PORTSMOUTH METROPOLITAN
HOUSING AUTHORITY
SCIOTO COUNTY
Single Audit
For the Year Ended June 30, 2013

Perry & Associates
Certified Public Accountants, A.C.

Dave Yost · Auditor of State

Board of Directors
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, 2012 through June 30, 2013. 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.

Dave Yost
Auditor of State

January 28, 2014

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov

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PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY

FOR THE YEAR ENDED JUNE 30, 2013

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Perry & Associates

Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA	PARKERSBURG	ST. CLAIRSVILLE
428 Second Street	1035 Murdoch Avenue	121 E. Main Street
Marietta, OH 45750	Parkersburg, WV 26101	St. Clairsville, OH 43950
(740) 373-0056	(304) 422-2203	(740) 695-1569
(740) 373-2402 Fax	(304) 428-5587 Fax	(740) 695-5775 Fax

INDEPENDENT AUDITOR'S REPORT

December 30, 2013

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 business-type activities of the **Portsmouth Metropolitan Housing Authority**, Scioto County, Ohio (the Authority), as of and for the year ended June 30, 2013, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Portsmouth Metropolitan Housing Authority, Scioto County, Ohio, as of June 30, 2013 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 22-25 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 also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these 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, these 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 December 30, 2013, 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.

Respectfully submitted,

Perry & Associates CPA's A.C.

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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013

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 $23,597,801 and $23,637,924 for 2013 and 2012 respectively. The Authority–Wide statements reflect a decrease in total assets of $40,123 (or .17%) during 2013. This decrease is reflective of the year's activities.
- Revenue increased by $742,239 during 2013, and was $9,600,042 and $8,857,803 for 2013 and 2012 respectively.
- Total expenses of all Authority programs increased by $75,386 (or .81%). Total expenses were $9,425,048 and $9,349,662 for 2013 and 2012 respectively.

Using this Annual Report

The following graphic outlines the format of this report:

MD&A ~Management's Discussion and Analysis~
Basic Financial Statements ~Authority-Wide Financial Statements~ ~Notes to Financial Statements~
Other Supplementary Information ~ Supplementary Information (other than MD&A)~

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".

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.

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 Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

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

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.

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 Authority 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. The 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 program will run through September 25, 2013.

Authority-Wide Statements

Statement of Net Position

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

TABLE 1
Statement of Net Position

	2013	2012	Change
Current Assets	$ 6,482,448	$ 6,638,678	$ (156,230)
Net Capital Assets	17,115,353	16,999,246	116,107
Total Assets	23,597,801	23,637,924	(40,123)
Current Liabilities	439,090	602,120	(163,030)
Long-Term Liabilities	236,437	288,524	(52,087)
Total Liabilities	675,527	890,644	(215,117)
Total Net Position	$ 22,922,274	$ 22,747,280	$ 174,994

For more detailed information see the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

- Current assets were decreased by $156,230, while current liabilities decreased by $163,030 in relation.
- The increase in capital assets is due to housing renovations and installation of new security cameras.
- The Net Position section reflects an increase of $174,994 that can be attributed to the results from operations less current year depreciation expense.

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

	2013	2012	Change
Revenues			
Tenant Revenue	$ 1,550,888	$ 1,610,130	$ (59,242)
Government Operating Grants	6,220,798	6,611,851	(391,053)
Capital Grants	1,732,983	469,259	1,263,724
Interest and Investment Revenue	292	894	(602)
Other Revenue	66,201	165,669	(99,468)
Extraordinary Item	28,880	-	28,880
Total Revenues	9,600,042	8,857,803	742,239
Expenses			
Administrative	1,708,311	1,679,670	28,641
Tenant Services	16,977	1,469	15,508
Utilities	1,086,600	1,039,513	47,087
Maintenance	1,747,327	1,738,916	8,411
Protective Services	208,665	214,928	(6,263)
General and Interest Expense	287,738	322,665	(34,927)
Housing Assistance Payments	2,554,441	2,485,423	69,018
Depreciation	1,814,989	1,867,078	(52,089)
Total Expenses	9,425,048	9,349,662	75,386
Net Gain (Loss)	$ 174,994	$ (491,859)	$ 666,853

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

The Authority's total revenue has increased by $742,239. This is a reflection of an increase in Capital Fund Program activities in the year; while Government Operating Grants and Housing Choice Vouchers Subsidy both showed decreases due to proration and sequestration. There was also a decrease in Tenant Revenue and a continuing decrease in Interest and Investment Revenue due to declining interest rates. Expenses increased by $75,386 for 2013. The Authority was able to decrease some expenses; specific examples including office expenses, property insurance, compensated absences, and interest on notes payable. There was an increase in utility expenses; specifically water, electricity, and sewer. Also, the Authority experienced an increase in travel expenses.

Unaudited

Capital Assets and Debt Administration

Capital Assets

As of year-end, the Authority had $17,115,353 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (additions, deductions and depreciation) of $116,107 from the end of last year.

Table 3
Capital Assets at Year-End
(Net of Deprecation)

	2013	2012
Land	$ 1,548,512	$ 1,519,932
Buildings	59,042,510	56,798,201
Furniture, Machinery & Equipment	946,630	925,937
Construction in Progress	-	374,574
Accumulated Depreciation	(44,422,599)	(42,619,398)
Total	$ 17,115,353	$ 16,999,246

The following reconciliation summarizes the change in Capital Assets.

Table 4
Change in Capital Assets

Beginning Balance - June 30, 2012	$	16,999,246
Current Year Additions		1,931,095
Current Year Depreciation Expense		(1,803,200)
Current Year Disposal, Net of Accumlated Depreciation		(11,788)
Ending Balance - June 30, 2013	$	17,115,353

See Note 8 for additional information regarding capital assets.

Debt Outstanding

As of year-end, the Authority had $57,009 in debt (bonds, notes, etc.) outstanding compared to $277,560 for the prior year. This debt was incurred for the Energy Performance Contract for the acquisition and installation of energy efficient building fixtures.

	June 30, 2013	June 30, 2012
Beginning Balance	$ 277,560	$ 486,605
Current Year Principal Payments	(220,551)	(209,045)
Ending Balance	$ 57,009	$ 277,560

See Note 7 for additional information regarding debt.

Economic Factors

Significant economic factors affecting the Authority are as follows:

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

The Future of PMHA

We feel the future is secure for PMHA even with the uncertainty of the industry and the economy. We have continued realignment of responsibilities for several positions within the authority with the emphasis on efficiency. We continue to increase our security at all developments with additional lighting and/or cameras. We completed the addition of cameras at three of our high-rise developments. 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. Two examples of this are working with local law enforcement to increase foot patrols with the grant funding the local law enforcement received during this past fiscal year; and, also 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 a major upgrade including new exterior doors, new heating and air-conditioning, and new domestic hot water system at Alexandria House (one of our high-rises). We also have completed a major upgrade to some of the Scattered Sites houses (one example is 2025 High Street). Another project which is currently in-progress is a major re-hab to our family site, Wayne Hills. This development has 29 buildings that were built in the 1940's. Due to the amount of work involved, and the cost associated with it, this has been broken down into phases. Phase 1 is in-process currently and will re-hab 3 buildings. Completion of these projects at Alexandria House and Wayne Hills projects will not only enhance the appearance of the housing stock, but will also lengthen the life of the buildings. We are constantly reviewing and updating policies to enhance our safety and customer service efforts to our tenants. Lastly, we have recently entered into a Phase II of our Energy Performance Contract with Honeywell and Bank of America which will enable even more improvements to our existing housing stock centered around the idea of making the properties more energy efficient.

CONTACT:

Portsmouth Metropolitan Housing Authority
410 Court Street
Portsmouth, OH 45662
740-354-4547

Teresa Everett
Director of Finance
teresa@pmha.us

Peggy Rice
Executive Director
price@pmha.us

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
Statement of Net Position

As of June 30, 2013

ASSETS		
Current assets		
Cash and cash equivalents	$	6,104,823
Restricted cash		197,181
Receivables, net		33,149
Inventories, net		110,239
Prepaid expenses and other assets		37,056
Total current assets		6,482,448
Noncurrent assets		
Capital Assets:		
Land		1,548,812
Building and equipment		59,989,140
Less accumulated depreciation		(44,422,599)
Total noncurrent assets		17,115,353
Total assets	$	23,597,801
LIABILITIES & NET POSITION		
Current liabilities		
Accounts payable	$	99,569
Accrued liabilities		41,751
Accrued compensated absences, current portion		26,270
Intergovernmental payables		51,952
Tenant security deposits		150,196
Capital lease payable, current portion		57,009
Unearned revenue		9,191
Other current liabilities		3,152
Total current liabilities		439,090
Noncurrent liabilities		
Accrued compensated absences		236,437
Total noncurrent liabilities		236,437
Total liabilities		675,527
NET POSITION		
Net investment in capital assets		17,058,344
Restricted		46,985
Unrestricted		5,816,945
Total net position		22,922,274
Total liabilities and net position	$	23,597,801

The accompanying notes are an integral part of the financial statements

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2013

OPERATING REVENUES		
Tenant revenue	$	1,550,888
Government operating grants		6,220,798
Other revenue		66,201
Total operating revenues		7,837,887
OPERATING EXPENSES		
Administrative		1,708,311
Tenant services		16,977
Utilities		1,086,600
Maintenance		1,747,327
Protective services		208,665
General		278,210
Housing assistance payments		2,554,441
Depreciation		1,814,989
Total operating expenses		9,415,520
Operating income (loss)		(1,577,633)
NONOPERATING REVENUES (EXPENSES)		
Interest and investment revenue		292
Interest expense		(9,528)
Total nonoperating revenues (expenses)		(9,236)
Income (loss) before capital grants and extraordinary item		(1,586,869)
Capital grants		1,732,983
Extraordinary item - donated land		28,880
Change in net position		174,994
Net position - beginning of year		22,747,280
Net position - end of year	$	22,922,274

The accompanying notes are an integral part of the financial statements

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
Statement of Cash Flows

For the Year Ended June 30, 2013

Cash Flows from Operating Activities		
Cash Received from Grantors	$	6,220,798
Cash Received from Tenants		1,551,698
Cash Received from Other Sources		65,391
Cash Payment for Housing Assistance		(2,554,441)
Cash Payment for Administrative and Operating Expenses		(4,884,999)
Net Cash Flows Provided/(Used) by Operating Activities		398,447
Cash Flows from Investing Activities		
Cash Received for Interest Income		292
Net Cash Flows Provided/(Used) by Investing Activities		292
Cash Flows from Capital and Related Financing Activities		
Capital Grant Funding Received from HUD		1,732,983
Payments of Related Debt		(220,551)
Payments for Interest Expense		(9,528)
Property and Equipment Purchased		(1,902,215)
Net Cash Flows Provided/(Used) by Capital and Related Financing		(399,311)
Decrease in Cash and Cash Equivalents		(572)
Cash - Beginning of Period		6,302,576
Cash - End of Period	$	6,302,004
Reconciliation of operating income to net cash provided by operating activities		
Net operating loss	$	(1,577,633)
Adjustment to reconcile operating loss to net cash used by operating activities		
- Depreciation		1,814,988
- (Increase) decrease in receivables		189,588
- (Increase) decrease in inventories		(73,891)
- (Increase) decrease in prepaid expenses and other assets		39,961
- (Decrease) increase in accounts payable		20,715
- (Decrease) increase in accrued liabilities		(25,298)
- (Decrease) increase in intergovernmental payables		(5,869)
- (Decrease) increase in tenant security deposits		(1,602)
- (Decrease) increase in unearned revenue		1,251
- (Decrease) increase in other current liabilitites		(14,955)
- (Decrease) increase in accrued compensated absences		31,192
Net cash provided by operating activities	$	398,447

The accompanying notes are an integral part of the financial statements

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. Conventional 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.

D. Energy Performance Contract

The Authority entered into a contract with HUD and Viron Energy Services. 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 Accounting

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 and Section 8 N/C 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.

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. 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.

C. 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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.

E. 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

F. 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.

G. Unearned Revenue

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

NOTE 3: DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Authority 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 Authority 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.

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Protection of Authority 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 the Authority 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, 2013, the carrying amount of the Authority's deposits totaled $6,302,004. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosure*, as of June 30, 2013, $5,845,682 was exposed to custodial risk as discussed below, while $456,322 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.

Cash & cash equivalents at June 30, 2013, consisted of the following:

Cash & Cash Equivalents – Unrestricted	$ 6,104,823
Cash – Restricted	197,181
	$ 6,302,004

Restricted Cash and Investments:

Tenant Security Deposits	$ 150,196
HCV Equity	46,985
	$ 197,181

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013, consisted of the following:

Tenants – (net of allowance of $32,767)	$ 22,676
Delinquent Tenant Accounts	10,473
	$ 33,149

The above receivable balance excludes $346,075 of interfund balances that have been eliminated as a result of consolidated financial statements at June 30, 2013.

NOTE 5: DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

All full-time Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

1. The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

Ohio Public Employees Retirement System (Continued)

2. The Member-Directed Plan (MD) - a benefit 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 plus any investment earnings.

3. The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor, death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377 or by using the OPERS website at www.opers.org.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013 and 2012, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14 percent of covered payroll. The Authority's required contributions to OPERS for the years ended June 30, 2013, 2012, and 2011, were $260,444, $253,551, and $248,179, respectively.

NOTE 6: POST-EMPLOYMENT BENEFITS

A. Plan Description

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

OPERS maintains a cost-sharing, multiple-employer defined benefit 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. 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 45.

NOTE 6: POST-EMPLOYMENT BENEFITS (Continued)

A. Plan Description (Continued)

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

OPERS issues a 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 800-222-7377.

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year ending 2013, the Authority contributed at a rate of 14.00 percent of covered payroll. 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.

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 portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent from April 1, 2012 through December 31, 2012. This rate changed to 1.0 percent effective January 1, 2013.

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 year ended June 30, 2013, 2012, and 2011 which were used to fund post-employment benefits were $103,432, $115,999, and $97,499, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 7: CAPITAL LEASE

The 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 $3,283,801 with repayments beginning in October of 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. Depreciation under the aforementioned capital lease as of June 30, 2013 amounted to $234,045 and the net book value is $889,617.

NOTE 7: CAPITAL LEASE (Continued)

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

	Balance 6/30/2012	Retired	Balance 6/30/2013	Due in One Year
Debt Amount	$ 227,560	$ 220,551	$ 57,009	$ 57,009

	Principal	Interest
2014	$ 57,009	$ 511
Total	$ 57,009	$ 511

NOTE 8: CAPITAL ASSETS

The following is the change during the year ended June 30, 2013:

	Balance 6/30/12	Adjustments	Additions	Deletions	Balance 6/30/13
Capital Assets not Being Depreciated:					
Land	$ 1,519,932	$ -	$ 28,880	$ -	$ 1,548,812
Construction in Progress	374,574	(374,574)	-	-	-
Total Capital Assets not Being Depreciated	1,894,506	(374,574)	28,880	-	1,548,812
Capital Assets Being Depreciated:					
Building	56,798,202	361,971	1,882,337	-	59,042,510
Furniture, Machinery & Equipment	925,937	12,603	19,878	(11,788)	946,630
Less: Accumulated Depreciation	(42,619,399)	-	(1,814,988)	11,788	(44,422,599)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	15,104,740	374,574	87,227	-	15,566,541
Total Capital Assets, Net of Accumulated Depreciation	$ 16,999,246	$ -	$ 116,107	$ -	$ 17,115,353

NOTE 9: 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 10: COMPENSATED ABSENCES

The Authority uses the vesting method for the recording of compensated absences whereas benefits are accrued as of the Statement of Net Position 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.

NOTE 10: COMPENSATED ABSENCES (Continued)

The following is a summary of changes in compensated absences for the year ended June 30, 2013.

Description	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013	Due Within One Year
Compensated Absences	$ 257,240	$ 210,682	$ (205,215)	$ 262,707	$ 26,270
Total Primary Government	$ 257,240	$ 210,682	$ (205,215)	$ 262,707	$ 26,270

NOTE 11: ECONOMIC DEPENDENCY

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

NOTE 12: 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.

NOTE 13: CHANGE IN ACCOUNTING PRINCIPLES

For 2013, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). These changes were incorporated in the Authority's 2013 financial statements; however, there was no effect on beginning net position.

Supplementary Information

Portsmouth Metropolitan Housing Authority
Financial Data Schedule
June 30, 2013

	Project Total	14.871 Housing Choice Vouchers	8 Other Federal Program 1	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	$2,371,909	$303,928		$1,048,068	$2,380,918	$6,104,823		$6,104,823
113 Cash - Other Restricted		$46,985				$46,985		$46,985
114 Cash - Tenant Security Deposits	$150,196					$150,196		$150,196
115 Cash - Restricted for Payment of Current Liabilities								
100 Total Cash	$2,522,105	$350,913	$0	$1,048,068	$2,380,918	$6,302,004	$0	$6,302,004
122 Accounts Receivable - HUD Other Projects	$0					$0		$0
126 Accounts Receivable - Tenants	$55,443					$55,443		$55,443
126.1 Allowance for Doubtful Accounts -Tenants	-$32,767					-$32,767		-$32,767
128 Fraud Recovery	$9,004	$1,469				$10,473		$10,473
120 Total Receivables, Net of Allowances for Doubtful Accounts	$31,680	$1,469	$0	$0	$0	$33,149	$0	$33,149
142 Prepaid Expenses and Other Assets	$56,594	$517			$53,128	$110,239		$110,239
143 Inventories					$37,056	$37,056		$37,056
144 Inter Program Due From	$155,879	$38,395	$0		$151,801	$346,075	-$346,075	$0
150 Total Current Assets	$2,766,258	$391,294	$0	$1,048,068	$2,622,903	$6,828,523	-$346,075	$6,482,448
161 Land	$1,492,161	$0	$0	$56,651	$0	$1,548,812		$1,548,812
162 Buildings	$58,287,420	$0	$0		$755,090	$59,042,510		$59,042,510
163 Furniture, Equipment & Machinery - Dwellings	$55,447	$0	$0			$55,447		$55,447
164 Furniture, Equipment & Machinery - Administration	$493,585	$43,248	$0	$58,270	$296,080	$891,183		$891,183
166 Accumulated Depreciation	-$43,555,671	-$43,248	$0	-$57,793	-$765,887	-$44,422,599		-$44,422,599
167 Construction in Progress			$0			$0		$0
168 Infrastructure			$0			$0		$0
160 Total Capital Assets, Net of Accumulated Depreciation	$16,772,942	$0	$0	$57,128	$285,283	$17,115,353	$0	$17,115,353
180 Total Non-Current Assets	$16,772,942	$0	$0	$57,128	$285,283	$17,115,353	$0	$17,115,353
190 Total Assets	$19,539,200	$391,294	$0	$1,105,196	$2,908,186	$23,943,876	-$346,075	$23,597,801
312 Accounts Payable <= 90 Days					$99,569	$99,569		$99,569
321 Accrued Wage/Payroll Taxes Payable	$27,233	$2,939			$11,579	$41,751		$41,751
322 Accrued Compensated Absences - Current Portion	$16,298	$2,942			$7,030	$26,270		$26,270
331 Accounts Payable - HUD PHA Programs								
333 Accounts Payable - Other Government	$51,952					$51,952		$51,952
341 Tenant Security Deposits	$150,196					$150,196		$150,196
342 Deferred Revenues	$9,191					$9,191		$9,191
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	$54,687				$2,322	$57,009		$57,009

346 Accrued Liabilities - Other		$3,152				$3,152		$3,152
347 Inter Program - Due To	$186,261	$3,819		$34	$155,961	$346,075	-$346,075	$0
310 Total Current Liabilities	$495,818	$12,852	$0	$34	$276,461	$785,165	-$346,075	$439,090
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	$0					$0		$0
354 Accrued Compensated Absences - Non Current	$146,684	$26,479			$63,274	$236,437		$236,437
350 Total Non-Current Liabilities	$146,684	$26,479	$0	$0	$63,274	$236,437	$0	$236,437
300 Total Liabilities	$642,502	$39,331	$0	$34	$339,735	$1,021,602	-$346,075	$675,527
508.1 Invested In Capital Assets, Net of Related Debt	$16,718,255		$0	$57,128	$282,961	$17,058,344		$17,058,344
511.1 Restricted Net Assets	$0	$46,985	$0			$46,985		$46,985
512.1 Unrestricted Net Assets	$2,178,443	$304,978	$0	$1,048,034	$2,285,490	$5,816,945		$5,816,945
513 Total Equity/Net Assets	$18,896,698	$351,963	$0	$1,105,162	$2,568,451	$22,922,274	$0	$22,922,274
600 Total Liabilities and Equity/Net Assets	$19,539,200	$391,294	$0	$1,105,196	$2,908,186	$23,943,876	-$346,075	$23,597,801
70300 Net Tenant Rental Revenue	$1,502,841					$1,502,841		$1,502,841
70400 Tenant Revenue - Other	$48,047					$48,047		$48,047
70500 Total Tenant Revenue	$1,550,888	$0	$0	$0	$0	$1,550,888	$0	$1,550,888
70600 HUD PHA Operating Grants	$3,496,113	$2,724,685				$6,220,798		$6,220,798
70610 Capital Grants	$1,732,983					$1,732,983		$1,732,983
70710 Management Fee					$792,690	$792,690	-$792,690	$0
70720 Asset Management Fee					$106,320	$106,320	-$106,320	$0
70750 Other Fees								
70700 Total Fee Revenue					$976,502	$976,502	-$976,502	$0
70800 Other Government Grants								
71310 Cost of Sale of Assets								
71400 Fraud Recovery		$810				$810		$810
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted								
70000 Total Revenue	$6,806,181	$2,730,116	$0	$17,427	$993,940	$10,547,664	-$976,502	$9,571,162
91100 Administrative Salaries	$305,815	$124,926			$494,312	$925,053		$925,053
91200 Auditing Fees	$7,073	$3,333		$166	$1,302	$11,874		$11,874
91300 Management Fee	$730,577	$58,631		$3,482		$792,690	-$792,690	$0
91310 Book-keeping Fee	$77,492					$77,492	-$77,492	$0
91400 Advertising and Marketing	$542	$564			$1,494	$2,600		$2,600
91500 Employee Benefit contributions - Administrative	$158,040	$63,055			$277,550	$498,645		$498,645
91600 Office Expenses	$44,311	$15,870			$43,801	$103,982		$103,982
91700 Legal Expense	$20,763	$925		$2,141	$5,200	$29,029		$29,029
91810 Allocated Overhead	$0					$0		$0
91900 Other	$26,021	$50,378		$2,874	$44,858	$124,131		$124,131
91000 Total Operating - Administrative	$1,381,563	$317,682	$0	$8,663	$870,585	$2,578,493	-$870,182	$1,708,311
92300 Employee Benefit Contributions - Tenant Services								

Portsmouth Metropolitan Housing Authority
Financial Data Schedule
June 30, 2013

92400 Tenant Services - Other	$114					$114		$114
92500 Total Tenant Services	$16,977	$0	$0	$0	$0	$16,977	$0	$16,977
93100 Water	$136,739	$31			$214	$136,984		$136,984
93200 Electricity	$565,888	$1,581			$8,555	$576,024		$576,024
93500 Labor	$0					$0		$0
93800 Other Utilities Expense								
93000 Total Utilities	$1,073,994	$1,787	$0	$0	$10,819	$1,086,600	$0	$1,086,600
94100 Ordinary Maintenance and Operations - Labor	$858,880				$492	$859,372		$859,372
94200 Ordinary Maintenance and Operations - Materials and Other	$184,713				$5,828	$190,541		$190,541
94300 Ordinary Maintenance and Operations Contracts	$249,624				$1,896	$251,520		$251,520
94500 Employee Benefit Contributions - Ordinary Maintenance	$447,876				$276	$448,152		$448,152
94000 Total Maintenance	$1,741,093	$0	$0	$0	$8,492	$1,749,585	$0	$1,749,585
95200 Protective Services - Other Contract Costs	$2,783					$2,783		$2,783
95300 Protective Services - Other	$51,804	$3,145			$5,690	$60,639		$60,639
95500 Employee Benefit Contributions - Protective Services	$30,025	$2,213			$16,857	$49,095		$49,095
95000 Total Protective Services	$146,355	$9,742	$0	$0	$52,568	$208,665	$0	$208,665
96110 Property Insurance	$143,607					$143,607		$143,607
96130 Workmen's Compensation								
96140 All Other Insurance		$1,296		$436	$9,831	$11,563		$11,563
96100 Total insurance Premiums	$149,981	$1,296	$0	$436	$9,831	$161,544	$0	$161,544
96200 Other General Expenses	$13,324	$4,111		$84		$17,519		$17,519
96210 Compensated Absences	$11,372	$1,228			$2,308	$14,908		$14,908
96300 Payments in Lieu of Taxes	$51,952					$51,952		$51,952
96800 Severance Expense								
96000 Total Other General Expenses	$108,935	$5,339	$0	$84	$2,308	$116,666	$0	$116,666
96710 Interest of Mortgage (or Bonds) Payable								
96720 Interest on Notes Payable (Short and Long Term)	$9,140				$388	$9,528		$9,528
96730 Amortization of Bond Issue Costs								
96700 Total Interest Expense and Amortization Cost	$9,140	$0	$0	$0	$388	$9,528	$0	$9,528
96900 Total Operating Expenses	$4,734,358	$335,846	$0	$9,183	$954,991	$6,034,378	-$976,502	$5,057,876
97000 Excess of Operating Revenue over Operating Expenses	$2,071,823	$2,394,270	$0	$8,244	$38,949	$4,513,286	$0	$4,513,286
97100 Extraordinary Maintenance	$10,059					$10,059		$10,059
97200 Casualty Losses - Non-capitalized	-$12,391				$74	-$12,317		-$12,317
97300 Housing Assistance Payments		$2,554,441				$2,554,441		$2,554,441
97350 HAP Portability-In								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	$6,500,507	$2,890,287	$0	$9,661	$1,001,095	$10,401,550	-$976,502	$9,425,048
10010 Operating Transfer In	$338,119					$338,119		$338,119
10094 Transfers between Project and Program - Out								
10100 Total Other financing Sources (Uses)	$0	$0	$0	$28,880	$0	$28,880	$0	$28,880

Portsmouth Metropolitan Housing Authority
Financial Data Schedule
June 30, 2013

10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	$305,674	-$160,171	$0	$36,646	-$7,155	$174,994	$0	$174,994
11020 Required Annual Debt Principal Payments	$0	$0	$0	$0	$0	$0		$0
11030 Beginning Equity	$18,591,024	$512,134	$0	$1,068,516	$2,575,606	$22,747,280		$22,747,280
11100 Changes in Allowance for Doubtful Accounts - Other								
11170 Administrative Fee Equity		$304,978				$304,978		$304,978
11180 Housing Assistance Payments Equity		$46,985				$46,985		$46,985
11190 Unit Months Available	10632	7392		0		18024		18024
11270 Excess Cash	-$4,905,278					-$4,905,278		-$4,905,278
13510 CFFP Debt Service Payments	$0				$0	$0		$0
13901 Replacement Housing Factor Funds	$0				$0	$0		$0

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct Programs:		
Public Housing Programs:		
Low Rent Public Housing Program	14.850	$ 2,961,805
Public Housing Capital Fund Program	14.872	2,267,291
Section 8 Housing Assistance Program:		
Housing Choice Vouchers	14.871	2,724,685
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		7,953,781
TOTAL EXPENDITURES OF FEDERAL AWARDS		$ 7,953,781

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Perry & Associates
Certified Public Accountants, A.C.
www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

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

December 30, 2013

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 business-type activities of the **Portsmouth Metropolitan Housing Authority**, Scioto County, (the Authority) as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2013.

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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

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

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.

Respectfully Submitted,

Perry & Associates CPA's A.C.

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

Perry & Associates

Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

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

December 30, 2013

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

To the Board of Commissioners:

Report on Compliance for Each Major Federal Program

We have audited the **Portsmouth Metropolitan Housing Authority's** (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Portsmouth Metropolitan Housing Authority's major federal programs for the year ended June 30, 2013. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Authority's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for each of the Authority's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on each 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 each of its major federal programs for the year ended June 30, 2013.

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 OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

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

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

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

Respectfully submitted,

Perry & Associates CPA's A.C.

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

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	Housing Choice Voucher Program - CFDA # 14.871 Capital Fund Program - CFDA # 14.872
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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
FEBRUARY 11, 2014