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Certified Public Accountants, A.C.

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
Single Audit
For the Year Ended June 30, 2015**

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...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Board of Commissioners
Portsmouth Metropolitan Housing Authority
410 Court Street
Portsmouth, Ohio 45662

We have reviewed the *Independent Auditor's Report* of the Portsmouth Metropolitan Housing Authority, Scioto County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2014 through June 30, 2015. 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 Portsmouth Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

May 18, 2016

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**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
 SCIOTO COUNTY
 FOR THE YEAR ENDED JUNE 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

March 23, 2016

Portsmouth Metropolitan Housing Authority
Scioto County
410 Court Street
Portsmouth, Ohio 45662

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Portsmouth Metropolitan Housing Authority**, Scioto County, Ohio (the Authority), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We 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 us 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 our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we 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 our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Portsmouth Metropolitan Housing Authority, Scioto County, as of June 30, 2015 and the changes in its 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 2 to the financial statements, during the year ended June 30, 2015, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our 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 liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

The Financial Data Schedule presented on pages 31-37 presents additional analysis as required by the United States Department of Housing and Urban Development and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are 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*, we have also issued our report dated March 23, 2016, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Year Ended June 30, 2015
 (Unaudited)

The Portsmouth Metropolitan Housing Authority's ("the Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements.

Financial Highlights

- Total assets were \$22,604,369 and \$25,272,949 for 2015 and 2014 respectively. The Authority –wide statements reflect a decrease in total assets of \$2,668,580 (or 10.6%) during 2015. This decrease is reflective of the year's activities.
- Revenue decreased by \$576,999 during 2015, and was \$7,757,618 and \$8,334,617 for 2015 and 2014 respectively.
- Total expenses of all Authority programs increased by \$628,817 (or 6.5%). Total expenses were \$10,249,616 and \$9,620,799 for 2015 and 2014 respectively.

Using this Annual Report

The following graphic outlines the format of this report:

<p>MD&A Management Discussion and Analysis</p>
<p>Basic Financial Statements Authority-wide Financial Statements Notes to Financial Statements</p>
<p>Required Supplementary Information Schedule of Proportionate Share of Net Pension Liability Schedule of Contributions</p>

The focus is on both the Authority as a whole (authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

Authority-Wide Financial Statements

The Authority-wide Financial Statements are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

These statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Position", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015
(Unaudited)

The focus of the Statement of Net Position (the “Unrestricted Net Position”) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly equity) is reported in three broad categories:

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

Restricted: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantor, contributors, laws, regulations, etc.

Unrestricted: Consists of Net Position that does not meet the definition of ‘Net Investment in Capital Assets’ or “Restricted”. This account resembles the old operating reserves account.

During 2015, the Authority adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions*, which significantly revises accounting for pension costs and liabilities, most notably employers are now required to report a net pension liability or asset, along with deferred outflows and inflows. Many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

There is no repayment schedule for the net pension liability. Changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

The Authority-wide financial statements also include a Statement of Revenues, Expenses, and Changes in Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance and depreciation; and Non-Operating Revenue and Expenses, such as investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Position is the “Change in Net Position”, which is similar to Net Income or Loss.

In accordance with GASB 68, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows. This implementation also had the effect of restating net position at June 30, 2014, from \$21,636,092 to \$20,020,161.

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

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

The Department of Housing and Urban Development requires the funds be maintained by the Authority.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015
(Unaudited)

The Authority's Programs

Conventional Public Housing (PH) – Under the Conventional Public Housing Program, the Authority rents units that 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 PHA to provide the housing at a rent that is based on 30% of adjusted gross household income.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority subsidizes rent to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the Comprehensive Grant Program was revised for CFP, funds are still provided by formula allocation and based on size and age of your units.

Energy Performance Contract – The Authority entered into a contract with HUD and Viron Energy Services. This original (Phase 1) contract allowed for the Authority to borrow money to make energy conservation measures within its Public Housing units, in turn, the Authority was allowed to "freeze" the current level of consumption for those units. The difference between the actual consumption and the frozen consumption is used to pay the debt. This Phase 1 program ran through September 25, 2013. The Authority entered into another contract with Honeywell Building Solutions. This second (Phase 2) contract allows for the Authority to borrow money to make additional energy conservation measures within its Public Housing units, in turn, the Authority is allowed to continue the "freeze" on the current level of consumption for these units. This Phase 2 program began September 26, 2013 and will run through July 30, 2021.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015
(Unaudited)

Authority-Wide Statements

Statement of Net Position

The following table reflects the Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

TABLE 1
Statement of Net Position

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Current Assets	\$ 5,350,047	\$ 6,233,195	\$ (883,148)
Net Capital Assets	<u>17,254,322</u>	<u>19,039,754</u>	<u>(1,785,432)</u>
Total Assets	<u>\$ 22,604,369</u>	<u>\$ 25,272,949</u>	<u>\$ (2,668,580)</u>
Deferred Outflows of Resources*	198,347	106,751	91,596
Current Liabilities	991,851	900,474	91,377
Long-Term Liabilities	2,489,250	2,736,383	(247,133)
Net Pension Liability*	<u>1,762,491</u>	<u>1,722,682</u>	<u>39,809</u>
Total Liabilities	<u>5,243,592</u>	<u>5,359,539</u>	<u>(115,947)</u>
Deferred Inflows of Resources	30,963	-	30,963
Total Net Position*	<u>\$ 17,528,163</u>	<u>\$ 20,020,161</u>	<u>\$(2,491,998)</u>

*2014 numbers shown as restated to account for implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. See note 3.

For more detailed information see the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

- Current assets were decreased by \$883,148, while current liabilities increased by \$91,377 in relation.
- The decrease in capital assets is due to depreciation expense.
- The Net Position section reflects a decrease of \$(2,491,998) that can be attributed to the results from operations less current year depreciation expense.

Statement of Revenue, Expenses and Change in Net Position

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015
(Unaudited)

TABLE 2
Statement of Revenue, Expenses and Changes in Net Position

	<u>2015</u>	<u>2014*</u>	<u>Change</u>
<u>Revenues</u>			
Tenant Revenue	\$1,609,956	\$1,584,558	\$ 25,398
Government Operating Grants	5,768,734	6,130,508	(361,774)
Capital Grants	329,566	550,666	(221,100)
Interest & Investment Revenue	212	376	(164)
Other Revenue	49,150	68,509	(19,359)
Extraordinary Item	-	-	-
Total Revenues	<u>7,757,618</u>	<u>8,334,617</u>	<u>(576,999)</u>
<u>Expenses</u>			
Administrative	\$ 1,735,210	\$1,727,826	\$ 7,384
Tenant Services	3,579	5,166	(1,587)
Utilities	1,116,842	1,082,648	34,194
Maintenance	1,944,737	1,892,147	52,590
Protective Services	225,837	237,132	(11,295)
General and Interest Expense	381,164	327,195	53,969
Other Expenses	202,851	-	202,851
Housing Assistance Payments	2,487,085	2,433,020	54,065
Depreciation	<u>2,152,311</u>	<u>1,915,665</u>	<u>236,646</u>
Total Expenses	<u>10,249,616</u>	<u>9,620,799</u>	<u>628,817</u>
Net Gain (Loss)	<u>(2,491,998)</u>	<u>(1,286,182)</u>	<u>(1,205,816)</u>
Net Position, Beginning of Year	20,020,161	N/A	N/A
Net Position, End of Year	17,528,163	20,020,161	(2,491,998)

*Restated – See note 3

The information necessary to restate the beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 operating expenses still include pension expense of \$211,593 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$192,430. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 10,249,616
Pension expense under GASB 68	(192,430)
2015 contractually required contribution	<u>212,541</u>
Adjusted 2015 program expenses	10,269,727
Total 2014 program expense under GASB 27	<u>9,620,799</u>
Increase in program expenses not related to pension	<u>\$ 648,928</u>

Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Position

The Authority's total revenue has decreased by \$576,999. This is a reflection of a decrease in Capital Fund Program activities in the year; while Operating Fund Subsidy and Housing Choice Vouchers Subsidy both showed decreases also, due to proration and sequestration. There was a slight increase in Tenant Revenue. Expenses increased by \$628,817 for 2015. While the Authority decreased some expenses; specific examples including legal expenses, travel expenses, and administrative salaries, and gas utility expense. However, there was an increase in water/sewer and electricity utility expenses. Also, the Authority experienced an increase in insurance premiums.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

As of year-end, the Authority had \$17,254,322 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions and depreciation) of \$1,785,432 from the end of last year.

Table 3

**Capital Assets at Year-End
(Net of Depreciation)**

	<u>2015</u>	<u>2014</u>
Land	\$ 1,573,160	\$ 1,572,960
Buildings	63,123,841	62,792,420
Furniture, Machinery & Equipment	945,909	911,755
Construction in Progress	-	3,452
Accumulated Depreciation	<u>(48,388,588)</u>	<u>(46,240,833)</u>
Total	<u>\$ 17,254,322</u>	<u>\$19,039,754</u>

The following reconciliation summarizes the change in Capital Assets.

**Table 4
Change in Capital Assets**

Beginning Balance – June 30, 2014	\$	19,039,754
Current year Additions, Net of Adjustments		370,331
Current year Depreciation Expense		(2,152,311)
Current year Disposal, Net of Accumulated Depreciation		<u>(3,452)</u>
Ending Balance – June 30, 2015	\$	<u>17,254,322</u>

Debt Outstanding

As of year-end, the Authority had \$2,674,208 in debt (bonds, notes, etc.) outstanding compared to \$2,999,332 for the prior year. *Phase 1 energy performance contract loan was paid in-full as of 09/26/2013; however additional debt was incurred for phase 2 of the energy performance contract for the acquisition and installation of additional energy efficient building fixtures.*

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Beginning Balance	\$ 2,999,332	\$ 57,009
Current Year Additions	-	3,172,219*
Current Year Principal Payments	<u>(325,124)</u>	<u>(229,896)</u>
Ending Balance	<u>\$ 2,674,208</u>	<u>\$ 2,999,332</u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015
(Unaudited)

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding cuts of the Department of Housing and Urban Development (both proration and sequestration) continue for both Public Housing and Section 8 Housing Choice Voucher Programs.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary rates on utility costs, supplies, salaries and other costs.
- The continued reduced interest rates.

The Future of PMHA

We feel the future is secure for PMHA even with the uncertainty of the industry and the economy. We have continued realignment of responsibilities for several positions within the authority with the emphasis on efficiency. We continue to increase our security at all developments with additional lighting and/or cameras. We also are continually looking for new and creative ways to work with local law enforcement to increase law enforcement presence in the sites without increasing the costs of our security program. Examples of this are working with local law enforcement to increase foot patrols; and, also increasing law enforcement presence in the sites through meet & greet sessions, and neighborhood movie nights, as well as incorporating law enforcement officers in our National Night Out activities at all sites.

Besides continuing development of an increased Security Program, we are addressing issues concerning the physical condition of our housing stock. We recently completed several of these items. One example is the completion of roof replacements at many of our scattered sites.

Another project which is currently in-progress is replacement of HVAC units at all Miller Manor and Lett Terrace Units. Again this project will improve the condition of the housing stock, as well as enhance the living conditions for our tenants. It will also decrease HVAC maintenance issues at these sites. Lastly, we are constantly reviewing and updating policies to enhance our safety and customer service efforts to our tenants.

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PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
 SCIOTO COUNTY
 Statement of Net Position
 As of June 30, 2015

ASSETS

Current assets

Cash and cash equivalents	\$ 4,849,654
Restricted cash	155,508
Investments - unrestricted	200,000
Receivables, net	37,105
Inventories, net	37,225
Prepaid expenses and other assets	70,555
Total current assets	5,350,047

Noncurrent assets

Capital Assets:

Land	1,573,160
Building and equipment	64,069,750
Less accumulated depreciation	(48,388,588)
Total noncurrent assets	17,254,322
Total assets	22,604,369

DEFERRED OUTFLOWS

Net difference between projected and actual investment earnings on pension plan investments	94,040
Employer contributions to pension plan subsequent to measurement date	104,307
Total deferred outflows of resources	198,347
Total Assets and Deferred Outflows	\$ 22,802,716

LIABILITIES

Current liabilities

Accounts payable	100,583
Accrued liabilities	66,714
Accrued compensated absences, current portion	22,104
Intergovernmental payables	52,756
Tenant security deposits	155,508
Capital lease payable, current portion	383,888
Unearned revenue	10,498
Other current liabilities	199,800
Total current liabilities	991,851

Noncurrent liabilities

Bonds, notes, and loans payable	2,290,320
Accrued compensated absences non-current	198,930
Net pension liability	1,762,491
Total noncurrent liabilities	4,251,741
Total liabilities	5,243,592

DEFERRED INFLOWS

Differences between expected and actual experience	30,961
Total deferred inflows of resources	30,961

NET POSITION

Net investment in capital assets	14,580,114
Unrestricted net position	2,948,049
Total net position	17,528,163

Total Liabilities, Deferred Inflows, & Net Position **\$ 22,802,716**

The accompanying notes are an integral part of the financial statements

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
 SCIOTO COUNTY
 Statement of Revenues, Expenses, and Changes in Net Position
 For the Year Ended June 30, 2015

OPERATING REVENUES	
Tenant revenue	\$ 1,609,956
Government operating grants	5,768,734
Other revenue	48,750
Total operating revenues	<u>7,427,440</u>
OPERATING EXPENSES	
Administrative	1,735,210
Tenant services	3,579
Utilities	1,116,842
Maintenance	1,944,737
Protective services	225,837
General	301,759
Housing assistance payments	2,487,085
Other expenses	202,851
Depreciation	2,152,311
Total operating expenses	<u>10,170,211</u>
Operating income (loss)	<u>(2,742,771)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	212
Gain (loss) from sale of assets	400
Interest expense	(79,405)
Total nonoperating revenues (expenses)	<u>(78,793)</u>
Income (loss) before contributions and transfers	(2,821,564)
Capital grants	<u>329,566</u>
Change in net position	(2,491,998)
Net position - beginning of year, restated - see note 3	<u>20,020,161</u>
Net position - end of year	<u>\$ 17,528,163</u>

The accompanying notes are an integral part of the financial statements

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
 SCIOTO COUNTY
 Statement of Cash Flows

For the Year Ended June 30, 2015

<u>Cash Flows from Operating Activities</u>	
Cash Received from Grantors	\$ 5,768,734
Cash Received from Tenants	1,615,519
Cash Received from Other Sources	48,750
Cash Payment for Housing Assistance	(2,487,085)
Cash Payment for Administrative and Operating Expenses	(5,377,362)
Net Cash Flows Provided/(Used) by Operating Activities	<u>(431,444)</u>
<u>Cash Flows from Investing Activities</u>	
Cash Received for Interest Income	212
Proceeds from Sale of Assets	400
Purchase of Investments	(200,000)
Net Cash Flows Provided/(Used) by Investing Activities	<u>(199,388)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital Grant Funding Received from HUD	329,566
Payments of Related Debt	(325,124)
Payments for Interest Expense	(79,405)
Property and Equipment Purchased	(362,325)
Net Cash Flows Provided/(Used) by Capital and Related Financing	<u>(437,288)</u>
Decrease in Cash and Cash Equivalents	(1,072,676)
Cash - Beginning of Period	6,077,838
Cash - End of Period	<u>\$ 5,005,162</u>
<u>Reconciliation of operating income to net cash provided by operating activities</u>	
Net operating loss	\$ (2,742,771)
Adjustment to reconcile operating loss to net cash used by operating activities	
- Depreciation	2,152,311
- (Increase) decrease in receivables	5,563
- (Increase) decrease in inventories	1,921
- (Increase) decrease in prepaid expenses and other assets	2,988
- (Increase) decrease in deferred outflows of resources	(91,596)
- (Decrease) increase in accounts payable	(30,281)
- (Decrease) increase in accrued liabilities	17,531
- (Decrease) increase in intergovernmental payables	(197)
- (Decrease) increase in tenant security deposits	73
- (Decrease) increase in unearned revenue	(5,280)
- (Decrease) increase in other current liabilities	195,895
- (Decrease) increase in accrued compensated absences	(8,373)
- (Decrease) increase in deferred inflows of resources	30,963
- (Decrease) increase in net pension liability	39,809
Net cash provided by operating activities	<u>\$ (431,444)</u>

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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2015

NOTE 1: REPORTING ENTITY

Introduction

The Portsmouth Metropolitan Housing Authority was established for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives. The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the low-income housing program under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make grants to assist the local housing authorities in financing the acquisition, construction and/or leasing of housing units and to make annual contributions (subsidies) to the local housing authorities for the purpose of maintaining the low-rent character of the local housing program.

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

As required by GAAP, the basic financial statements of the reporting entity include those of the Portsmouth Metropolitan Housing Authority and any component units. Component units are separate legal entities that; elected officials of a primary government are financially accountable for the entity or the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the basic financial statements misleading or incomplete. Based upon the application of these criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria. A summary of each program administered by the Authority included in the financial statements is provided to assist the reader in interpreting the basic financial statements. These programs constitute all programs subsidized by HUD and operated by the Authority.

Description of programs

A. Public Housing Program

The public housing program is designed to provide low-cost housing within Scioto County. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

B. Capital Fund Program

The capital fund program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development housing.

C. Housing Choice Voucher and Section 8 N/C Program

The Housing Choice Voucher and the Section 8 New Construction Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2015

NOTE 1: REPORTING ENTITY (Continued)

Description of programs (Continued)

D. Energy Performance Contract

The Authority has entered into a “Phase 2” contract with HUD and Honeywell Building Solutions. The contract allows for the Authority to borrow money to take energy conservation measures within its Public Housing units, in turn, the Authority is allowed to “freeze” the current level of consumption for those units. The difference between the actual consumption and the frozen consumption is used to pay the debt.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The Authority has created a number of sub-funds within the enterprise fund. Each sub-fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses.

The individual sub-funds account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. These sub-funds of the Authority are all considered Proprietary Fund Types. The sub-funds included in this category are as follows:

- **PHA Owned Housing Fund**
This Fund accounts for all activities and projects of the Public Housing Program (described previously) including Public Housing and Capital Fund Grants. The Authority either sets up separate funds within the PHA Owned Housing Fund for each program or assigns a particular set of general ledger accounts in order to account for income and expenses of each program separately. All sub-accounts or funds are combined to produce the financial statements of the Public Housing Agency Owned Fund.
- **Voucher Fund**
This fund accounts for the rental assistance program more fully described under the “Housing Choice Voucher Program,” in note 1.
- **Business Activities Fund**
This fund accounts for fees earned rendering contract administration services to outside agencies.
- **Other Federal Program**
The Other Federal Program accounts for the activities for the Energy Performance Contract.

B. Basis of Accounting

The accrual basis of accounting is used to account for those operations that are financed and operated in a manner similar to private business, or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses excluding depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Cash and Cash Equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments with a maturity of three months or less. The Authority places its temporary cash investments with high credit quality financial institutions. Amounts in excess of FDIC insurance limits are fully collateralized.

E. Inventory

The Authority's inventory is comprised of maintenance materials and supplies. Inventory is valued at cost and the Authority uses the first-in, first-out (FIFO) flow assumption in determining cost.

The consumption method is used to record inventory. Under this method, the acquisition of materials and supplies is recorded initially in inventory accounts and charged as expenditures when used.

F. Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than three years and purchase price of \$500 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives of three years to forty years. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

The estimated useful lives for each major class of depreciable capital assets are as follows:

Building & improvements	15-40 years
Furniture, fixtures, & equipment	3-7 years

G. Budgets and Budgetary Accounting

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its Enterprise Funds receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end. The Board of Commissioners adopts the budget through passage of a budget resolution.

H. Unearned Revenue

Unearned revenue arises when revenues are received before revenue recognition criteria have been satisfied.

I. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's Ohio Public Employee Retirement System (OPERS), and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2015

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Deferred Outflows

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

K. Deferred Inflows

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period.

L. Operating Revenues and Expenses

Revenues and expenses are recognized in essentially the same manner as used in commercial accounting. Revenues relating to the Authority's operating activities including rental related income, interest income and other sources of revenues are recognized in the accounting period in which they are earned. Other major sources of revenues include the operating subsidy from HUD and other HUD funding capital and operating expenses.

M. Adoption of Accounting Pronouncement

The Authority adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. The objective of these statements is to improve decision-usefulness of information in employer entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability will also be enhanced through new note disclosure and required supplementary information.

NOTE 3: PRIOR PERIOD ADJUSTMENT

The following restatement was performed to net position at the beginning of the year due to the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*:

	Governmental Activities
Net position, as previously stated:	\$ 21,636,092
Add:	
Deferred outflows of resources-employer contributions made subsequent to measurement date	106,751
Deduct:	
Net pension liability	(1,722,682)
Net position, restated	\$ 20,020,161

NOTE 4: DEPOSIT AND INVESTMENTS

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

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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 Year Ended June 30, 2015

NOTE 4: DEPOSIT AND INVESTMENTS (Continued)

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

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

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

At fiscal year end June 30, 2015, the bank balance of the Authority's deposits totaled \$5,330,575. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure," as of June 30, 2015, \$4,880,024 was exposed to custodial risk as discussed below, while \$450,551 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the value of the deposits.

Cash & Cash Equivalents at June 30, 2015, consisted of the following:

Cash & Cash Equivalents-Unrestricted	\$	5,049,654
Cash-Restricted		<u>155,508</u>
	\$	<u>5,205,162</u>
 <i>Restricted Cash and Investments:</i>		
Tenant Security Deposits	\$	<u>155,508</u>
	\$	<u>155,508</u>

NOTE 5: ACCOUNTS RECEIVABLES

Accounts Receivable at June 30, 2015, consisted of the following:

Tenants-(net of allowance of \$30,038)	\$	10,942
Delinquent Tenant Accounts		25,998
Accrued Interest Receivable		<u>165</u>
	\$	<u>37,105</u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 Year Ended June 30, 2015

NOTE 6: DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System (OPERS)

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employee contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377, or by using the OPERS website at www.opers.org.

For the year ended June 30, 2015, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Authority's contribution rate for 2015 was 14.0 percent of covered payroll—12.0 percent was used to fund pension contributions.

The Authority's required contributions for pension obligations to the traditional plan for the year ended June 30, 2015 was \$212,541. Required contributions to the member-directed plan for the year ended June 30, 2015 was \$14,371. All required payments of contributions have been made through June 30, 2015.

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

The net pension liabilities were measured as of December 31, 2014, and the total pension liability used to calculate the net pension liabilities were determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liabilities was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating governments, actuarially determined. At fiscal year-end, the Authority reported the following liabilities for its proportionate share of the net pension liabilities:

	OPERS
Amount for proportionate share of net pension liability	\$ 1,762,491
Percentage for proportionate share of net pension liability	0.014613%

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2015

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended June 30, 2015, the Authority recognized pension expense of \$192,430. The Authority also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 30,963
Net difference between projected and actual investment earnings on pension plan investments	94,041	-
Contributions subsequent to measurement date	104,307	-
Totals	\$ 198,348	\$ 30,963

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2016	\$ 9,224
2017	9,224
2018	21,120
2019	23,510
Total	\$ 63,078

Actuarial 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, 2014, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuations are below:

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2015

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Information	Traditional Pension Plan
Valuation Date	December 31, 2014
Experience Study	5 Year Period Ended December 31, 2010
Actuarial Cost Method	Individual Entry Age
Actuarial Assumptions:	
Investment Rate of Return	8.00%
Wage Inflation	3.75%
Projected Salary Increases	4.25% - 10.05% (includes wage inflation at 3.75%)
Cost-of-living Adjustments	3.00% Simple

Mortality rates are the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled female mortality rates were used, set forward two years. For females, 100% of the disabled female mortality rates were used.

The discount rate used to measure the total pension liability was 8.0% for both the Traditional Pension Plan and the Combined 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 statutorily required rates. 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 both the Traditional Pension Plan and the Combined Plan was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability or asset calculated using the discount rate of 8.0%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or higher than the current rate.

	1% Decrease 7.0%	Current Discount Rate 8.0%	1% Increase 9.0%
Proportionate share of net pension liability	\$ 3,242,479	\$ 1,762,491	\$ (515,985)

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board 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-approved asset allocation policy and the long-term expected real rates of return.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2015

NOTE 6: DEFINED BENEFIT PENSION PLAN

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	23.00%	2.31%
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other Investments	18.00	4.59
Total	100.00%	5.28%

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 is 6.95%.

Detailed information about the pension plan fiduciary net position is available in a separately issued report at the Ohio Public Employees Retirement System website at www.opers.org. That information can also be obtained by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

NOTE 7: POST-EMPLOYMENT BENEFITS

A. Plan Description

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

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2015

NOTE 7: POST-EMPLOYMENT BENEFITS (Continued)

A. Plan Description (Continued)

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit, with an effective retired date of December 1, 2014. With recent changes to the plan, members with an effective retirement date after December 1, 2014 must have 20 years of qualifying service and be at least age 60 to receive benefits. Members retiring at any age with 30 or more years of qualifying service are eligible for coverage. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

In 2014, OPERS established the 115 Health Care Trust (115 Trust) under Section 115 of the Internal Revenue Code. This trust will provide health care in much the same manner as the 401(h) health care fund and similarly, will be for the benefit of members of the Traditional Pension and Combined plans. On January 1, 2016, OPERS will launch the OPERS Medicare Connector (Connector), a program whereby eligible enrolled retirees over the age of 65 may have an allowance deposited to a health reimbursement account (HRA) to apply toward the health care program of their choice selected with the assistance of an OPERS vendor. As OPERS prepares to change the manner of funding health care for Medicare-eligible retirees, OPERS needed a vehicle that could accommodate such reimbursement mechanisms as the HRA. Employer contributions to this trust began in September 2014, with the initial health care disbursements from this trust to commence with January 2016 premiums. OPERS will use both the 401(h) and the 115 Trust to fund health care expenses.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. Plan changes can be seen in OPERS stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (800) 222-7377.

B. Funding Policy

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

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The employer contributions allocated to health care was raised to 2.00 percent for both plans for calendar year 2014 as recommended by the OPERS Actuary. Effective January 1, 2015, the portion of the employer contributions allocated to healthcare remains at 2.00 percent for both plans, as recommended by the OPERS Actuary. While this 401(h) health care plan will continue to be used to fund health care expenses, employer contributions to this plan ceased in September 2014 upon the establishment of the 115 Health Care Trust.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2015

NOTE 7: POST-EMPLOYMENT BENEFITS (Continued)

B. Funding Policy (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, the Authority contributed at a rate of 14.00 percent of covered payroll, 2.00 percent was used to fund health care for the Traditional and Combined Plans, and 4.50 percent was used to fund the VEBA for the Member-Directed Plan. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the years ended June 30, 2015, 2014, and 2013 which were used to fund postemployment benefits, were \$36,788, \$31,643, and \$49,795, respectively.

NOTE 8: CAPITAL LEASE

The original energy performance contract lease payable relates to a finance company for the acquisition and installation of energy efficient building fixtures. Amounts advanced under the lease total \$3,283,301 with repayments beginning in October 2001. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Current year depreciation under the aforementioned capital lease as of June 30, 2015 amounted to \$234,045 and the net book value is \$421,526.

The phase 2 energy performance contract lease payable relates to a finance company for the acquisition and installation of additional energy efficient building fixtures. Amounts advanced under the phase 2 lease total \$3,172,219 with repayments beginning in October 2013. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Current year depreciation under the aforementioned capital lease as of June 30, 2015 amounted to \$105,521 and the net book value is \$2,749,760.

Change in capital lease debt and future minimum lease payments under capital leases over the next year is as follows:

	Balance 6/30/14	Retired	Balance 6/30/15	Due One Year
Debt Amount	\$2,999,332	\$325,124	\$2,671,887	\$383,888

Amortization of the above debt, including interest, is scheduled as follows:

<u>Capital Lease</u>	
2016	\$ 431,695
2017	449,972
2018	468,793
2019	488,177
2020	508,143
2021	528,709
2022	<u>44,202</u>
Total	<u>\$2,919,691</u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2015

NOTE 9: CAPITAL ASSETS

The following is the change during the year ended June 30, 2015

	Balance 06/30/14	Adjustments	Additions	Deletions	Balance 06/30/15
Capital Assets Not Depreciated:					
Land	\$1,572,960	-	\$200	-	\$1,573,160
Construction in Progress	3,452	-	-	(3,452)	-
Total Capital Assets Not Being Depreciated	1,576,412	-	200	(3,452)	1,573,160
Capital Assets Being Depreciated:					
Buildings	62,792,420	-	329,566	-	63,121,986
Furn, Mach & Equip	911,755	-	36,009	-	947,764
Total Capital Assets Being Depreciated	63,704,175	-	365,575	-	64,069,750
Accumulated Depreciation					
Building	(45,418,653)	-	(2,107,412)	-	(47,526,065)
Furniture, Machinery & Equip	(822,180)	4,556	(44,899)	-	(862,523)
Total Accumulated Depreciation	(46,240,833)	4,556	(2,152,311)	-	(48,388,588)
Total Capital Assets Depreciated, Net	17,463,342	4,556	(1,786,736)	-	15,681,162
Total Capital Asset	\$19,039,754	\$4,556	\$(1,786,536)	\$(3,452)	\$17,254,322

NOTE 10: RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage in the past three years.

NOTE 11: COMPENSATED ABSENCES

The Authority uses the vesting method for the recording of compensated absences whereas benefits are accrued as of the balance sheet date for which payment is probable.

Compensated absences are those absences for which employees will be paid, such as sick and vacation leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to benefits.

The following is a summary of changes in compensated absences for the year ended June 30, 2015:

Description	Balance 06/30/14	Additions	Deletions	Balance 06/30/15	Due Within One Year
Compensated Absences	\$229,407	\$207,242	\$215,615	\$221,034	\$22,104
Total Primary Government	\$229,407	\$207,242	\$215,615	\$221,034	\$22,104

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 Year Ended June 30, 2015

NOTE 12: OTHER LONG-TERM LIABILITIES

Changes in other long-term obligations of the Authority during the year ended June 30, 2015 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Net Pension Liability	\$ 1,722,682	\$ 39,809	\$ -	\$ 1,762,491	\$ -
Total	<u>\$ 1,722,682</u>	<u>\$ 39,809</u>	<u>\$ -</u>	<u>\$ 1,762,491</u>	<u>\$ -</u>

NOTE 13: ECONOMIC DEPENDENCY

Both the Authority's Low Rent Housing Program and the Voucher Program are economically dependent on annual contributions and grants from HUD. Both programs operate at a loss prior to receiving the contributions and grants.

NOTE 14: CONTINGENCIES

The Authority is involved in various legal proceedings and litigation arising in the normal course of business. Management does not believe that the settlement of any such claims or litigation will have a material adverse effect on the Authority's financial position or results of operations.

The Authority participates in federal grants that are subject to financial and compliance audits by grantor agencies or their representatives. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant.

The Authority believes that disallowed claims, if any, will not have a material effect on the financial condition.

Required Supplementary Information

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
June 30, 2015

Ohio Public Employees Retirement System
Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability (asset) (percentage)	0.014613%	0.014613%
Authority's proportionate share of the net pension liability (asset)	\$ 1,762,491	\$ 1,722,682
Authority's covered-employee payroll	\$ 1,902,830	\$ 1,873,828
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	92.62%	91.93%
Plan fiduciary net position as a percentage of the total pension liability (Traditional Plan)	86.45%	86.36%

Information prior to fiscal year 2014 is not available.

*The amounts presented for each fiscal year were determined as of the calendar year end that occurred within the fiscal year.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF CONTRIBUTIONS
June 30, 2015

Ohio Public Employees Retirement System
 Last Ten Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 212,541	\$ 235,947	\$ 213,957	\$ 181,108	\$ 168,403	\$ 157,178	\$ 132,643	\$ 142,967	\$ 163,358	\$ 162,419
Contributions in relation to contractually required contribution	<u>(212,541)</u>	<u>(235,947)</u>	<u>(213,957)</u>	<u>(181,108)</u>	<u>(168,403)</u>	<u>(157,178)</u>	<u>(132,643)</u>	<u>(142,967)</u>	<u>(163,358)</u>	<u>(162,419)</u>
Contribution deficit (surplus)	<u>\$ -</u>									
Authority's covered-employee payroll	\$ 1,771,175	\$ 1,887,642	\$ 1,860,319	\$ 1,811,075	\$ 1,772,708	\$ 1,811,845	\$ 1,793,187	\$ 1,920,796	\$ 1,807,454	\$ 1,732,759
Contributions as a percentage of covered-employee payroll	12.00%	12.50%	11.50%	10.00%	9.50%	8.68%	7.40%	7.44%	9.04%	9.37%

Calculated contribution rates above sometimes differ from published OPERS rates due to rate changes during the Authority's fiscal year (OPERS rates are effective based on a calendar year). Schedule includes pension-only contributions to both Traditional Plan and Member-Directed Plan, except for 2015 which reports Traditional only.

Supplemental Information

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
<i>Direct Programs:</i>		
Public Housing Programs:		
Low Rent Public Housing Program	14.850	\$ 2,878,831
Public Housing Capital Fund Program	14.872	611,032
Section 8 Housing Assistance Program:		
Housing Choice Vouchers	14.871	2,608,437
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		6,098,300
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 6,098,300

The accompanying notes are an integral part of this schedule.

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Authority's federal programs. This schedule has been prepared on the accrual basis of accounting.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2015

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$1,544,522	\$216,716	\$1,514,113	\$1,574,303	\$4,849,654		\$4,849,654
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted							
114 Cash - Tenant Security Deposits	\$155,508				\$155,508		\$155,508
115 Cash - Restricted for Payment of Current Liabilities							
100 Total Cash	\$1,700,030	\$216,716	\$1,514,113	\$1,574,303	\$5,005,162	\$0	\$5,005,162
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects							
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous							
126 Accounts Receivable - Tenants	\$40,980				\$40,980		\$40,980
126.1 Allowance for Doubtful Accounts - Tenants	(\$30,038)				(\$30,038)		(\$30,038)
126.2 Allowance for Doubtful Accounts - Other	\$0				\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery	\$24,398	\$1,600			\$25,998		\$25,998
128.1 Allowance for Doubtful Accounts - Fraud	\$0	\$0			\$0		\$0
129 Accrued Interest Receivable				\$165	\$165		\$165
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$35,340	\$1,600	\$0	\$165	\$37,105	\$0	\$37,105
131 Investments - Unrestricted				\$200,000	\$200,000		\$200,000
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets	\$64,835	\$753		\$4,967	\$70,555		\$70,555
143 Inventories				\$37,225	\$37,225		\$37,225
143.1 Allowance for Obsolete Inventories				\$0	\$0		\$0
144 Inter Program Due From							
145 Assets Held for Sale							
150 Total Current Assets	\$1,800,205	\$219,069	\$1,514,113	\$1,816,660	\$5,350,047	\$0	\$5,350,047
161 Land	\$1,492,161		\$80,999		\$1,573,160		\$1,573,160
162 Buildings	\$62,368,754			\$755,090	\$63,123,844		\$63,123,844
163 Furniture, Equipment & Machinery - Dwellings	\$62,887				\$62,887		\$62,887
164 Furniture, Equipment & Machinery - Administration	\$521,207	\$41,182	\$46,116	\$274,514	\$883,019		\$883,019
165 Leasehold Improvements							
166 Accumulated Depreciation	(\$47,491,468)	(\$39,143)	(\$46,116)	(\$811,861)	(\$48,388,588)		(\$48,388,588)

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
 FINANCIAL DATA SCHEDULE
 JUNE 30, 2015

167 Construction in Progress							
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$16,953,541	\$2,039	\$80,999	\$217,743	\$17,254,322	\$0	\$17,254,322
171 Notes, Loans and Mortgages Receivable - Non-Current							
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due							
173 Grants Receivable - Non Current							
174 Other Assets							
176 Investments in Joint Ventures							
180 Total Non-Current Assets	\$16,953,541	\$2,039	\$80,999	\$217,743	\$17,254,322	\$0	\$17,254,322
200 Deferred Outflow of Resources	\$129,759	\$8,707		\$59,881	\$198,347		\$198,347
290 Total Assets and Deferred Outflow of Resources	\$18,883,505	\$229,815	\$1,595,112	\$2,094,284	\$22,802,716	\$0	\$22,802,716
311 Bank Overdraft							
312 Accounts Payable <= 90 Days		\$2,627		\$97,956	\$100,583		\$100,583
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$38,642	\$2,657		\$25,415	\$66,714		\$66,714
322 Accrued Compensated Absences - Current Portion	\$13,932	\$458		\$7,714	\$22,104		\$22,104
324 Accrued Contingency Liability							
325 Accrued Interest Payable							
331 Accounts Payable - HUD PHA Programs							
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government	\$52,756				\$52,756		\$52,756
341 Tenant Security Deposits	\$155,508				\$155,508		\$155,508
342 Unearned Revenue	\$10,498				\$10,498		\$10,498
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$381,807			\$2,081	\$383,888		\$383,888
344 Current Portion of Long-term Debt - Operating Borrowings							
345 Other Current Liabilities		\$22,881	\$2,018	\$171,000	\$195,899		\$195,899
346 Accrued Liabilities - Other		\$3,901			\$3,901		\$3,901
347 Inter Program - Due To							
348 Loan Liability - Current							
310 Total Current Liabilities	\$653,143	\$32,524	\$2,018	\$304,166	\$991,851	\$0	\$991,851
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$2,290,320				\$2,290,320		\$2,290,320
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other							
354 Accrued Compensated Absences - Non Current	\$125,382	\$4,120		\$69,428	\$198,930		\$198,930

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
 FINANCIAL DATA SCHEDULE
 JUNE 30, 2015

355 Loan Liability - Non Current							
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities	\$1,153,022	\$77,373		\$532,096	\$1,762,491		\$1,762,491
350 Total Non-Current Liabilities	\$3,568,724	\$81,493	\$0	\$601,524	\$4,251,741	\$0	\$4,251,741
300 Total Liabilities	\$4,221,867	\$114,017	\$2,018	\$905,690	\$5,243,592	\$0	\$5,243,592
400 Deferred Inflow of Resources	\$20,254	\$1,359		\$9,348	\$30,961		\$30,961
508.4 Net Investment in Capital Assets	\$14,281,414	\$2,039	\$80,999	\$215,662	\$14,580,114		\$14,580,114
511.4 Restricted Net Position							
512.4 Unrestricted Net Position	\$359,970	\$112,400	\$1,512,095	\$963,584	\$2,948,049		\$2,948,049
513 Total Equity - Net Assets / Position	\$14,641,384	\$114,439	\$1,593,094	\$1,179,246	\$17,528,163	\$0	\$17,528,163
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$18,883,505	\$229,815	\$1,595,112	\$2,094,284	\$22,802,716	\$0	\$22,802,716

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
JUNE 30, 2015

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,567,527			\$0	\$1,567,527		\$1,567,527
70400 Tenant Revenue - Other	\$42,429				\$42,429		\$42,429
70500 Total Tenant Revenue	\$1,609,956	\$0	\$0	\$0	\$1,609,956	\$0	\$1,609,956
70600 HUD PHA Operating Grants	\$3,160,297	\$2,608,437			\$5,768,734		\$5,768,734
70610 Capital Grants	\$329,566				\$329,566		\$329,566
70710 Management Fee				\$722,659	\$722,659	(\$722,659)	\$0
70720 Asset Management Fee				\$106,320	\$106,320	(\$106,320)	\$0
70730 Book Keeping Fee				\$77,125	\$77,125	(\$77,125)	\$0
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue				\$906,104	\$906,104	(\$906,104)	\$0
70800 Other Government Grants							
71100 Investment Income - Unrestricted		\$202		\$10	\$212		\$212
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery		\$1,145			\$1,145		\$1,145
71500 Other Revenue	\$47,268	\$80		\$257	\$47,605		\$47,605
71600 Gain or Loss on Sale of Capital Assets	\$40	\$80		\$280	\$400		\$400
72000 Investment Income - Restricted							
70000 Total Revenue	\$5,147,127	\$2,609,944	\$0	\$906,651	\$8,663,722	(\$906,104)	\$7,757,618
91100 Administrative Salaries	\$309,778	\$130,883		\$497,383	\$938,044		\$938,044
91200 Auditing Fees	\$7,073	\$3,333	\$166	\$1,363	\$11,935		\$11,935
91300 Management Fee	\$660,842	\$61,817			\$722,659	(\$722,659)	\$0
91310 Book-keeping Fee	\$77,125				\$77,125	(\$77,125)	\$0
91400 Advertising and Marketing	\$220	\$475		\$351	\$1,046		\$1,046
91500 Employee Benefit contributions - Administrative	\$161,735	\$60,941		\$293,633	\$516,309		\$516,309
91600 Office Expenses	\$47,869	\$21,176		\$44,074	\$113,119		\$113,119
91700 Legal Expense	\$9,214	\$250	\$13	\$4,288	\$13,765		\$13,765
91800 Travel	\$9,141	\$560		\$1,889	\$11,590		\$11,590
91810 Allocated Overhead							
91900 Other	\$75,808	\$7,098	\$1,991	\$44,505	\$129,402		\$129,402
91000 Total Operating - Administrative	\$1,358,805	\$286,533	\$2,170	\$887,486	\$2,534,994	(\$799,784)	\$1,735,210

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
 FINANCIAL DATA SCHEDULE
 JUNE 30, 2015

92000 Asset Management Fee	\$106,320				\$106,320	(\$106,320)	\$0
92100 Tenant Services - Salaries							
92200 Relocation Costs	\$3,278				\$3,278		\$3,278
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other	\$301				\$301		\$301
92500 Total Tenant Services	\$3,579	\$0	\$0	\$0	\$3,579	\$0	\$3,579
93100 Water	\$141,571			\$229	\$141,800		\$141,800
93200 Electricity	\$577,381	\$1,657		\$9,746	\$588,784		\$588,784
93300 Gas	\$163,629	\$115		\$1,853	\$165,597		\$165,597
93400 Fuel		\$35			\$35		\$35
93500 Labor							
93600 Sewer	\$220,380			\$246	\$220,626		\$220,626
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense							
93000 Total Utilities	\$1,102,961	\$1,807	\$0	\$12,074	\$1,116,842	\$0	\$1,116,842
94100 Ordinary Maintenance and Operations - Labor	\$888,620			\$512	\$889,132		\$889,132
94200 Ordinary Maintenance and Operations - Materials and Other	\$212,989			\$13,528	\$226,517		\$226,517
94300 Ordinary Maintenance and Operations Contracts	\$351,079	\$291	\$1,945	\$12,706	\$366,021		\$366,021
94500 Employee Benefit Contributions - Ordinary Maintenance	\$462,766			\$301	\$463,067		\$463,067
94000 Total Maintenance	\$1,915,454	\$291	\$1,945	\$27,047	\$1,944,737	\$0	\$1,944,737
95100 Protective Services - Labor	\$65,160	\$2,043		\$32,058	\$99,261		\$99,261
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other	\$61,773	\$4,638		\$6,568	\$72,979		\$72,979
95500 Employee Benefit Contributions - Protective Services	\$34,682	\$0		\$18,915	\$53,597		\$53,597
95000 Total Protective Services	\$161,615	\$6,681	\$0	\$57,541	\$225,837	\$0	\$225,837
96110 Property Insurance	\$151,816				\$151,816		\$151,816
96120 Liability Insurance	\$6,684				\$6,684		\$6,684
96130 Workmen's Compensation							
96140 All Other Insurance		\$1,976		\$11,843	\$13,819		\$13,819
96100 Total insurance Premiums	\$158,500	\$1,976	\$0	\$11,843	\$172,319	\$0	\$172,319
96200 Other General Expenses	\$18,557	\$183			\$18,740		\$18,740
96210 Compensated Absences	\$21,762			\$8,954	\$30,716		\$30,716
96300 Payments in Lieu of Taxes	\$52,756				\$52,756		\$52,756

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
 FINANCIAL DATA SCHEDULE
 JUNE 30, 2015

96400 Bad debt - Tenant Rents	\$27,228				\$27,228		\$27,228
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$120,303	\$183	\$0	\$8,954	\$129,440	\$0	\$129,440
96710 Interest of Mortgage (or Bonds) Payable							
96720 Interest on Notes Payable (Short and Long Term)	\$79,405				\$79,405		\$79,405
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$79,405	\$0	\$0	\$0	\$79,405	\$0	\$79,405
96900 Total Operating Expenses	\$5,006,942	\$297,471	\$4,115	\$1,004,945	\$6,313,473	(\$906,104)	\$5,407,369
97000 Excess of Operating Revenue over Operating Expenses	\$140,185	\$2,312,473	(\$4,115)	(\$98,294)	\$2,350,249	\$0	\$2,350,249
97100 Extraordinary Maintenance	\$15,269				\$15,269		\$15,269
97200 Casualty Losses - Non-capitalized	\$16,582			\$171,000	\$187,582		\$187,582
97300 Housing Assistance Payments		\$2,487,085			\$2,487,085		\$2,487,085
97350 HAP Portability-In							
97400 Depreciation Expense	\$2,095,233	\$1,359		\$55,719	\$2,152,311		\$2,152,311
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$7,134,026	\$2,785,915	\$4,115	\$1,231,664	\$11,155,720	(\$906,104)	\$10,249,616
10010 Operating Transfer In	\$170,000		\$500,000		\$670,000	(\$670,000)	\$0
10020 Operating transfer Out	(\$170,000)			(\$500,000)	(\$670,000)	\$670,000	\$0
10030 Operating Transfers from/to Primary Government							
10040 Operating Transfers from/to Component Unit							
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss							
10080 Special Items (Net Gain/Loss)							
10091 Inter Project Excess Cash Transfer In	\$430,000				\$430,000	(\$430,000)	\$0
10092 Inter Project Excess Cash Transfer Out	(\$430,000)				(\$430,000)	\$430,000	\$0
10093 Transfers between Program and Project - In							
10094 Transfers between Project and Program - Out							
10100 Total Other financing Sources (Uses)	\$0	\$0	\$500,000	(\$500,000)	\$0	\$0	\$0

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
 FINANCIAL DATA SCHEDULE
 JUNE 30, 2015

10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$1,986,899)	(\$175,971)	\$495,885	(\$825,013)	(\$2,491,998)	\$0	(\$2,491,998)
11020 Required Annual Debt Principal Payments	\$361,919	\$0	\$0	\$0	\$361,919		\$361,919
11030 Beginning Equity	\$17,685,425	\$361,349	\$1,097,209	\$2,492,109	\$21,636,092		\$21,636,092
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	(\$1,057,142)	(\$70,939)		(\$487,850)	(\$1,615,931)		(\$1,615,931)
11050 Changes in Compensated Absence Balance							
11060 Changes in Contingent Liability Balance							
11070 Changes in Unrecognized Pension Transition Liability							
11080 Changes in Special Term/Severance Benefits Liability							
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100 Changes in Allowance for Doubtful Accounts - Other							
11170 Administrative Fee Equity		\$114,439			\$114,439		\$114,439
11180 Housing Assistance Payments Equity		\$0			\$0		\$0
11190 Unit Months Available	10632	7392	0		18024		18024
11210 Number of Unit Months Leased	10320	6794	0		17114		17114
11270 Excess Cash	\$673,850				\$673,850		\$673,850
11610 Land Purchases	\$0			\$0	\$0		\$0
11620 Building Purchases	\$329,566			\$0	\$329,566		\$329,566
11630 Furniture & Equipment - Dwelling Purchases	\$0			\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0			\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$0			\$0	\$0		\$0
11660 Infrastructure Purchases	\$0			\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0			\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0			\$0	\$0		\$0



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave.
Parkersburg, WV 26101
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

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

March 23, 2016

Portsmouth Metropolitan Housing Authority
Scioto County
410 Court Street
Portsmouth, Ohio 45662

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the **Portsmouth Metropolitan Housing Authority**, Scioto County, (the Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 23, 2016, wherein we noted the Authority implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Report for Pensions – an amendment to GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we 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 our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we 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.

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



...“bringing more to the table”

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
• Association of Certified Anti - Money Laundering Specialists •



Compliance and Other Matters

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

We did note a certain matter requiring inclusion in this report that we reported to the Authority's management in a separate letter dated March 23, 2016.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our 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 communication is not suitable for any other purpose.



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

March 23, 2016

Portsmouth Metropolitan Housing Authority
Scioto County
410 Court Street
Portsmouth, Ohio 45662

To the Board of Commissioners:

Report on Compliance for the Major Federal Program

We have audited the **Portsmouth Metropolitan Housing Authority's** (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Portsmouth Metropolitan Housing Authority's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Authority's major federal program.

Management's Responsibility

The Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for the Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Authority's major program. However, our audit does not provide a legal determination of the Authority's compliance.



... "bringing more to the table"

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Opinion on the Major Federal Program

In our opinion, the Portsmouth Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we 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.

Our 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
 SCIOTO COUNTY, OHIO
 FOR THE YEAR ENDED JUNE 30, 2015

SCHEDULE OF AUDIT FINDINGS
 OMB CIRCULAR A-133 § .505

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Low Rent Public Housing Program-CFDA #14.850
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

SCIOTO 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
MAY 31, 2016**