705	Total Tenant Revenue	-	-	768,952	-	768,952
706	HUD PHA Operating Grants	732,597		12,370,922		12,370,922
706.1	Capital Grants			695,418		695,418
707.1	Management Fee		$ 608,165	608,165	(608,165)	-
707.2	Asset Management Fee		36,360	36,360	(36,360)	-
707.3	Bookkeeping Fee		26,827	26,827	(26,827)	-
708	Other Government Grants			6,500		6,500
711	Investment Income - Unrestricted	2,812		46,658		46,658
713	Proceeds from Disposition of Assets Held for Sale			-		-
714	Fraud Recovery	74		68,393		68,393
715	Other Revenue	708	10,218	215,369		215,369
716	Gain or Loss on Sale of Capital Assets			11,943		11,943
720	Investment Income - Restricted			3,151		3,151
700	TOTAL REVENUE	736,191	681,570	14,858,658	(671,352)	14,187,306
911	Admin Salaries	36,773	415,340	1,417,567	(7,073)	1,410,494
912	Audit	665	109	12,328		12,328
913	Management Fee	18,408		601,092	(601,092)	-
913.1	Bookkeeping Fee			26,827	(26,827)	-
914	Advertising and Marketing	123	66	8,548		8,548
915	Employee Benefits	21,294	76,779	63,953		69,953
916	Office Expenses	5,402	12,368	105,562		105,562
917	Legal Expense	2,576	7,904	60,069		60,069
918	Travel	663	6,977	36,933		36,933
919	Other	455	1,142	30,631		30,631
	Total Operating - Admin.	86,359	520,685	2,363,510	(634,992)	1,734,518
920	Asset Management Fee			36,360	(36,360)	-
921	Tenant Services - Salaries			23,384		23,384
922	Relocation Costs		.	2,823		2,823
923	Employee Benefit Contributions - Tenant Services			15,514		15,514
924	Tenant Services - Other			14,843		14,843
925	Total Tenant Services	-	-	92,924		56,564
931	Water			89,905		89,905
932	Electricity	557	3,567	124,998		124,998
933	Gas	197	1,286	29,648		29,648
934	Fuel			1,094		1,094
936	Sewer			118,458		118,458
930	Total Utilities	754	4,853	364,103	-	364,103

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2018

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

Line item	Account Description	Section 8 Moderate	COCC	Subtotal	Elimination	Total
941	Ordinary Maint. & Operations – Labor		$ 3,470	$ 190,372		190,372
942	Ordinary Maint. & Operations - Materials & Other	391	2,992	139,643		139,643
943	Ordinary Maint. & Operations – Contracts	10,995	32,030	590,352		590,352
945	Employee Benefits Contributions - Ordinary Maint.	-	896	119,835		119,835
940	Total Maintenance	11,386	39,388	1,040,202	-	1,040,202
961.1	Property Insurance	770	3,806	76,950		76,950
961.3	Workmen's Compensation	917		39,798		39,798
961.4	All Other Insurance			2,643		2,643
961	Total Insurance	1,687	3,806	119,391	-	119,391
962	Other General Expenses			4,566		4,566
962.1	Compensated Absences	(2,827)	28,631	(5,387)		(5,387)
963	Payments in Lieu of Taxes	8	52	1,512		1,512
964	Bad Debt - Tenant Rents			39,795		39,795
960	Total Other General Expenses	(2,819)	28,683	40,486	-	40,486
	TOTAL OPERATING EXPENSES	97,367	597,415	4,020,616	(671,352)	3,356,337
970	Excess Operating Revenue over Expenses	638,824	84,155	10,838,042	-	10,838,042
973	Housing Assistance Payments	594,313		9,807,649		9,807,649
974	Depreciation Expense	26,17	16,935	547,144		547,144
900	TOTAL EXPENSES	718,297	614,350	14,375,409	(671,352)	13,711,130
1001	Operating Transfer In			1,779,198		1,779,198
1002	Operating Transfer Out	(124,123)		(1,779,198)		(1,779,198)
1010	Total Other Financing Sources (Uses)	-	-	-	-	$ -
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	$ 17,894	$67,220	$ 483,249	$ -	$ 483,249

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

Line item	Account Description	Public Housing	Shelter Plus Care	Moving to Work Demonstration Program	Supportive Housing for Persons with Disabilities
11190	Unit Months Available	3,636	600	18,504	900
11210	Number of Unit Month Leased	3,564	600	17,580	842

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

Line item	Account Description	Business Activities	Housing Choice Vouchers
11190	Unit Months Available	324	480
11210	Number of Unit Month Leased	160	449

PORTAGE METROPOLITAN HOUSING AUTHORITY
RAVENNA, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST FIVE (1) CALENDAR YEARS
(UNAUDITED)

	2018	2017	2016	2015	2014
Traditional Plan:					
Authority's Proportion of the Net Pension Liability	0.0094720%	0.0098700%	0.0101160%	0.0093080%	0.0093080%
Authority's Proportionate Share of the Net Pension Liability	$ 1,485,973	$ 2,241,309	$ 1,752,219	$ 1,159,315	$ 1,133,130
Authority's Covered Employee Payroll	$ 1,503,814	$ 1,424,289	$ 1,341,768	$ 1,337,850	$ 1,199,886
Authority's Proportionate Share of the Net Pension Liability as a percentage of its covered employee payroll	98.81%	157.36%	130.59%	86.66%	94.44%
Plan Fiduciary Net Position as a percentage of the total Pension Liability	84.66%	77.25%	81.08%	86.45%	89.19%
Combined Plan: (2)					
Authority's Proportion of the Net Pension Liability	0.0002770%	0.0000620%	0.0003160%		
Authority's Proportionate Share of the Net Pension Liability	$ (377)	$ (35)	$ (155)		
Authority's Covered Employee Payroll	$ 37,516	$ 36,640	$ 8,075		
Authority's Proportionate Share of the Net Pension Liability as a percentage of its covered employee payroll	-1.00%	-0.10%	-1.92%		
Plan Fiduciary Net Position as a percentage of the total Pension Liability	137.28%	116.55%	116.90%		

(2) Information prior to 2016 is not available.

PORTAGE METROPOLITAN HOUSING AUTHORITY
WOOSTER, OHIO
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST TWO (2) CALENDAR YEARS
(UNAUDITED)

	2018	2017
Authority's Proportion of the Net OPEB Liability	0.0002600%	0.0002600%
Authority's Proportionate Share of the Net OPEB Liability	$ 28,234	$ 26,261
Authority's Covered Employee Payroll	1,503,814	1,424,289
Authority's Proportionate Share of the Net OPEB Liability as a percentage of its covered employee payroll	1.88%	1.84%
Plan Fiduciary Net Position as a percentage of the total Pension Liability	54.14%	68.52%

(1) Amounts presented as of the Authority's measurement date which is the prior year.

(2) Information prior to 2016 is not available.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required employer contribution	$ 210,534	$ 204,530	$ 188,978	$ 187,299	$ 167,984	$ 162,896	$ 167,569	$ 163,108	$ 165,020	$ 165,512
Contributions in relation to the contractually required contribution	$ (210,534)	$ (204,530)	$ (188,978)	$ (187,299)	$ (167,984)	$ (162,896)	$ (167,569)	$ (163,108)	$ (165,020)	$ (165,512)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority covered-employee payroll	$ 1,503,814	$ 1,460,929	$ 1,349,843	$ 1,337,850	$ 1,199,886	$ 1,163,543	$ 1,196,921	$ 1,165,057	$ 1,178,714	$ 1,182,229
Contribution as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Contribution as a percentage of covered-employee payroll:										
Pension	13.48%	12.52%	12.00%	12.00%	13.00%	10.00%	12.00%	13.25%	13.25%	13.25%
OPEB	0.52%	1.49%	2.00%	2.00%	1.00%	4.00%	2.00%	0.75%	0.75%	0.75%

Ohio Public Employees' Retirement System

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

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for calendar years presented.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for the calendar years presented. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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PORTAGE METROPOLITAN HOUSING AUTHORITY
SCHEDULLE OF EXPENDITURES OF FEDERAL
AWARDS FOR THE YEAR ENDED DECEMBER 31, 2018

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Fund Expended
U.S. Department of Housing and Urban Development		
Direct Programs:		
Section 8 Programs:		
Section 8 Project Based Cluster:		
Moving to Work Demonstration Program	14.881	$11,267,691
Annual Contribution – Mod. Rehab.	14.856	732,597
Supportive Housing for Persons with Disabilities	14.181	395,888
Annual Contribution – Housing Choice Voucher	14.871	183,760
Total Section 8 Program		12,579,936
Resident Opportunity and Supportive Services	14.870	127,880
Shelter Plus Care	14.238	358,524
Total U.S. Department of Housing and Urban Development		13,066,340
TOTAL ALL PROGRAMS		$13,066,340

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

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Kevin L.
Penn, Inc.

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

Board of Trustees
Portage Metropolitan Housing Authority
Ravenna, Ohio 44266

I have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Portage Metropolitan Housing Authority, Portage County, Ohio as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued my report thereon dated May 31, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

I noted certain matters that I reported to management of the Portage Metropolitan Housing Authority's in a separate letter dated May 31, 2019.

Purpose of this Report

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

Kevin L. Penn, Inc.

May 31, 2019

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

Board of Trustees
Portage Metropolitan Housing Authority
Ravenna, Ohio 44266

Report on Compliance for Each Major Federal Program

I have audited Portage Metropolitan Housing Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Portage Metropolitan Housing Authority's major federal programs for the Year Ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to opine on the Authority's compliance for each of the Authority's major federal programs based on my audit of the applicable compliance requirements referred to above. My compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on each Major Federal Program

In my opinion, Portage Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs For the Year Ended December 31, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Kevin L. Penn, Inc.

May 31, 2019
Cleveland, Ohio

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over compliance:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major program:	Unmodified
Are there any reportable findings under 2 CFR Section 200.516(a)?	No
Identification of major programs:	
14.881	Move-To-Work (including Public Housing)
14.856	Moderate Rehabilitation
14.238	Shelter Plus Care
Dollar threshold used to distinguish between Type A and Type B programs:	Type A: > $750,000 Type B: all others
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings

None

2017-001

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

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

Condition:

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

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

    - In one instance the income reported on the Form HUD-50058 was $3,251; however, the actual income verified was $14,076, resulting in the overstatement of HUD subsidy of $271 per month.
    - In one instance the income reported was based on income verified, during the 2016 recertification. The income reported was $12,117; however, the actual income verified was $11,746. In addition, the total annual unreimbursed childcare costs were recorded on the Form HUD-50058 as $5,200; however, the actual annual childcare costs were $6,240.
    - In one instance the social security benefits were underreported on the Form HUD-50058.

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

Recommendation:

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

2017-001

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

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

Auditee's Response:

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

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

Current Status:

This finding has been corrected.

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OHIO AUDITOR OF STATE
KEITH FABER

PORTAGE COUNTY METROPOLITAN HOUSING AUTHORITY

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 23, 2019