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Certified Public Accountants, A.C.

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
SCIOTO COUNTY  
Single Audit  
For the Year Ended June 30, 2016**

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*...“bringing more to the table”*

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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, 2015 through June 30, 2016. 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 9, 2017

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**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
SCIOTO COUNTY  
FOR THE YEAR ENDED JUNE 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

February 17, 2017

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, 2016, 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, 2016 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.

**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 32-38 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The 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 February 17, 2017, 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, 2016  
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 \$22,471,670 and \$22,604,376 for 2016 and 2015 respectively. The Authority –wide statements reflect a decrease in total assets of \$132,706 (or 0.6%) during 2016. This decrease is reflective of the year's activities.
- Revenue increased by \$2,703,682 during 2016, and was \$10,461,300 and \$7,757,618 for 2016 and 2015 respectively.
- Total expenses of all Authority programs decreased by \$22,221 (or 0.1%). Total expenses were \$10,227,395 and \$10,249,616 for 2016 and 2015 respectively.

Using this Annual Report

The following graphic outlines the format of this report:

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

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, 2016**  
**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 notable 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 even 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 changed in net pension liability not accounted for as deferred inflows/outflows.

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, 2016  
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, 2016  
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. Because of the discussion below, many end users of this financial statement will gain a clearer understanding of the Government's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position.

**TABLE 1  
Statement of Net Position**

|                                    | <u>2016</u>              | <u>2015</u>              | <u>Change</u>         |
|------------------------------------|--------------------------|--------------------------|-----------------------|
| Current Assets                     | \$ 5,531,128             | \$ 5,350,047             | \$ 181,081            |
| Net Capital Assets                 | <u>16,940,542</u>        | <u>17,254,329</u>        | <u>(313,787)</u>      |
| Total Assets                       | <u>\$ 22,471,670</u>     | <u>\$ 22,604,376</u>     | <u>\$ (132,706)</u>   |
| <br>Deferred Outflows of Resources | <br>817,941              | <br>198,347              | <br>619,594           |
| Current Liabilities                | 897,353                  | 991,851                  | (94,498)              |
| Long-Term Liabilities              | 2,109,972                | 2,489,250                | (379,278)             |
| Net Pension Liability              | <u>2,425,150</u>         | <u>1,762,491</u>         | <u>662,659</u>        |
| Total Liabilities                  | <u>5,432,475</u>         | <u>5,243,592</u>         | <u>188,883</u>        |
| <br>Deferred Inflows of Resources  | <br>95,068               | <br>30,963               | <br>64,105            |
| <br>Total Net Position             | <br><u>\$ 17,762,068</u> | <br><u>\$ 17,528,163</u> | <br><u>\$ 233,905</u> |

For more detailed information see the Statement of Net Position.

**Major Factors Affecting the Statement of Net Position**

- Current assets increased by \$181,081, while current liabilities decreased by \$94,498 in relation.
- The decrease in capital assets is due to depreciation expense exceeding additions.
- The Net Position section reflects an increase of \$233,905 that can be attributed to the results from operations less current year depreciation expense.

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2016  
Unaudited**

**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.

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

|                                 | <u>2016</u>       | <u>2015</u>          | <u>Change</u>       |
|---------------------------------|-------------------|----------------------|---------------------|
| <b><u>Revenues</u></b>          |                   |                      |                     |
| Tenant Revenue                  | \$1,720,367       | \$1,609,956          | \$ 110,411          |
| Government Operating Grants     | 6,905,904         | 5,768,734            | 1,137,170           |
| Capital Grants                  | 1,751,342         | 329,566              | 1,421,776           |
| Interest & Investment Revenue   | 1,861             | 212                  | 1,649               |
| Other Revenue                   | 81,826            | 49,150               | 32,676              |
| Extraordinary Item              | -                 | -                    | -                   |
| <b>Total Revenues</b>           | <u>10,461,300</u> | <u>7,757,618</u>     | <u>2,703,682</u>    |
| <b><u>Expenses</u></b>          |                   |                      |                     |
| Administrative                  | \$ 1,866,708      | \$1,735,210          | \$ 131,498          |
| Tenant Services                 | 789               | 3,579                | (2,790)             |
| Utilities                       | 967,215           | 1,116,842            | (49,627)            |
| Maintenance                     | 2,058,217         | 1,944,737            | 113,480             |
| Protective Services             | 233,417           | 225,837              | 7,580               |
| General and Interest Expense    | 240,835           | 381,164              | (140,329)           |
| Other Expenses                  | 168,201           | 202,851              | (34,650)            |
| Housing Assistance Payments     | 2,569,831         | 2,487,085            | 82,746              |
| Depreciation                    | <u>2,122,182</u>  | <u>2,152,311</u>     | <u>(30,129)</u>     |
| <b>Total Expenses</b>           | <u>10,227,395</u> | <u>10,249,616</u>    | <u>(22,221)</u>     |
| <b>Net Gain (Loss)</b>          | <u>\$ 233,905</u> | <u>\$(2,491,998)</u> | <u>\$ 2,725,903</u> |
| Net Position, Beginning of Year | 17,528,163        | 20,020,161           | (2,491,998)         |
| Net Position, End of Year       | 17,762,068        | 17,528,163           | 233,905             |

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

The Authority's total revenue has increased by \$2,703,682. This is a reflection of an increase in Capital Fund Program activities in the year; while Operating Fund Subsidy and Housing Choice Vouchers Subsidy both showed increases as well, due to proration and sequestration. There was a slight increase in Tenant Revenue. Expenses decreased by \$22,221 for 2016. While the Authority decreased some expenses; specific examples including legal expenses, travel expenses, and administrative salaries, and gas utility expense. Also, the Authority experienced a decrease in insurance premiums.

**Capital Assets and Debt Administration**

**Capital Assets**

As of year-end, the Authority had \$16,940,542 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions and depreciation) of \$313,780 from the end of last year.

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2016  
Unaudited**

**Table 3**

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

|                                  | <b>2016</b>          | <b>2015</b>         |
|----------------------------------|----------------------|---------------------|
| Land                             | \$ 1,573,311         | \$ 1,573,160        |
| Buildings                        | 64,925,415           | 63,123,841          |
| Furniture, Machinery & Equipment | 926,380              | 945,909             |
| Accumulated Depreciation         | <u>(50,484,564)</u>  | <u>(48,388,588)</u> |
| Total                            | <u>\$ 16,940,542</u> | <u>\$17,254,322</u> |

The following reconciliation summarizes the change in Capital Assets.

**Table 4  
Change in Capital Assets**

|  |    |                   |
|--|----|-------------------|
| Beginning Balance – June 30, 2015                      | \$ | 17,254,322        |
| Current year Additions                                 |    | 1,808,402         |
| Current year Depreciation Expense                      |    | (2,122,182)       |
| Current year Disposal, Net of Accumulated Depreciation |    | <u>0</u>          |
| Ending Balance – June 30, 2016                         | \$ | <u>16,940,542</u> |

Debt Outstanding

As of year-end, the Authority had \$2,312,287 in debt (bonds, notes, etc.) outstanding compared to \$2,674,208 for the prior year.

|                                   | <u>2016</u>         | <u>2015</u>         |
|-----------------------------------|---------------------|---------------------|
| Beginning Balance – June 30, 2015 | \$ 2,674,208        | \$ 2,999,332        |
| Current Year Additions            | -                   | -                   |
| Current Year Principal Payments   | <u>(361,921)</u>    | <u>(325,124)</u>    |
| Ending Balance – June 30, 2016    | <u>\$ 2,312,287</u> | <u>\$ 2,674,208</u> |

**Economic Factors**

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development continues to be prorated 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 supplies, salaries and other costs.
- The continued reduced interest rates.

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2016  
Unaudited**

**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 replacement of HVAC units for all units at both Miller Manor and Lett Terrace.

Another project which is currently in-progress is the Authority is in the process of applying for participation in the RAD (Rental Assistance Demonstration) Program. Participation in the Program will allow the Authority to complete a total renovation of the Wayne Hills property. 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 maintenance issues at Wayne Hills. 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, 2016**

**Assets**

|  |                  |
|--|------------------|
| Current Assets:                          |                  |
| Cash and Cash Equivalents - Unrestricted | \$ 4,901,872     |
| Cash and Cash Equivalents - Restricted   | 240,676          |
| Investments                              | 201,704          |
| Receivables, Net                         | 60,017           |
| Prepaid Expenses and other assets        | 126,859          |
| <b>Total Current Assets</b>              | <u>5,531,128</u> |

Noncurrent Assets:

|                                |                     |
|--------------------------------|---------------------|
| Capital Assets:                |                     |
| Land                           | 1,573,311           |
| Building and Equipment         | 65,851,795          |
| Less: Accumulated Depreciation | <u>(50,484,564)</u> |
| <b>Total Noncurrent Assets</b> | <u>16,940,542</u>   |

|                     |                   |
|---------------------|-------------------|
| <b>Total Assets</b> | <u>22,471,670</u> |
|---------------------|-------------------|

**Deferred Outflows of Resources**

|   |                |
|---|----------------|
| Net difference between projected and actual investment earnings on pension plan investments | 712,842        |
| Employer contributions to pension plan subsequent to measurement date                       | 105,099        |
| <b>Total Deferred Outflows of Resources</b>   | <u>817,941</u> |

|  |                      |
|--|----------------------|
| <b>Total Assets and Deferred Outflows of Resources</b> | <u>\$ 23,289,611</u> |
|--|----------------------|

**Liabilities**

|   |                |
|---|----------------|
| Current Liabilities:                              |                |
| Accounts Payable                                  | \$ 110,096     |
| Accrued Liabilities                               | 85,522         |
| Accrued Compensated Absences                      | 22,952         |
| Intergovernmental Payable                         | 76,529         |
| Tenant Security Deposits                          | 154,463        |
| Unearned Revenues                                 | 11,607         |
| Other Current Liabilities                         | 27,305         |
| Bonds, Notes, and Loans Payable - Current Portion | 408,879        |
| <b>Total Current Liabilities</b>                  | <u>897,353</u> |

Long Term Liabilities:

|                                    |                  |
|------------------------------------|------------------|
| Bonds, Notes, and Loans Payable    | 1,903,408        |
| Accrued Compensated Absences       | 206,564          |
| Net Pension Liability              | 2,425,150        |
| <b>Total Long Term Liabilities</b> | <u>4,535,122</u> |

|                          |                  |
|--------------------------|------------------|
| <b>Total Liabilities</b> | <u>5,432,475</u> |
|--------------------------|------------------|

**Deferred Inflows of Resources**

|  |               |
|--|---------------|
| Differences between expected and actual experience   | 46,859        |
| Changes in proportion and differences between employer contributions and proportionate share of contributions subsequent to measurement date | 48,209        |
| <b>Total Deferred Inflows of Resources</b>   | <u>95,068</u> |

**Net Position:**

|                                  |                   |
|----------------------------------|-------------------|
| Net Investment In Capital Assets | 14,628,255        |
| Restricted                       | 86,213            |
| Unrestricted                     | 3,047,600         |
|                                  | <u>17,762,068</u> |

|                           |                   |
|---------------------------|-------------------|
| <b>Total Net Position</b> | <u>17,762,068</u> |
|---------------------------|-------------------|

|   |                      |
|---|----------------------|
| <b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b> | <u>\$ 23,289,611</u> |
|---|----------------------|

See accompanying notes to the basic financial statements.

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
SCIOTO COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016**

|   |                             |
|---|-----------------------------|
| <b>Operating Revenues:</b>                      |                             |
| Tenant Revenue                                  | \$ 1,720,367                |
| Government Operating Grants                     | 6,905,904                   |
| Other Revenue                                   | 81,826                      |
| Total Operating Revenues                        | <u>8,708,097</u>            |
| <b>Operating Expenses:</b>                      |                             |
| Administrative                                  | 1,866,708                   |
| Tenant Services                                 | 789                         |
| Utilities                                       | 967,215                     |
| Maintenance                                     | 2,058,217                   |
| Insurance                                       | 168,201                     |
| General   | 171,060                     |
| Protective Services                             | 233,417                     |
| Housing Assistance Payments                     | 2,569,831                   |
| Depreciation                                    | 2,122,182                   |
| Total Operating Expenses                        | <u>10,157,620</u>           |
| Operating Income (Loss)                         | (1,449,523)                 |
| <b>Other Non-Operating Revenues (Expenses):</b> |                             |
| HUD Capital Grants                              | 1,751,342                   |
| Investment Income - Unrestricted                | 1,861                       |
| Interest Expense                                | (69,775)                    |
| Total Other Non-Operating Revenues              | <u>1,683,428</u>            |
| Change in Net Position                          | 233,905                     |
| Net Position, Beginning of the Year             | <u>17,528,163</u>           |
| Net Position, End of Year                       | <u><u>\$ 17,762,068</u></u> |

See accompanying notes to the basic financial statements.

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
SCIOTO COUNTY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2016**

|   |                |
|---|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                |
| Cash Received from Operating Grants   | \$ 6,929,677   |
| Cash Received from Tenants  | 1,697,519      |
| Cash Received from Other Income   | 81,826         |
| Cash Payments for Housing Assistance Payments   | (2,569,831)    |
| Cash Payments for General and Administrative Expenses Paid  | (5,513,207)    |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES   | 625,984        |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                |
| Interest Earned   | 1,861          |
| (Purchase) Sale of Investments  | (1,704)        |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES   | 157            |
| <br><b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                                  |                |
| Payments of Related Debt  | (361,921)      |
| Capital Grant Funds Received  | 1,751,343      |
| Property and Equipment Purchased  | (1,808,402)    |
| Payments for Interest Expense   | (69,775)       |
| NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES                               | (488,755)      |
| Net Increase (Decrease) in Cash and Cash Equivalents  | 137,386        |
| Cash and Cash Equivalents at Beginning of Year  | 5,005,162      |
| Cash and Cash Equivalents at End of Year  | \$ 5,142,548   |
| <br><b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b> |                |
| Net Operating Income (Loss)   | \$ (1,449,524) |
| Adjustments:  |                |
| Depreciation  | 2,122,182      |
| (Increase) Decrease in :  |                |
| Receivables, Net  | (22,912)       |
| Prepaid Expenses  | (19,079)       |
| Deferred Outflows of Resources  | (619,594)      |
| Increase (Decrease) in:   |                |
| Accounts Payable  | 9,513          |
| Accrued Liabilities   | 18,808         |
| Intergovernmental Payable   | 23,773         |
| Tenant Security Deposits  | (1,045)        |
| Unearned Revenue  | 1,109          |
| Accrued Compensated Absences  | 8,482          |
| Deferred Inflows of Resources   | 64,107         |
| Other Long Term Liabilities   | 490,164        |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES   | \$ 625,984     |

See accompanying notes to the basic financial statements.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
Year Ended June 30, 2016

**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 (Continued)  
Year Ended June 30, 2016

**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.

All proprietary funds are accounted for using the accrual basis of accounting. In applying the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds, the Authority applies all GASB pronouncements and all Financial Accounting Standards Board pronouncements that do not conflict with or contradict GASB pronouncements.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
Year Ended June 30, 2016

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Basis of Presentation** (Continued)

The enterprise method 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.

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.

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   |

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
Year Ended June 30, 2016

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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 or 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. The pension system reports investments at fair value.

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

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

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

**K. 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 include the operating subsidy from HUD and other HUD funding capital and operating expenses.

**L. Net Position**

Net position represents the difference between all other elements of the Statement of Net Position. Net investment in capital assets consist of capital assets, net of depreciation, reduced by any outstanding balances of borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When expenses are incurred for purposes which both restricted and unrestricted Net Position are available, the Authority first applies restricted Net Position.

**NOTE 3: PRIOR PERIOD ADJUSTMENT**

There were no prior period adjustments for the fiscal year.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2016

**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.

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, 2016, the carrying amount of the Authority's deposits totaled \$5,344,252 while the bank balance was \$5,439,144. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure," as of June 30, 2016, \$4,987,440 was exposed to custodial risk as discussed below, while \$451,704 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 carrying value of the deposits.

Deposits at June 30, 2016, consisted of the following:

|                                      |    |                         |
|--------------------------------------|----|-------------------------|
| Cash & Cash Equivalents-Unrestricted | \$ | 4,901,872               |
| Cash-Restricted                      |    | 240,676                 |
| Certificates of Deposit              |    | <u>201,704</u>          |
|                                      |    | <u><u>5,344,252</u></u> |
| <br><b>Restricted Cash:</b>          |    |                         |
| Tenant Security Deposits             | \$ | 154,463                 |
| HCV Equity                           |    | <u>86,213</u>           |
|                                      |    | <u><u>240,676</u></u>   |



PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
Year Ended June 30, 2016

**NOTE 5: ACCOUNTS RECEIVABLES**

Accounts Receivable at June 30, 2016, consisted of the following:

|                                       |    |                      |
|---------------------------------------|----|----------------------|
| Tenants-(net of allowance of \$1,072) | \$ | 33,330               |
| Delinquent Tenant Accounts            |    | 26,551               |
| Accrued Interest Receivable           |    | <u>136</u>           |
|                                       |    | <u><u>60,017</u></u> |

**NOTE 6: DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

1. 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 employer 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 to provide 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. While members (e.g. Authority employees) may elect any of the plans, substantially all employee members are in the OPERS' traditional plan; therefore, the following disclosures focus on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issue a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800)222-7377 or by using the OPERS website at [www.opers.org](http://www.opers.org).

For the year ended June 30, 2016, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Authority's contribution rate for 2016 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, 2016 was \$208,901. All required payments of contributions have been made through June 30, 2016.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
Year Ended June 30, 2016

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

**Ohio Public Employees Retirement System** (Continued)

**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, 2015, 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 liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating governments, actuarially determined. At fiscal year-end, the Authority reported the following liabilities for its proportionate share and pension expense:

|   | <u>OPERS – Traditional Plan</u> |
|---|---------------------------------|
| Amount for proportionate share<br>Of net pension liability              | \$2,425,150                     |
| Percentage for proportionate<br>Share of net pension liability          | 0.014001%                       |
| Change in proportionate share<br>Percentage from prior measurement date | 0.000612%                       |

For the year ended June 30, 2016, the Authority recognized pension expense of \$362,999. The Authority also reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Difference between expected<br>and actual Experience   | \$ -  | \$ 46,859                                    |
| Net difference between<br>projected and Actual<br>investment earnings on pension<br>Plan investments   | 712,842                                       |  |
| Changes in proportion & differences<br>Between employer contributions<br>And proportionate share of contributions<br>Contributions subsequent to<br>Measurement date | <u>105,099</u><br><u>\$817,944</u>            | 48,209<br><br><u>\$ 95,068</u>               |

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2016

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

**Ohio Public Employees Retirement System** (Continued)

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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows or resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

|      |    |                |
|------|----|----------------|
| 2017 | \$ | 134,048        |
| 2018 |    | 146,641        |
| 2019 |    | 175,766        |
| 2020 |    | 161,319        |
|      | \$ | <u>617,774</u> |

**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, 2015, 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 the latest actuarial valuations are below:

| Actuarial Information      | Traditional Pension Plan                          |
|----------------------------|---|
| Valuation Date             | December 31, 2015                                 |
| Experience Study           | 5 year period ended<br>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%<br>(includes wage inflation @ 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.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2016

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

**Ohio Public Employees Retirement System** (Continued)

The discount rate used to measure the total pension liability was 8.0% for the Traditional Pension Plan, Combined Plan and Member –Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the 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 the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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.

|  | <u>1% Decrease</u><br>7.0% | <u>Current<br/>Discount Rate</u><br>8.0% | <u>1% Increase</u><br>9.0% |
|--|----------------------------|--|----------------------------|
| Proportionate share of net Pension liability | \$ 3,863,856               | \$ 2,425,150                             | \$ 1,211,647               |

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.

| <u>Asset Class</u>     | <u>Target Allocation</u> | <u>Weighted Average Long-Term Expected Real Rate of Return</u> |
|------------------------|--------------------------|--|
| Fixed Income           | 23.00%                   | 2.31%  |
| Domestic Equities      | 20.70                    | 5.84   |
| Real Estate            | 10.00                    | 4.25   |
| Private Equity         | 10.00                    | 9.25   |
| International Equities | 18.30                    | 7.40   |
| Other Investments      | 18.00                    | 4.59   |

The long term expected rate of return on defined benefit investments 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. The 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 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 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 0.4% for 2015.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
Year Ended June 30, 2016

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

**Ohio Public Employees Retirement System** (Continued)

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](http://www.opers.org). That information can also be obtained by writing OPERS, 227 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 pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care 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.

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 launched 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. Due to OPERS changing 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 commenced 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 POEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
Year Ended June 30, 2016

**NOTE 7: POST-EMPLOYMENT BENEFITS**

**A. Plan Description (Continued)**

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 614-222-5601 or 1-800-222-7377.

**B. Funding Policy**

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to the OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement 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 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 establishment of the 115 Health Care Trust.

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, 2016, 2015, and 2014 which were used to fund postemployment benefits, were \$46,171, \$36,788, and \$31,643, 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, 2016 amounted to \$218,524 and the net book value is \$203,003.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
Year Ended June 30, 2016

**NOTE 8: CAPITAL LEASE**

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, 2016 amounted to \$316,938 and the net book value is \$2,432,823.

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

|             | <b>Balance<br/>6/30/15</b> | <b>Retired</b> | <b>Balance<br/>6/30/16</b> | <b>Due One<br/>Year</b> |
|-------------|----------------------------|----------------|----------------------------|-------------------------|
| Debt Amount | \$2,674,209                | \$361,922      | \$2,312,287                | \$408,879               |

The table below includes interest.

|       | <b>Capital Lease</b> |
|-------|----------------------|
| 2017  | \$ 449,972           |
| 2018  | 468,793              |
| 2019  | 488,177              |
| 2020  | 508,143              |
| 2021  | 528,709              |
| 2022  | <u>44,202</u>        |
| Total | <u>\$2,487,996</u>   |

**NOTE 9: CAPITAL ASSETS**

A summary of capital assets at June 30, 2016 by class is as follows:

|   | <b>6/30/2015</b>    | <b>Additions</b>    | <b>Deletions</b> | <b>6/30/2016</b>    |
|---|---------------------|---------------------|------------------|---------------------|
| <b>Capital Assets Not Being Depreciated</b>                         |                     |                     |                  |                     |
| Land  | \$ 1,573,160        | \$ 151              | \$ -             | \$ 1,573,311        |
| <b>Total Capital Assets<br/>Not Being Depreciated</b>               | <u>1,573,160</u>    | <u>151</u>          | <u>0</u>         | <u>1,573,311</u>    |
| <b>Capital Assets Being Depreciated</b>                             |                     |                     |                  |                     |
| Buildings and Improvements  | 63,123,844          | 1,801,571           | 0                | 64,925,415          |
| Furniture, Equipment, and Machinery -<br>Dwellings & Administrative | <u>945,906</u>      | <u>6,680</u>        | <u>(26,206)</u>  | <u>926,380</u>      |
| <b>Subtotal Capital Assets<br/>Being Depreciated</b>                | <u>64,069,750</u>   | <u>1,808,251</u>    | <u>(26,206)</u>  | <u>65,851,795</u>   |
| <b>Accumulated Depreciation</b>                                     |                     |                     |                  |                     |
| Buildings and Improvements  | (47,526,065)        | (2,086,956)         | 0                | (49,613,021)        |
| Furniture, Equipment, and Machinery -<br>Dwellings & Administrative | <u>(862,523)</u>    | <u>(35,226)</u>     | <u>26,206</u>    | <u>(871,543)</u>    |
| <b>Total Accumulated Depreciation</b>                               | <u>(48,388,588)</u> | <u>(2,122,182)</u>  | <u>26,206</u>    | <u>(50,484,564)</u> |
| Depreciation Assets, Net  | <u>15,681,162</u>   | <u>(313,931)</u>    | <u>0</u>         | <u>15,367,231</u>   |
| <b>Total Capital Assets, Net</b>                                    | <u>\$17,254,322</u> | <u>\$ (313,780)</u> | <u>\$ -</u>      | <u>\$16,940,542</u> |

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
 Year Ended June 30, 2016

**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, 2016:

| <u>Description</u>          | <u>Balance<br/>06/30/15</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance<br/>06/30/16</u> | <u>Due Within<br/>One Year</u> |
|-----------------------------|-----------------------------|------------------|------------------|-----------------------------|--------------------------------|
| Compensated Absences        | \$221,435                   | \$183,811        | \$175,730        | \$229,516                   | \$22,952                       |
| Total Primary<br>Government | <u>\$221,435</u>            | <u>\$183,811</u> | <u>\$175,730</u> | <u>\$229,516</u>            | <u>\$22,952</u>                |

**NOTE 12: OTHER LONG-TERM LIABILITIES**

Changes in other long-term obligations of the Authority during the year-ended June 30, 2016 were as follows:

|                       | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Due within<br/>One Year</u> |
|-----------------------|------------------------------|-------------------|-------------------|---------------------------|--------------------------------|
| Net Pension Liability | \$1,762,491                  | \$ 662,659        | \$ -              | \$2,425,150               | \$ -                           |
| Total                 | <u>\$1,762,491</u>           | <u>\$ 662,659</u> | <u>\$ -</u>       | <u>\$2,425,150</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.



PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
Year Ended June 30, 2016

**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, 2016**

**Ohio Public Employees Retirement System**  
Last Ten Fiscal Years\*

|  | <u>2016</u> | <u>2015</u>  |
|--|-------------|--------------|
| Authority's proportion of the net pension liability (asset) (percentage)   | 0.014001%   | 0.014613%    |
| Authority's proportionate share of the net pension liability (asset)   | 2,425,150   | \$ 1,762,491 |
| Authority's covered-employee payroll   | 1,742,590   | \$ 1,902,830 |
| Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 139.17%     | 92.62%       |
| Plan fiduciary net position as a percentage of the total pension liability (Traditional Plan)                        | 81.08%      | 86.45%       |

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, 2016**

**Ohio Public Employees Retirement System**  
Last Ten Fiscal Years

|  | <b>2016</b>      | <b>2015</b>      | <b>2014</b>      | <b>2013</b>      | <b>2012</b>      | <b>2011</b>      | <b>2010</b>      | <b>2009</b>      | <b>2008</b>      | <b>2007</b>      | <b>2006</b>      |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution                              | \$ 208,901       | \$ 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>(208,901)</u> | <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>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| Authority's covered-employee payroll                             | \$ 1,740,842     | \$ 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%           | 12.00%           | 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, 2016**

| <b>FEDERAL GRANTOR/<br/>PROGRAM TITLE</b>                     | <b>FEDERAL<br/>CFDA<br/>NUMBER</b> | <b>EXPENDITURES</b> |
|---|------------------------------------|---------------------|
| <b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>       |                                    |                     |
| <i>Direct Programs:</i>                                       |                                    |                     |
| <b>Public Housing Programs:</b>                               |                                    |                     |
| Low Rent Public Housing Program                               | 14.850                             | \$ 3,143,583        |
| Public Housing Capital Fund Program                           | 14.872                             | 2,517,930           |
| <b>Section 8 Housing Assistance Program:</b>                  |                                    |                     |
| Housing Choice Vouchers                                       | 14.871                             | 3,003,490           |
| <b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b> |                                    | <b>8,665,003</b>    |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                   |                                    | <b>\$ 8,665,003</b> |

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, 2016**

**NOTE 1 – Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Portsmouth Metropolitan Housing Authority, Scioto County, Ohio (the Authority) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Authority has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
JUNE 30, 2016

|  | Project Total | 14.871 Housing<br>Choice Vouchers | 1 Business<br>Activities | COCC      | Subtotal  | ELIM | Total     |
|--|---------------|-----------------------------------|--------------------------|-----------|-----------|------|-----------|
| 111 Cash - Unrestricted  | 1,801,265     | 272,044                           | 1,509,746                | 1,318,817 | 4,901,872 | -    | 4,901,872 |
| 112 Cash - Restricted - Modernization and Development          |               |                                   |                          |           |           |      |           |
| 113 Cash - Other Restricted                                    |               | 86,213                            |                          |           | 86,213    |      | 86,213    |
| 114 Cash - Tenant Security Deposits                            | 154,463       |                                   |                          |           | 154,463   |      | 154,463   |
| 115 Cash - Restricted for Payment of Current Liabilities       |               |                                   |                          |           |           |      |           |
| 100 Total Cash   | 1,955,728     | 358,257                           | 1,509,746                | 1,318,817 | 5,142,548 | -    | 5,142,548 |
| 121 Accounts Receivable - PHA Projects                         |               |                                   |                          |           |           |      |           |
| 122 Accounts Receivable - HUD Other Projects                   |               |                                   |                          |           |           |      |           |
| 124 Accounts Receivable - Other Government                     |               |                                   |                          |           |           |      |           |
| 125 Accounts Receivable - Miscellaneous                        |               |                                   |                          |           |           |      |           |
| 126 Accounts Receivable - Tenants                              | 34,402        |                                   |                          |           | 34,402    |      | 34,402    |
| 126.1 Allowance for Doubtful Accounts - Tenants                | (1,072)       |                                   |                          |           | (1,072)   |      | (1,072)   |
| 126.2 Allowance for Doubtful Accounts - Other                  |               |                                   |                          |           |           |      |           |
| 127 Notes, Loans, & Mortgages Receivable - Current             |               |                                   |                          |           |           |      |           |
| 128 Fraud Recovery   | 20,147        | 6,404                             |                          |           | 26,551    |      | 26,551    |
| 128.1 Allowance for Doubtful Accounts - Fraud                  | -             | -                                 |                          |           | -         |      | -         |
| 129 Accrued Interest Receivable                                |               |                                   |                          | 136       | 136       |      | 136       |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | 53,477        | 6,404                             | -                        | 136       | 60,017    | -    | 60,017    |
| 131 Investments - Unrestricted                                 |               |                                   |                          | 201,704   | 201,704   |      | 201,704   |
| 132 Investments - Restricted                                   |               |                                   |                          |           |           |      |           |
| 135 Investments - Restricted for Payment of Current Liability  |               |                                   |                          |           |           |      |           |
| 142 Prepaid Expenses and Other Assets                          | 63,940        | 763                               |                          | 21,436    | 86,139    |      | 86,139    |
| 143 Inventories  |               |                                   |                          | 40,720    | 40,720    |      | 40,720    |
| 143.1 Allowance for Obsolete Inventories                       |               |                                   |                          | -         | -         |      | -         |
| 144 Inter Program Due From                                     |               |                                   |                          |           |           |      |           |
| 145 Assets Held for Sale                                       |               |                                   |                          |           |           |      |           |
| 150 Total Current Assets                                       | 2,073,145     | 365,424                           | 1,509,746                | 1,582,813 | 5,531,128 | -    | 5,531,128 |



PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
JUNE 30, 2016

|   |              |          |           |           |              |              |
|---|--------------|----------|-----------|-----------|--------------|--------------|
| 161 Land  | 1,492,161    |          | 81,150    |           | 1,573,311    | 1,573,311    |
| 162 Buildings   | 64,150,896   |          |           | 774,519   | 64,925,415   | 64,925,415   |
| 163 Furniture, Equipment & Machinery - Dwellings                          | 62,887       |          |           |           | 62,887       | 62,887       |
| 164 Furniture, Equipment & Machinery - Administration                     | 521,677      | 33,476   | 46,116    | 262,224   | 863,493      | 863,493      |
| 165 Leasehold Improvements  |              |          |           |           |              |              |
| 166 Accumulated Depreciation  | (49,558,731) | (32,796) | (46,116)  | (846,921) | (50,484,564) | (50,484,564) |
| 167 Construction in Progress  |              |          |           |           |              |              |
| 168 Infrastructure  |              |          |           |           |              |              |
| 160 Total Capital Assets, Net of Accumulated Depreciation                 | 16,668,890   | 680      | 81,150    | 189,822   | 16,940,542   | - 16,940,542 |
| 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  | 16,668,890   | 680      | 81,150    | 189,822   | 16,940,542   | - 16,940,542 |
| 200 Deferred Outflow of Resources   | 535,097      | 35,907   |           | 246,937   | 817,941      | 817,941      |
| 290 Total Assets and Deferred Outflow of Resources                        | 19,277,132   | 402,011  | 1,590,896 | 2,019,572 | 23,289,611   | - 23,289,611 |
| 311 Bank Overdraft  |              |          |           |           |              |              |
| 312 Accounts Payable <= 90 Days   |              | 7,982    |           | 102,114   | 110,096      | 110,096      |
| 313 Accounts Payable >90 Days Past Due                                    |              |          |           |           |              |              |
| 321 Accrued Wage/Payroll Taxes Payable                                    | 49,065       | 3,570    |           | 32,887    | 85,522       | 85,522       |
| 322 Accrued Compensated Absences - Current Portion                        | 13,645       | 373      |           | 8,934     | 22,952       | 22,952       |
| 324 Accrued Contingency Liability   |              |          |           |           |              |              |
| 325 Accrued Interest Payable  |              |          |           |           |              |              |
| 331 Accounts Payable - HUD PHA Programs                                   |              |          |           |           |              |              |
| 332 Account Payable - PHA Projects  |              |          |           |           |              |              |
| 333 Accounts Payable - Other Government                                   | 76,529       |          |           |           | 76,529       | 76,529       |
| 341 Tenant Security Deposits  | 154,463      |          |           |           | 154,463      | 154,463      |
| 342 Unearned Revenue  | 11,607       |          |           |           | 11,607       | 11,607       |
| 343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue | 407,149      |          |           | 1,730     | 408,879      | 408,879      |
| 344 Current Portion of Long-term Debt - Operating Borrowings              |              |          |           |           |              |              |
| 345 Other Current Liabilities   |              | 27,037   | 268       |           | 27,305       | 27,305       |
| 346 Accrued Liabilities - Other   |              |          |           |           |              |              |
| 347 Inter Program - Due To  |              |          |           |           |              |              |

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
JUNE 30, 2016

|  |            |         |           |           |            |   |            |
|--|------------|---------|-----------|-----------|------------|---|------------|
| 348 Loan Liability - Current   |            |         |           |           |            |   |            |
| 310 Total Current Liabilities  | 712,458    | 38,962  | 268       | 145,665   | 897,353    | - | 897,353    |
| 351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue | 1,903,408  |         |           |           | 1,903,408  |   | 1,903,408  |
| 352 Long-term Debt, Net of Current - Operating Borrowings              |            |         |           |           |            |   |            |
| 353 Non-current Liabilities - Other                                    |            |         |           |           |            |   |            |
| 354 Accrued Compensated Absences - Non Current                         | 122,798    | 3,359   |           | 80,407    | 206,564    |   | 206,564    |
| 355 Loan Liability - Non Current                                       |            |         |           |           |            |   |            |
| 356 FASB 5 Liabilities   |            |         |           |           |            |   |            |
| 357 Accrued Pension and OPEB Liabilities                               | 1,586,532  | 106,464 |           | 732,154   | 2,425,150  |   | 2,425,150  |
| 350 Total Non-Current Liabilities                                      | 3,612,738  | 109,823 | -         | 812,561   | 4,535,122  | - | 4,535,122  |
| 300 Total Liabilities  | 4,325,196  | 148,785 | 268       | 958,226   | 5,432,475  | - | 5,432,475  |
| 400 Deferred Inflow of Resources                                       | 62,193     | 4,173   |           | 28,702    | 95,068     |   | 95,068     |
| 508.4 Net Investment in Capital Assets                                 | 14,358,333 | 680     | 81,150    | 188,092   | 14,628,255 |   | 14,628,255 |
| 511.4 Restricted Net Position  |            | 86,213  |           |           | 86,213     |   | 86,213     |
| 512.4 Unrestricted Net Position  | 531,410    | 162,160 | 1,509,478 | 844,552   | 3,047,600  |   | 3,047,600  |
| 513 Total Equity - Net Assets / Position                               | 14,889,743 | 249,053 | 1,590,628 | 1,032,644 | 17,762,068 | - | 17,762,068 |
| 600 Total Liabilities, Deferred Inflows of Resources and Equity - Net  | 19,277,132 | 402,011 | 1,590,896 | 2,019,572 | 23,289,611 | - | 23,289,611 |

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
 FINANCIAL DATA SCHEDULE  
 JUNE 30, 2016

|   | Project Total | 14.871 Housing<br>Choice<br>Vouchers | 1 Business<br>Activities | COCC      | Subtotal   | ELIM        | Total      |
|---|---------------|--------------------------------------|--------------------------|-----------|------------|-------------|------------|
| 70300 Net Tenant Rental Revenue                         | 1,683,559     |                                      |                          |           | 1,683,559  |             | 1,683,559  |
| 70400 Tenant Revenue - Other                            | 36,808        |                                      |                          |           | 36,808     |             | 36,808     |
| 70500 Total Tenant Revenue                              | 1,720,367     |                                      |                          |           | 1,720,367  |             | 1,720,367  |
| 70600 HUD PHA Operating Grants                          | 3,902,414     | 3,003,490                            |                          |           | 6,905,904  |             | 6,905,904  |
| 70610 Capital Grants                                    | 1,751,342     |                                      |                          |           | 1,751,342  |             | 1,751,342  |
| 70710 Management Fee                                    |               |                                      |                          | 822,506   | 822,506    | (822,506)   |            |
| 70720 Asset Management Fee                              |               |                                      |                          | 106,320   | 106,320    | (106,320)   |            |
| 70730 Book Keeping Fee                                  |               |                                      |                          | 77,528    | 77,528     | (77,528)    |            |
| 70740 Front Line Service Fee                            |               |                                      |                          |           |            |             |            |
| 70750 Other Fees  |               |                                      |                          |           |            |             |            |
| 70700 Total Fee Revenue                                 |               |                                      |                          | 1,006,354 | 1,006,354  | (1,006,354) |            |
| 70800 Other Government Grants                           |               |                                      |                          |           |            |             |            |
| 71100 Investment Income - Unrestricted                  |               | 186                                  |                          | 1,675     | 1,861      |             | 1,861      |
| 71200 Mortgage Interest Income                          |               |                                      |                          |           |            |             |            |
| 71300 Proceeds from Disposition of Assets Held for Sale |               |                                      |                          |           |            |             |            |
| 71310 Cost of Sale of Assets                            |               |                                      |                          |           |            |             |            |
| 71400 Fraud Recovery                                    |               | 3,725                                |                          |           | 3,725      |             | 3,725      |
| 71500 Other Revenue                                     | 69,812        | 7,456                                | 440                      | 393       | 78,101     |             | 78,101     |
| 71600 Gain or Loss on Sale of Capital Assets            |               |                                      |                          |           |            |             |            |
| 72000 Investment Income - Restricted                    |               |                                      |                          |           |            |             |            |
| 70000 Total Revenue                                     | 7,443,935     | 3,014,857                            | 440                      | 1,008,422 | 11,467,654 | (1,006,354) | 10,461,301 |
| 91100 Administrative Salaries                           | 304,304       | 84,334                               |                          | 526,797   | 915,435    |             | 915,435    |
| 91200 Auditing Fees                                     | 7,073         | 3,333                                | 166                      | 1,671     | 12,243     |             | 12,243     |
| 91300 Management Fee                                    | 739,682       | 82,824                               |                          |           | 822,506    | (822,506)   |            |
| 91310 Book-keeping Fee                                  | 77,528        |                                      |                          |           | 77,528     | (77,528)    |            |
| 91400 Advertising and Marketing                         |               |                                      |                          | 325       | 325        |             | 325        |
| 91500 Employee Benefit contributions - Administrative   | 167,952       | 66,413                               |                          | 334,828   | 569,193    |             | 569,193    |
| 91600 Office Expenses                                   | 54,098        | 18,587                               |                          | 51,426    | 124,111    |             | 124,111    |
| 91700 Legal Expense                                     | 32,271        | 663                                  |                          | 8,622     | 41,556     |             | 41,556     |
| 91800 Travel  | 6,879         | 380                                  |                          | 1,274     | 8,533      |             | 8,533      |
| 91810 Allocated Overhead                                |               |                                      |                          |           |            |             |            |
| 91900 Other   | 86,916        | 33,458                               | 2,740                    | 72,198    | 195,312    |             | 195,312    |

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
 FINANCIAL DATA SCHEDULE  
 JUNE 30, 2016

|   |           |         |       |         |           |           |           |
|---|-----------|---------|-------|---------|-----------|-----------|-----------|
| 91000 Total Operating - Administrative                          | 1,476,703 | 289,992 | 2,906 | 997,141 | 2,766,742 | (900,034) | 1,866,708 |
| 92000 Asset Management Fee                                      | 106,320   |         |       |         | 106,320   | (106,320) |           |
| 92100 Tenant Services - Salaries                                |           |         |       |         |           |           |           |
| 92200 Relocation Costs  | 695       |         |       |         | 695       |           | 695       |
| 92300 Employee Benefit Contributions - Tenant Services          |           |         |       |         |           |           |           |
| 92400 Tenant Services - Other                                   | 94        |         |       |         | 94        |           | 94        |
| 92500 Total Tenant Services                                     | 789       |         |       |         | 789       |           | 789       |
| 93100 Water   | 117,651   | 31      |       | 204     | 117,886   |           | 117,886   |
| 93200 Electricity   | 540,990   | 1,571   |       | 9,549   | 552,110   |           | 552,110   |
| 93300 Gas   | 108,942   | 91      |       | 1,282   | 110,315   |           | 110,315   |
| 93400 Fuel  |           |         |       |         |           |           |           |
| 93500 Labor   |           |         |       |         |           |           |           |
| 93600 Sewer   | 186,660   | 35      |       | 209     | 186,904   |           | 186,904   |
| 93700 Employee Benefit Contributions - Utilities                |           |         |       |         |           |           |           |
| 93800 Other Utilities Expense                                   |           |         |       |         |           |           |           |
| 93000 Total Utilities   | 954,243   | 1,728   |       | 11,244  | 967,215   |           | 967,215   |
| 94100 Ordinary Maintenance and Operations - Labor               | 882,980   |         |       | 2,511   | 885,491   |           | 885,491   |
| 94200 Ordinary Maintenance and Operations - Materials and Other | 217,386   |         |       | 6,956   | 224,342   |           | 224,342   |
| 94300 Ordinary Maintenance and Operations Contracts             | 423,520   |         |       | 18,175  | 441,695   |           | 441,695   |
| 94500 Employee Benefit Contributions - Ordinary Maintenance     | 505,250   |         |       | 1,439   | 506,689   |           | 506,689   |
| 94000 Total Maintenance   | 2,029,136 |         |       | 29,081  | 2,058,217 |           | 2,058,217 |
| 95100 Protective Services - Labor                               | 76,355    | 4,760   |       | 23,301  | 104,416   |           | 104,416   |
| 95200 Protective Services - Other Contract Costs                |           |         |       |         |           |           |           |
| 95300 Protective Services - Other                               | 65,295    | 3,773   |       | 4,017   | 73,085    |           | 73,085    |
| 95500 Employee Benefit Contributions - Protective Services      | 42,542    | 21      |       | 13,353  | 55,916    |           | 55,916    |
| 95000 Total Protective Services                                 | 184,192   | 8,554   |       | 40,671  | 233,417   |           | 233,417   |
| 96110 Property Insurance  | 154,352   |         |       |         | 154,352   |           | 154,352   |
| 96120 Liability Insurance                                       |           |         |       |         |           |           |           |
| 96130 Workmen's Compensation                                    |           |         |       |         |           |           |           |
| 96140 All Other Insurance                                       |           | 1,821   |       | 12,028  | 13,849    |           | 13,849    |
| 96100 Total insurance Premiums                                  | 154,352   | 1,821   |       | 12,028  | 168,201   |           | 168,201   |

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
 FINANCIAL DATA SCHEDULE  
 JUNE 30, 2016

|   |           |           |         |           |            |             |            |
|---|-----------|-----------|---------|-----------|------------|-------------|------------|
| 96200 Other General Expenses                              | 21,018    | 304       |         |           | 21,322     |             | 21,322     |
| 96210 Compensated Absences                                | 20,064    |           |         | 12,198    | 32,262     |             | 32,263     |
| 96300 Payments in Lieu of Taxes                           | 76,529    |           |         |           | 76,529     |             | 76,529     |
| 96400 Bad debt - Tenant Rents                             | 26,322    |           |         |           | 26,322     |             | 26,322     |
| 96500 Bad debt - Mortgages                                |           |           |         |           |            |             |            |
| 96600 Bad debt - Other                                    |           |           |         |           |            |             |            |
| 96800 Severance Expense                                   |           |           |         |           |            |             |            |
| 96000 Total Other General Expenses                        | 143,933   | 304       | -       | 12,198    | 156,435    |             | 156,435    |
| 96710 Interest of Mortgage (or Bonds) Payable             |           |           |         |           |            |             |            |
| 96720 Interest on Notes Payable (Short and Long Term)     | 69,775    |           |         |           | 69,775     |             | 69,775     |
| 96730 Amortization of Bond Issue Costs                    |           |           |         |           |            |             |            |
| 96700 Total Interest Expense and Amortization Cost        | 69,775    |           | -       | -         | 69,775     |             | 69,775     |
| 96900 Total Operating Expenses                            | 5,119,443 | 302,399   | 2,906   | 1,102,363 | 6,527,111  | (1,006,354) | 5,520,757  |
| 97000 Excess of Operating Revenue over Operating Expenses | 2,324,492 | 2,712,458 | (2,466) | (93,941)  | 4,940,543  |             | 4,940,543  |
| 97100 Extraordinary Maintenance                           | 3,995     |           |         |           | 3,995      |             | 3,995      |
| 97200 Casualty Losses - Non-capitalized                   | 3,976     |           |         |           | 3,976      |             | 3,976      |
| 97300 Housing Assistance Payments                         |           | 2,569,831 |         |           | 2,569,831  |             | 2,569,831  |
| 97350 HAP Portability-In                                  |           | 6,654     |         |           | 6,654      |             | 6,654      |
| 97400 Depreciation Expense                                | 2,068,162 | 1,359     |         | 52,661    | 2,122,182  |             | 2,122,182  |
| 97500 Fraud Losses  |           |           |         |           |            |             |            |
| 97600 Capital Outlays - Governmental Funds                |           |           |         |           |            |             |            |
| 97700 Debt Principal Payment - Governmental Funds         |           |           |         |           |            |             |            |
| 97800 Dwelling Units Rent Expense                         |           |           |         |           |            |             |            |
| 90000 Total Expenses                                      | 7,195,576 | 2,880,243 | 2,906   | 1,155,024 | 11,233,749 | (1,006,354) | 10,227,395 |
| 10010 Operating Transfer In                               | 522,770   |           |         |           | 522,770    | (522,770)   |            |
| 10020 Operating transfer Out                              | (522,770) |           |         |           | (522,770)  | 522,770     |            |
| 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               | 75,000    |           |         |           | 75,000     |             | 75,000     |

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
 FINANCIAL DATA SCHEDULE  
 JUNE 30, 2016

|   |            |         |           |           |            |            |
|---|------------|---------|-----------|-----------|------------|------------|
| 10092 Inter Project Excess Cash Transfer Out                              | (75,000)   |         |           |           | (75,000)   | (75,000)   |
| 10093 Transfers between Program and Project - In                          |            |         |           |           |            |            |
| 10094 Transfers between Project and Program - Out                         |            |         |           |           |            |            |
| 10100 Total Other financing Sources (Uses)                                |            |         |           |           |            |            |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses    | 248,359    | 134,614 | (2,466)   | (146,602) | 233,905    | 233,905    |
| 11020 Required Annual Debt Principal Payments                             | 390,621    |         |           |           | 390,621    | 390,621    |
| 11030 Beginning Equity  | 14,641,384 | 114,439 | 1,593,094 | 1,179,246 | 17,528,163 | 17,528,163 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of Errors |            |         |           |           |            |            |
| 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               |            |         |           |           |            |            |
| 11100 Changes in Allowance for Doubtful Accounts - Other                  |            |         |           |           |            |            |
| 11170 Administrative Fee Equity   |            | 162,840 |           |           | 162,840    | 162,840    |
| 11180 Housing Assistance Payments Equity                                  |            | 86,213  |           |           | 86,213     | 86,213     |
| 11190 Unit Months Available   | 10,632     | 7,392   |           |           | 18,024     | 18,024     |
| 11210 Number of Unit Months Leased  | 10,320     | 6,902   |           |           | 17,222     | 17,222     |
| 11270 Excess Cash   | 1,296,747  |         |           |           | 1,296,747  | 1,296,747  |
| 11610 Land Purchases  |            |         |           |           |            |            |
| 11620 Building Purchases  | 1,751,342  |         |           |           | 1,751,342  | 1,751,342  |
| 11630 Furniture & Equipment - Dwelling Purchases                          |            |         |           |           |            |            |
| 11640 Furniture & Equipment - Administrative Purchases                    |            |         |           |           |            |            |
| 11650 Leasehold Improvements Purchases                                    |            |         |           |           |            |            |
| 11660 Infrastructure Purchases  |            |         |           |           |            |            |
| 13510 CFFP Debt Service Payments  |            |         |           |           |            |            |
| 13901 Replacement Housing Factor Funds                                    |            |         |           |           |            |            |



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

February 17, 2017

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, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 17, 2017.

***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. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a significant deficiency. We consider finding 2016-001 to be a significant deficiency.

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***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the Authority's management in a separate letter dated February 17, 2017.

***Authority's Response to Findings***

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of audit findings. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

***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.



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





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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 THE UNIFORM GUIDANCE**

February 17, 2017

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 in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Portsmouth Metropolitan Housing Authority's major federal program for the year ended June 30, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as 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.

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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, 2016.

***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 each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, 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 over compliance tests and the results of this testing based on Uniform Guidance 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, 2016

SCHEDULE OF AUDIT FINDINGS  
 2 CFR § 200.515

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

|                     |   |  |
|---------------------|---|--|
| <i>(d)(1)(i)</i>    | <b>Type of Financial Statement Opinion</b>  | Unmodified                                       |
| <i>(d)(1)(ii)</i>   | <b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>      | No   |
| <i>(d)(1)(ii)</i>   | <b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b> | Yes  |
| <i>(d)(1)(iii)</i>  | <b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>                        | Yes  |
| <i>(d)(1)(iv)</i>   | <b>Were there any material weaknesses in internal control reported for major federal programs?</b>                    | No   |
| <i>(d)(1)(iv)</i>   | <b>Were there any significant deficiencies in internal control reported for major federal programs?</b>               | No   |
| <i>(d)(1)(v)</i>    | <b>Type of Major Programs' Compliance Opinion</b>   | Unmodified                                       |
| <i>(d)(1)(vi)</i>   | <b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>  | No   |
| <i>(d)(1)(vii)</i>  | <b>Major Programs (list):</b>   | Public Housing Capital Fund Program-CFDA #14.872 |
| <i>(d)(1)(viii)</i> | <b>Dollar Threshold: Type A/B Programs</b>  | Type A: > \$750,000<br>Type B: all others        |
| <i>(d)(1)(ix)</i>   | <b>Low Risk Auditee under 2 CFR § 200.520?</b>  | Yes  |

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

**FINDING NUMBER 2016-001**

**Significant Deficiency**

**GASB Statement No. 68**

During our testing of GASB 68 entries we determined the Authority did not include the change in proportionate share and differences between employer contributions and proportionate share of contributions. It was also noted the amount for employer pension contribution subsequent to measurement date was incorrectly calculated.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
SCIOTO COUNTY, OHIO  
FOR THE YEAR ENDED JUNE 30, 2016

SCHEDULE OF AUDIT FINDINGS  
2 CFR § 200.515

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

**FINDING NUMBER 2016-001 (Continued)**

**Significant Deficiency (Continued)**

**GASB Statement No. 68 (Continued)**

During our testing of GASB 68 note disclosures we determined the note disclosures:

- Did not indicate increase/decrease in proportionate share percentage;
- Did not accurately display by category the deferred inflows/outflows;
- The amortization table was not updated from prior year;
- The discount rate sensitivity table was not updated from prior year;
- Asset Allocation and Long-term expected rates of return table was not updated; and
- Required supplemental information was not updated for 2016.

Although the differences are not material and do not significantly affect the financial statements, adjustments were made to the financial statements and note disclosures. The required supplementary schedules were also corrected.

GASB 68 is a very complex accounting issue and the Authority has made a considerable effort to account for it properly. We recommend the Authority continue to update its knowledge of the accounting requirements and consult with accountants, auditors and the Auditor of State as needed.

**Management's Response** – See the Corrective Action Plan.

**FINDING NUMBER 2016-002**

**Noncompliance**

**Filing Annual Financial Report**

**Ohio Revised Code Section 117.38** requires entities to file their financial information in the HINKLE system formerly known as the Annual Financial Data Reporting System (AFDRS) within 150 days after the close of the fiscal year.

The Authority did not file financial statements for 2016 with the Auditor of State. However, they did file footnote disclosures.

We recommend the Authority file financial information with the Auditor of State within 150 days as required.

**Management's Response** – See the Corrective Action Plan.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
SCIOTO COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR § 200.511(c)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| <b>Finding Number</b> | <b>Planned Corrective Action</b>  | <b>Anticipated Completion Date</b> | <b>Responsible Contact Person</b>   |
|-----------------------|---|------------------------------------|-------------------------------------|
| 2016-001              | The housing authority will continue to update its knowledge of the GASB 68 accounting requirements. The housing authority will also consult with accountants, auditors, and the Auditor of State as needed.   | June 30, 2017                      | Teresa Everett, Director of Finance |
| 2016-002              | I uploaded two documents to the Hinkle system on 11/23/16. However, I did not realize the second document replaced the first document. Therefore my submission was on time, but incomplete. I will combine all information into one document for future Hinkle submissions. | June 30, 2017                      | Teresa Everett, Director of Finance |

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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 23, 2017**