

**PORTSMOUTH METROPOLITAN
HOUSING AUTHORITY
SCIOTO COUNTY
Single Audit
For the Year Ended June 30, 2014**

Perry & Associates
Certified Public Accountants, A.C.



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, 2013 through June 30, 2014. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 14, 2015

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**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY**

FOR THE YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Statement of Net Position	10
Statement of Revenues, Expenses and Changes in Net Position	11
Statement of Cash Flows	12
Notes to the Basic Financial Statements.....	13
Supplementary Information:	
Actual Modernization Cost Certificates.....	22
Financial Data Schedule	23
Schedule of Expenditures of Federal Awards.....	28
Notes to the Schedule of Expenditures of Federal Awards.....	29
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	30
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	32
Schedule of Audit Findings - OMB Circular A -133 § .505.....	34

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INDEPENDENT AUDITOR'S REPORT

December 12, 2014

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, 2014, 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 opinion.

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, 2014 and the changes in its financial position and its 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*, 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 Actual Modernization Cost Certificates presented on page 22 and the Financial Data Schedule presented on pages 23-26 present additional analysis as required by the United States Department of Housing and Urban Development and are 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 certificates and 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 certificates and 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 certificates and 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 12, 2014, 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.

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

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

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2014**

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 \$25,272,949 and \$23,597,801 for 2014 and 2013 respectively. The Authority-wide statements reflect an increase in total assets of \$1,675,148 (or 7.1%) during 2014. This increase is reflective of the year's activities.
- Revenue decreased by \$1,265,425 during 2014, and was \$8,334,617 and \$9,600,042 for 2014 and 2013 respectively.
- Total expenses of all Authority programs increased by \$195,751 (or 2.1%). Total expenses were \$9,620,799 and \$9,425,048 for 2014 and 2013 respectively.

Using this Annual Report

The following graphic outlines the format of this report:

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

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

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2014**

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.

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2014**

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. 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 will run from September 26, 2013 through July 30, 2021.

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**

	2014	2013	Change
Current Assets	\$ 6,233,195	\$ 6,482,448	\$ (249,253)
Net Capital Assets	19,039,754	17,115,353	1,924,401
Total Assets	25,272,949	23,597,801	1,675,148
Current Liabilities	900,474	439,090	461,384
Long-Term Liabilities	2,736,383	236,437	2,499,946
Total Liabilities	3,636,857	675,527	2,961,330
Total Net Position	\$ 21,636,092	\$ 22,922,274	\$ (1,286,182)

For more detailed information see the Statement of Net Position.

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2014**

Major Factors Affecting the Statement of Net Position

- Current assets were decreased by \$249,030, while current liabilities increased by \$463,929 in relation.
- The increase in capital assets is due to housing renovations and installation of new security cameras.
- The Net Position section reflects a decrease of \$1,288,504 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**

	2014	2013	Change
<u>Revenues</u>			
Tenant Revenue	\$ 1,584,558	\$ 1,550,888	\$ 33,670
Government Operating Grants	6,130,508	6,220,798	(90,290)
Capital Grants	550,666	1,732,983	(1,182,317)
Interest and Investment Revenue	376	292	84
Other Revenue	68,509	66,201	2,308
Extraordinary Item	-	28,880	(28,880)
Total Revenues	8,334,617	9,600,042	(1,265,425)
<u>Expenses</u>			
Administrative	1,727,826	1,708,311	19,515
Tenant Services	5,166	16,977	(11,811)
Utilities	1,082,648	1,086,600	(3,952)
Maintenance	1,892,147	1,747,327	144,820
Protective Services	237,132	208,665	28,467
General and Interest Expense	327,195	287,738	39,457
Housing Assistance Payments	2,433,020	2,554,441	(121,421)
Depreciation	1,915,665	1,814,989	100,676
Total Expenses	9,620,799	9,425,048	195,751
Net Gain (Loss)	\$ (1,286,182)	\$ 174,994	\$ (1,461,176)

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

The Authority's total revenue has decreased by \$1,265,425. This is a reflection of a decrease in Capital Fund Program activities in the year; while Operating Fund Subsidy and Housing Choice Vouchers Subsidy both showed decreases also, due to proration and sequestration. There was a slight increase in Tenant Revenue and in Investment Revenue. Expenses increased by \$195,751 for 2014. While the Authority decreased some expenses; specific examples including legal expenses, advertising/marketing expenses, and employee benefits expenses. There was also a decrease in utility expenses; specifically water, electric, and sewer. However, there was an increase in gas utility expenses due to the change-over of one amp to gas for domestic hot water. Also, the Authority experienced an increase in travel expenses and insurance premiums.

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2014**

Capital Assets and Debt Administration

Capital Assets

As of year-end, the Authority had \$19,039,754 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (additions, deductions and depreciation) of \$1,924,401 from the end of last year.

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

	<u>2014</u>	<u>2013</u>
Land	\$ 1,572,960	\$ 1,548,512
Buildings	62,792,420	59,042,510
Furniture, Machinery & Equipment	911,755	946,630
Construction in Progress	3,452	-
Accumulated Depreciation	(46,240,833)	(44,422,599)
Total	<u>\$ 19,039,754</u>	<u>\$ 17,115,353</u>

The following reconciliation summarizes the change in Capital Assets.

**Table 4
Change in Capital Assets**

Beginning Balance - June 30, 2013	\$	17,115,353
Current Year Additions		3,937,828
Current Year Depreciation Expense		(1,915,665)
Current Year Disposal, Net of Accumulated Depreciation		<u>(97,762)</u>
Ending Balance - June 30, 2014	<u>\$</u>	<u>19,039,754</u>

See Note 8 for additional information regarding capital assets.

Debt Outstanding

As of year-end, the Authority had \$3,001,654 in debt (bonds, notes, etc.) outstanding compared to \$57,009 for the prior year. Phase 1 energy performance contract loan was paid in-full as of 09/26/2013; however additional debt was incurred for phase 2 of the energy performance contract for the acquisition and installation of additional energy efficient building fixtures.

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Beginning Balance	\$ 57,009	\$ 277,560
Current Year Additions	3,172,219	-
Current Year Principal Payments	<u>(229,896)</u>	<u>(220,551)</u>
Ending Balance	<u>\$ 2,999,332</u>	<u>\$ 57,009</u>

See Note 7 for additional information regarding debt.

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Year Ended June 30, 2014**

Economic Factors

Significant economic factors affecting the Authority are as follows:

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

The Future of PMHA

We feel the future is secure for PMHA even with the uncertainty of the industry and the economy. We have continued realignment of responsibilities for several positions within the authority with the emphasis on efficiency. We continue to increase our security at all developments with additional lighting and/or cameras. We also are continually looking for new and creative ways to work with local law enforcement to increase law enforcement presence in the sites without increasing the costs of our security program. Examples of this are working with local law enforcement to increase foot patrols; and, also increasing law enforcement presence in the sites through meet & greet sessions 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 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 has been completed with re-hab to 3 buildings. Completion of this Wayne Hills project will not only enhance the appearance of the housing stock, but will also lengthen the life of the buildings.

Also, we have recently completed work on Phase II of our Energy Performance Contract with Honeywell and Bank of America which has enabled even more improvements to our existing housing stock centered on the idea of making the properties more energy efficient. Some of the improvements included water conservation items. Specifically showerheads and aerators at Wayne Hills, Farley Square, Hudson House, Cliffside House, Miller Manor and Lett Terrace were installed. Alexandria House received new toilets in addition to these items. All of these sites also received an interior lighting upgrade. Wayne Hills and Farley Square both received heating and domestic hot water boilers. While, Cliffside House received boilers for domestic hot water only. Building envelope upgrade work was completed for Farley Square.

Another project which is currently in-progress is a re-roofing of all Scattered Sites Units. Again this project will lengthen the life of this housing stock, as well as enhance the appearance. It will also decrease roofing maintenance issues at this site. 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, 2014

ASSETS

Current assets

Cash and cash equivalents	\$	5,864,077
Restricted cash		213,761
Receivables, net		42,668
Inventories, net		39,146
Prepaid expenses and other assets		73,543
Total current assets		6,233,195

Noncurrent assets

Capital Assets:

Land		1,572,960
Building and equipment		63,704,175
Construction in progress		3,452
Less accumulated depreciation		(46,240,833)
Total noncurrent assets		19,039,754
Total assets	\$	25,272,949

LIABILITIES & NET POSITION

Current liabilities

Accounts payable	\$	130,864
Accrued liabilities		49,183
Accrued compensated absences, current portion		142,041
Intergovernmental payables		52,953
Tenant security deposits		155,435
Capital lease payable, current portion		350,315
Unearned revenue		15,778
Other current liabilities		3,905
Total current liabilities		900,474

Noncurrent liabilities

Capital lease payable		2,649,017
Accrued compensated absences		87,366
Total noncurrent liabilities		2,736,383
Total liabilities		3,636,857

NET POSITION

Net investment in capital assets		16,040,422
Restricted		58,326
Unrestricted		5,537,344
Total net position		21,636,092
Total liabilities and net position	\$	25,272,949

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, 2014

OPERATING REVENUES	
Tenant revenue	\$ 1,584,558
Government operating grants	6,130,508
Other revenue	68,908
Total operating revenues	7,783,974
 OPERATING EXPENSES	
Administrative	1,727,826
Tenant services	5,166
Utilities	1,082,648
Maintenance	1,892,147
Protective services	237,132
General	262,117
Housing assistance payments	2,433,020
Depreciation	1,915,665
Total operating expenses	9,555,721
Operating income (loss)	(1,771,747)
 NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	376
Gain (loss) from sale of assets	(399)
Interest expense	(65,078)
Total nonoperating revenues (expenses)	(65,101)
Income (loss) before capital grants	(1,836,848)
Capital grants	550,666
Change in net position	(1,286,182)
Net position - beginning of year	22,922,274
Net position - end of year	\$ 21,636,092

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, 2014

<u>Cash Flows from Operating Activities</u>	
Cash Received from Grantors	\$ 6,130,508
Cash Received from Tenants	1,587,693
Cash Received from Other Sources	65,773
Cash Payment for Housing Assistance	(2,433,020)
Cash Payment for Administrative and Operating Expenses	(5,162,611)
Net Cash Flows Provided/(Used) by Operating Activities	<u>188,343</u>
 <u>Cash Flows from Investing Activities</u>	
Cash Received for Interest Income	376
Loss on Sale of Capital Assets	(399)
Net Cash Flows Provided/(Used) by Investing Activities	<u>(23)</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Capital Grant Funding Received from HUD	550,666
Debt Proceeds	3,172,219
Payments of Related Debt	(229,896)
Payments for Interest Expense	(65,078)
Property and Equipment Purchased	(3,840,397)
Net Cash Flows Provided/(Used) by Capital and Related Financing	<u>(412,486)</u>
 Decrease in Cash and Cash Equivalents	 (224,166)
 Cash - Beginning of Period	 6,302,004
 Cash - End of Period	 <u>\$ 6,077,838</u>
 <u>Reconciliation of operating income to net cash provided by operating activities</u>	
Net operating loss	\$ (1,771,748)
Adjustment to reconcile operating loss to net cash used by operating activities	
- Depreciation	1,915,665
- (Increase) decrease in receivables	(9,519)
- (Increase) decrease in inventories	71,093
- (Increase) decrease in prepaid expenses and other assets	(36,487)
- (Decrease) increase in accounts payable	31,627
- (Decrease) increase in accrued liabilities	7,432
- (Decrease) increase in intergovernmental payables	1,001
- (Decrease) increase in tenant security deposits	5,239
- (Decrease) increase in unearned revenue	6,587
- (Decrease) increase in other current liabilities	753
- (Decrease) increase in accrued compensated absences	(33,300)
Net cash provided by operating activities	<u>\$ 188,343</u>

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

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

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.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

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.

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014**

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.

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014**

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, 2014, the carrying amount of the Authority's deposits totaled \$6,078,061. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosure*, as of June 30, 2013, \$5,659,597 was exposed to custodial risk as discussed below, while \$418,464 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, 2014, consisted of the following:

Cash & Cash Equivalents – Unrestricted	\$ 5,864,299
Cash – Restricted	<u>213,762</u>
	<u>\$ 6,078,061</u>

Restricted Cash and Investments:

Tenant Security Deposits	\$ 155,435
HCV Equity	<u>58,327</u>
	<u>\$ 213,762</u>

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014, consisted of the following:

Tenants – (net of allowance of \$29,649)	\$ 9,756
Delinquent Tenant Accounts	32,757
Accrued Interest Receivable	<u>155</u>
	<u>\$ 42,668</u>

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;
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.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

Ohio Public Employees Retirement System (Continued)

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 2014 and 2013, 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, 2014, 2013, and 2012 were \$269,181, \$260,444, and \$253,551, 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.

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.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

NOTE 6: POST-EMPLOYMENT BENEFITS (Continued)

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 Board of Trustees 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 1.0 percent during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependent and the coverage selected.

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, 2014, 2013, and 2012 which were used to fund post-employment benefits were \$188,764, \$103,432, and \$115,999, respectively.

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. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

NOTE 7: 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. Depreciation under the aforementioned capital lease as of June 30, 2014 amounted to \$234,045 and the net book value is \$655,572.

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. Depreciation under the aforementioned capital lease as of June 30, 2014 amounted to \$105,521 and the net book value is \$3,066,698.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014

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 6/30/2013	Additions	Retired	Balance 6/30/2014	Due in One Year
Debt Amount	\$ 57,009	\$3,172,219	\$ 229,896	\$ 2,999,332	\$ 350,315

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

	Capital Lease
2015	\$ 350,315
2016	431,695
2017	449,972
2018	468,793
2019	488,177
2020-2021	1,036,852
Total	<u>\$ 3,225,804</u>

NOTE 8: CAPITAL ASSETS

The following is the change during the year ended June 30, 2014:

	Balance 6/30/13	Adjustments	Additions	Deletions	Balance 6/30/14
Capital Assets not Being Depreciated:					
Land	\$ 1,548,812	\$ -	\$ 24,148	\$ -	\$ 1,572,960
Construction in Progress	-	-	3,452	-	3,452
Total Capital Assets not Being Depreciated	<u>1,548,812</u>	<u>-</u>	<u>27,600</u>	<u>-</u>	<u>1,576,412</u>
Capital Assets Being Depreciated:					
Building	59,042,510	-	3,749,910	-	62,792,420
Furniture, Machinery & Equipment	946,630	-	62,887	(97,762)	911,755
Total Capital Assets Being Depreciated	<u>59,989,140</u>	<u>-</u>	<u>3,812,797</u>	<u>(97,762)</u>	<u>63,704,175</u>
Accumulated Depreciation					
Building	(43,533,062)	-	(1,885,591)	-	(45,418,653)
Furniture, Machinery & Equipment	(889,537)	-	(30,074)	97,431	(822,180)
Total Accumulated Depreciation	<u>(44,422,599)</u>	<u>-</u>	<u>(1,915,665)</u>	<u>97,431</u>	<u>(46,240,833)</u>
Total Capital Assets Depreciated, Net	<u>15,566,541</u>	<u>-</u>	<u>1,897,132</u>	<u>(331)</u>	<u>17,463,342</u>
Total Capital Assets	<u>\$ 17,115,353</u>	<u>\$ -</u>	<u>\$ 1,924,732</u>	<u>\$ (331)</u>	<u>\$ 19,039,754</u>

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.

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2014**

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.

The following is a summary of changes in compensated absences For the Year Ended June 30, 2014.

Description	Balance			Balance 6/30/2014	Due Within One Year
	6/30/2013	Additions	Deletions		
Compensated Absences	\$ 262,707	\$ 195,056	\$ (228,356)	\$ 229,407	\$ 142,041
Total Primary Government	\$ 262,707	\$ 195,056	\$ (228,356)	\$ 229,407	\$ 142,041

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 2014, the Authority implemented GASB No. 66, Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62. The objective of GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements. The requirements for this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the Authority.

Supplementary Information

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
ACTUAL MODERNIZATION COST CERTIFICATES
FOR THE YEAR ENDED JUNE 30, 2014**

Modernization Project Number : OH16-P010-501-10

Original Funds Approved:	\$ 1,381,219
Funds Disbursed:	\$ 1,381,219
Funds Expended (Actual Modernization Cost):	\$ 1,381,219
Amount to be Recaptured:	Not Applicable
Excess of Funds Disbursed:	Not Applicable

Modernization Project Number : OH16-P010-501-11

Original Funds Approved:	\$ 1,273,912
Funds Disbursed:	\$ 1,273,912
Funds Expended (Actual Modernization Cost):	\$ 1,273,912
Amount to be Recaptured:	Not Applicable
Excess of Funds Disbursed:	Not Applicable

Modernization Project Number : OH16-P010-501-12

Original Funds Approved:	\$ 1,149,391
Funds Disbursed:	\$ 1,149,391
Funds Expended (Actual Modernization Cost):	\$ 1,149,391
Amount to be Recaptured:	Not Applicable
Excess of Funds Disbursed:	Not Applicable

Portsmouth Metropolitan Housing Authority
Financial Data Schedule - Entity Wide Balance Sheet
June 30, 2014

Line Item No.	Description	14.871 HCV Fund 200 Total	Business Activities Fund 300-PBCA Total	COCC Fund 100 Total	All AMP Total Total	Subtotal Total	Elimination	Entity Wide Total
111	Cash-unrestricted	335,061	1,016,410	2,286,260	2,126,346	5,764,077		5,764,077
112	Cash-restricted-modernization and development	0	0	0	0	0		0
113	Cash-other restricted	58,326	0	0	0	58,326		58,326
114	Cash-tenant security deposits	0	0	0	155,435	155,435		155,435
115	Cash - Restricted for payment of current liability	0	0	0	0	0		0
100	Total Cash	393,387	1,016,410	2,286,260	2,281,781	5,977,838	0	5,977,838
121	Accounts receivable - PHA projects	0	0	0	0	0		0
122	Accounts receivable - HUD other projects	0	0	0	0	0		0
124	Account receivable - other government	0	0	0	0	0		0
125	Account receivable - miscellaneous	0	0	0	0	0		0
126	Accounts receivable - tenants	0	0	0	39,405	39,405		39,405
126.1	Allowance for doubtful accounts - tenants	0	0	0	(29,649)	(29,649)		(29,649)
126.2	Allowance for doubtful accounts - other	0	0	0	0	0		0
127	Notes, Loans, & Mortgages Receivable - Current	0	0	0	0	0		0
128	Fraud recovery	2,974	0	0	29,783	32,757		32,757
128.1	Allowance for doubtful accounts - fraud	0	0	0	0	0		0
129	Accrued interest receivable	0	0	155	0	155		155
120	Total receivables, net of allowance for doubtful accounts	2,974	0	155	39,539	42,668	0	42,668
131	Investments - unrestricted	0	0	100,000	0	100,000		100,000
132	Investments - restricted	0	0	0	0	0		0
135	Investments - Restricted for payment of current liability	0	0	0	0	0		0
142	Prepaid expenses and other assets	922	0	4,890	67,731	73,543		73,543
143	Inventories	0	0	39,146	0	39,146		39,146
143.1	Allowance for obsolete inventories	0	0	0	0	0		0
144	Inter program - due from	0	0	0	0	0	0	0
145	Assets held for sale	0	0	0	0	0		0
150	Total Current Assets	397,283	1,016,410	2,430,451	2,389,051	6,233,195	0	6,233,195
161	Land	0	80,799	0	1,492,161	1,572,960		1,572,960
162	Buildings	0	0	755,090	62,037,330	62,792,420		62,792,420
163	Furniture, equipment and machinery - dwellings	0	0	0	62,887	62,887		62,887
164	Furniture, equipment and machinery - administration	41,182	46,116	273,885	487,685	848,868		848,868
165	Leasehold improvements	0	0	0	0	0		0
166	Accumulated depreciation	(37,784)	(46,116)	(756,142)	(45,400,791)	(46,240,833)		(46,240,833)
167	Construction in progress	0	0	0	3,452	3,452		3,452
168	Infrastructure	0	0	0	0	0		0
160	Total capital assets, net of accumulated depreciation	3,398	80,799	272,833	18,682,724	19,039,754	0	19,039,754
171	Notes, Loans, & mortgages receivable – Non-current	0	0	0	0	0		0
172	Notes, Loans, & mortgages receivable – Non-current - past due	0	0	0	0	0		0
173	Grants receivable – Non-current	0	0	0	0	0		0
174	Other assets	0	0	0	0	0		0
176	Investment in joint venture	0	0	0	0	0		0
180	Total Non-current Assets	3,398	80,799	272,833	18,682,724	19,039,754	0	19,039,754
190	Total Assets	400,681	1,097,209	2,703,284	21,071,775	25,272,949	0	25,272,949

Portsmouth Metropolitan Housing Authority
Financial Data Schedule - Entity Wide Balance Sheet
June 30, 2014

Line Item No.	Description	14.871 HCV Fund 200 Total	Business Activities Fund 300-PBCA Total	COCC Fund 100 Total	All AMP Total Total	Subtotal Total	Elimination	Entity Wide Total
311	Bank overdraft	0	0	0	0	0		0
312	Accounts payable <= 90 days	3,466	0	127,398	0	130,864		130,864
313	Accounts payable > 90 days past due	0	0	0	0	0		0
321	Accrued wage/payroll taxes payable	3,076	0	15,589	30,518	49,183		49,183
322	Accrued compensated absences - current portion	2,888	0	6,819	132,334	142,041		142,041
324	Accrued contingency liability	0	0	0	0	0		0
325	Accrued interest payable	0	0	0	0	0		0
331	Accounts payable - HUD PHA Programs	0	0	0	0	0		0
332	Accounts payable - PHA Projects	0	0	0	0	0		0
333	Accounts payable - other government	0	0	0	52,953	52,953		52,953
341	Tenant security deposits	0	0	0	155,435	155,435		155,435
342	Deferred revenue	0	0	0	15,778	15,778		15,778
343	Current portion of long-term debt - capital projects/mortgage revenue bonds	0	0	0	350,315	350,315		350,315
344	Current portion of long-term debt - operating borrowings	0	0	0	0	0		0
345	Other current liabilities	0	0	0	0	0		0
346	Accrued liabilities - other	3,905	0	0	0	3,905		3,905
347	Inter program - due to	0	0	0	0	0	0	0
348	Loan liability - current	0	0	0	0	0		0
310	Total Current Liabilities	13,335	0	149,806	737,333	900,474	0	900,474
351	Capital Projects/ Mortgage Revenue Bonds	0	0	0	2,649,017	2,649,017		2,649,017
352	Long-term debt, net of current - operating borrowings	0	0	0	0	0		0
353	Non-current liabilities - other	0	0	0	0	0		0
354	Accrued compensated absences- Non-current	25,997	0	61,369	0	87,366		87,366
355	Loan liability - Non-current	0	0	0	0	0		0
356	FASB 5 Liabilities	0	0	0	0	0		0
357	Accrued Pension and OPEB Liability	0	0	0	0	0		0
350	Total Non-current liabilities	25,997	0	61,369	2,649,017	2,736,383	0	2,736,383
300	Total Liabilities	39,332	0	211,175	3,386,350	3,636,857	0	3,636,857
508.1	Invested in capital assets, net of related debt	3,398	80,799	272,833	15,683,392	16,040,422		16,040,422
511.1	Restricted Net Assets	58,326	0	0	0	58,326		58,326
512.1	Unrestricted Net Assets	299,625	1,016,410	2,219,276	2,002,033	5,537,344		5,537,344
513	Total Equity/Net Assets	361,349	1,097,209	2,492,109	17,685,425	21,636,092	0	21,636,092
600	Total Liabilities and Equity/Net assets	400,681	1,097,209	2,703,284	21,071,775	25,272,949	0	25,272,949
Balance Sheet Proof		0	0	0	0	0	0	0

Portsmouth Metropolitan Housing Authority
Financial Data Schedule - Entity Wide Income Statement
June 30, 2014

Line Item No.	Description	14.871 HCV Fund 200 Total	Business Activities Fund 300-PBCA Total	COCC Operations	COCC Capital	COCC Fund 100 Total	All AMP Total Total	0 Subtotal Total	Elimination	Entity Wide Total
70300	Net tenant rental revenue	0	0	0	0	0	1,538,594	1,538,594		1,538,594
70400	Tenant revenue - other	0	0	0	0	0	45,964	45,964		45,964
70500	Total Tenant Revenue	0	0	0	0	0	1,584,558	1,584,558	0	1,584,558
70600-010	Housing assistance payments	2,441,929	0	0	0	0	0	2,441,929		2,441,929
70600-020	Ongoing administrative fees earned	256,847	0	0	0	0	0	256,847		256,847
70600	HUD PHA operating grants	2,698,776	0	0	0	0	3,431,732	6,130,508		6,130,508
70610	Capital grants	0	0	0	0	0	550,666	550,666		550,666
70710	Management Fee	0	0	807,273	0	807,273	0	807,273	(807,273)	0
70720	Asset Management Fee	0	0	106,320	0	106,320	0	106,320	(106,320)	0
70730	Book-Keeping Fee	0	0	77,651	0	77,651	0	77,651	(77,651)	0
70740	Front Line Service Fee	0	0	0	0	0	0	0	0	0
70750	Other Fees	0	0	0	0	0	0	0	0	0
70700	Total Fee Revenue	0	0	991,244	0	991,244	0	991,244	(991,244)	0
70800	Other government grants	0	0	0	0	0	0	0		0
71100	Investment income - unrestricted	221	0	155	0	155	0	376		376
71200	Mortgage interest income	0	0	0	0	0	0	0		0
71300	Proceeds from disposition of assets held for sale	0	0	0	0	0	0	0		0
71310	Cost of sale of assets	0	0	0	0	0	0	0		0
71400	Fraud recovery	3,135	0	0	0	0	0	3,135		3,135
71500	Other revenue	1,765	0	295	0	295	63,713	65,773		65,773
71600	Gain or loss on sale of capital assets	0	120	(307)	0	(307)	(212)	(399)		(399)
72000	Investment income - restricted	0	0	0	0	0	0	0		0
70000	Total Revenue	2,703,897	120	991,387	0	991,387	5,630,457	9,325,861	(991,244)	8,334,617
91100	Administrative salaries	110,817	0	522,919	0	522,919	307,338	941,074		941,074
91200	Auditing fees	3,333	166	1,384	0	1,384	7,073	11,956		11,956
91300	Management Fee	51,369	0	0	0	0	755,904	807,273	(807,273)	0
91310	Book-Keeping Fee	0	0	0	0	0	77,651	77,651	(77,651)	0
91400	Advertising and Marketing	18	0	545	0	545	377	940		940
91500	Employee benefit contributions - administrative	54,974	0	279,126	0	279,126	156,977	491,077		491,077
91600	Office Expenses	15,410	0	47,989	0	47,989	50,237	113,636		113,636
91700	Legal Expense	0	169	12,656	0	12,656	10,426	23,251		23,251
91800	Travel	1,047	0	2,159	0	2,159	11,578	14,784		14,784
91810	Allocated Overhead	0	0	0	0	0	0	0		0
91900	Other	11,068	7,260	45,874	0	45,874	66,906	131,108		131,108
91000	Total Operating-Administrative	248,036	7,595	912,652	0	912,652	1,444,467	2,612,750	(884,924)	1,727,826
92000	Asset Management Fee	0	0	0	0	0	106,320	106,320	(106,320)	0
92100	Tenant services - salaries	0	0	0	0	0	0	0		0
92200	Relocation Costs	0	0	0	0	0	5,166	5,166		5,166
92300	Employee benefit contributions - tenant services	0	0	0	0	0	0	0		0
92400	Tenant services - other	0	0	0	0	0	0	0		0
92500	Total Tenant Services	0	0	0	0	0	5,166	5,166	0	5,166
93100	Water	150	0	233	0	233	132,003	132,386		132,386
93200	Electricity	1,509	0	8,816	0	8,816	534,491	544,816		544,816
93300	Gas	142	0	2,223	0	2,223	197,222	199,587		199,587
93400	Fuel	0	0	0	0	0	0	0		0
93500	Labor	0	0	0	0	0	0	0		0
93600	Sewer	42	0	255	0	255	205,562	205,859		205,859
93700	Employee benefit contributions - utilities	0	0	0	0	0	0	0		0
93800	Other utilities expense	0	0	0	0	0	0	0		0
93000	Total Utilities	1,843	0	11,527	0	11,527	1,069,278	1,082,648	0	1,082,648
94100	Ordinary maintenance and operations - labor	0	0	504	0	504	878,711	879,215		879,215
94200	Ordinary maintenance and operations - materials and other	0	0	4,036	0	4,036	222,920	226,956		226,956
94300-010	Ordinary Maintenance and Operations Contracts - Garbage and Trash Removal Contracts	0	0	291	0	291	116,091	116,382		116,382
94300-020	Ordinary Maintenance and Operations Contracts - Heating & Cooling Contracts	0	0	0	0	0	0	0		0
94300-030	Ordinary Maintenance and Operations Contracts - Snow Removal Contracts	0	0	0	0	0	0	0		0
94300-040	Ordinary Maintenance and Operations Contracts - Elevator Maintenance Contracts	0	0	0	0	0	32,694	32,694		32,694
94300-050	Ordinary Maintenance and Operations Contracts - Landscape & Grounds Contracts	0	0	0	0	0	1,500	1,500		1,500
94300-060	Ordinary Maintenance and Operations Contracts - Unit Turnaround Contracts	0	0	0	0	0	0	0		0
94300-070	Ordinary Maintenance and Operations Contracts - Electrical Contracts	0	0	0	0	0	0	0		0
94300-080	Ordinary Maintenance and Operations Contracts - Plumbing Contracts	0	0	0	0	0	0	0		0
94300-090	Ordinary Maintenance and Operations Contracts - Extermination Contracts	0	0	0	0	0	71,205	71,205		71,205
94300-100	Ordinary Maintenance and Operations Contracts - Janitorial Contracts	0	0	0	0	0	0	0		0
94300-110	Ordinary Maintenance and Operations Contracts - Routine Maintenance Contracts	614	0	0	0	0	0	614		614

Portsmouth Metropolitan Housing Authority
 Financial Data Schedule - Entity Wide Income Statement
 June 30, 2014

Line Item No.	Description	14.871 HCV Fund 200 Total	Business Activities Fund 300-PBCA Total	COCC Operations	COCC Capital	COCC Fund 100 Total	All AMP Total	0 Subtotal Total	Elimination	Entity Wide Total
94300-120	Ordinary Maintenance and Operations Contracts - Misc Contracts	0	0	23,874	0	23,874	42,519	66,393		66,393
94300	Ordinary Maintenance and Operations Contracts	614	0	24,165	0	24,165	264,009	288,788	0	288,788
94500	Employee benefit contribution - ordinary maintenance	0	0	269	0	269	453,213	453,482		453,482
94000	Total Maintenance	614	0	28,974	0	28,974	1,818,853	1,848,441	0	1,848,441
95100	Protective services - labor	5,493	0	34,274	0	34,274	67,131	106,898		106,898
95200	Protective services - other contract costs	0	0	0	0	0	0	0		0
95300	Protective services - other	2,527	0	5,182	0	5,182	68,771	76,480		76,480
95500	Employee benefit contributions - protective services	0	0	18,295	0	18,295	35,459	53,754		53,754
95000	Total Protective Services	8,020	0	57,751	0	57,751	171,361	237,132	0	237,132
96110	Property Insurance	0	0	0	0	0	145,073	145,073		145,073
96120	Liability Insurance	0	0	0	0	0	6,369	6,369		6,369
96130	Workmen's Compensation	0	0	0	0	0	0	0		0
96140	All other Insurance	1,808	0	10,926	0	10,926	0	12,734		12,734
96100	Total Insurance Premiums	1,808	0	10,926	0	10,926	151,442	164,176	0	164,176
96200	Other general expenses	491	0	0	0	0	13,900	14,391		14,391
96210	Compensated absences	0	0	(2,117)	0	(2,117)	5,906	3,789		3,789
96300	Payments in lieu of taxes	0	0	0	0	0	52,953	52,953		52,953
96400	Bad debt - tenant rents	0	0	0	0	0	26,809	26,809		26,809
96500	Bad debt - mortgages	0	0	0	0	0	0	0		0
96600	Bad debt - other	0	0	0	0	0	0	0		0
96800	Severance expense	0	0	0	0	0	0	0		0
96000	Total Other General Expenses	491	0	(2,117)	0	(2,117)	99,568	97,942	0	97,942
96710	Interest of Mortgage (or Bonds) Payable	0	0	0	0	0	0	0		0
96720	Interest on Notes Payable (Short and Long Term)	0	0	0	0	0	65,078	65,078		65,078
96730	Amortization of Bond Issue Costs	0	0	0	0	0	0	0		0
96700	Total Interest Expense and Amortization Cost	0	0	0	0	0	65,078	65,078	0	65,078
96900	Total Operating Expenses	260,812	7,595	1,019,713	0	1,019,713	4,931,533	6,219,653	(991,244)	5,228,409
97000	Excess Revenue Over Operating Expenses	2,443,085	(7,475)	(28,326)	0	(28,326)	698,924	3,106,208	0	3,106,208
97100	Extraordinary maintenance	0	0	0	0	0	10,670	10,670		10,670
97200	Casualty losses- Non-capitalized	0	0	0	0	0	33,036	33,036		33,036
97300	Housing assistance payments	2,433,020	0	0	0	0	0	2,433,020		2,433,020
97350	HAP Portability-in	0	0	0	0	0	0	0		0
97400	Depreciation expense	680	478	48,016	0	48,016	1,866,491	1,915,665		1,915,665
97500	Fraud losses	0	0	0	0	0	0	0		0
97800	Dwelling units rent expense	0	0	0	0	0	0	0		0
90000	Total Expenses	2,694,512	8,073	1,067,729	0	1,067,729	6,841,730	10,612,044	(991,244)	9,620,800
10010	Operating transfer in	0	0	0	0	0	372,784	372,784	(372,784)	0
10020	Operating transfer out	0	0	0	0	0	(372,784)	(372,784)	372,784	0
10030	Operating transfers from / to primary government	0	0	0	0	0	0	0		0
10040	Operating transfers from / to component unit	0	0	0	0	0	0	0		0
10070	Extraordinary items, net gain/loss	0	0	0	0	0	0	0		0
10080	Special items, net gain/loss	0	0	0	0	0	0	0		0
10091	Inter Project Excess Cash Transfer In	0	0	0	0	0	325,000	325,000		325,000
10092	Inter Project Excess Cash Transfer Out	0	0	0	0	0	(325,000)	(325,000)		(325,000)
10093	Transfers between Programs and Projects - in	0	0	0	0	0	0	0		0
10094	Transfers between Programs and Projects - out	0	0	0	0	0	0	0		0
10100	Total other financing sources (uses)	0	0	0	0	0	0	0	0	0
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	9,385	(7,953)	(76,342)	0	(76,342)	(1,211,273)	(1,286,183)	0	(1,286,183)
11020	Required Annual Debt Principal Payments						350,315	350,315		350,315
11030	Beginning equity	351,964	1,105,162	2,568,451	0	2,568,451	18,896,698	22,922,275		22,922,275
11040	Prior period adjustments, equity transfers, and correction of errors	0	0	0	0	0	0	0		0
11170-001	Administrative Fee Equity- Beginning Balance	304,978						304,978		304,978
11170-010	Administrative Fee Revenue	256,847						256,847		256,847
11170-020	Hard to House Fee Revenue	0						0		0
11170-021	FSS Coordinator Grant	0						0		0
11170-030	Audit Costs	0						0		0
11170-040	Investment Income	221						221		221
11170-045	Fraud Recovery Revenue	1,568						1,568		1,568
11170-050	Other Revenue	0						0		0

Portsmouth Metropolitan Housing Authority
 Financial Data Schedule - Entity Wide Income Statement
 June 30, 2014

Line Item No.	Description	14.871 HCV Fund 200 Total	Business Activities Fund 300-PBCA Total	COCC Operations	COCC Capital	COCC Fund 100 Total	All AMP Total Total	0 Subtotal Total	Elimination	Entity Wide Total
11170-051	Comment for Other Revenue							0		0
11170-060	Total Admin Fee Revenues	258,636						258,636		258,636
11170-080	Total Operating Expenses	260,812						260,812		260,812
11170-090	Depreciation	680						680		680
11170-095	Housing Assistance Portability In	0						0		0
11170-100	Other Expenses							0		0
11170-101	Comment for Other Expense							0		0
11170-110	Total Expenses	261,492						261,492		261,492
11170-002	Net Administrative Fee	(2,857)						(2,857)		(2,857)
11170-003	Administrative Fee Equity- Ending Balance	302,122						302,122		302,122
11170	Administrative Fee Equity	302,122						302,122		302,122
11180-001	Housing Assistance Payments Equity - Begining Balance	46,985						46,985		46,985
11180-010	Housing Assistance Payment Revenues	2,441,929						2,441,929		2,441,929
11180-015	Fraud Recovery Revenue	1,568						1,568		1,568
11180-020	Other Revenue	865						865		865
11180-021	Comment for Other Revenue	FSS Foreitures						0		0
11180-025	Investment Income	0						0		0
11180-030	Total HAP Revenues	2,444,362						2,444,362		2,444,362
11180-080	Housing Assistance Payments	2,433,020						2,433,020		2,433,020
11180-090	Other Expenses	0						0		0
11180-091	Comments for Other Expenses							0		0
11180-100	Total Housing Assistance Payments Expenses	2,433,020						2,433,020		2,433,020
11180-002	Net Housing Assistance Payments	11,342						11,342		11,342
11180-003	Housing Assistance Payments Equity-Ending Balance	58,327						58,327		58,327
11180	Housing Assistance Payments Equity	58,327						58,327		58,327
11190-210	Total ACC HCV Units	7,392						7,392		7,392
11190-220	Unfunded Units							0		0
11190-230	Other Adjustments							0		0
11190	Unit Months Available	7,392	0	0	0	0	10,632	18,024		18,024
11210	Unit Months Leased	6,496	0	0	0	0	10,353	16,849		16,849
11270	Excess Cash						1,583,987	1,583,987		1,583,987
11610	Land Purchases						0	0		0
11620	Building Purchases						550,666	550,666		550,666
11630	Furniture & Equipment-Dwelling Purchases						0	0		0
11640	Furniture & Equipment-Administrative Purchases						0	0		0
11650	Leasehold Improvements Purchases						0	0		0
11660	Infrastructure Purchases						0	0		0
13510	CFFP Debt Service Payments						0	0		0
13901	Replacement Housing Factor Funds						0	0		0
	Equity Per Balance Sheet - Line 513	361,349	1,097,209	2,492,109	0	2,492,109	17,685,425	21,636,092	0	21,636,092
	Equity Per Income Statement	361,349	1,097,209	2,492,109	0	2,492,109	17,685,425	21,636,092	0	21,636,092
	Variance	0	0	0	0	0	0	0	0	1

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
<i>Direct Programs:</i>		
<u>Public Housing Programs:</u>		
Low Rent Public Housing Program	14.850	\$ 2,851,452
Public Housing Capital Fund Program	14.872	1,130,946
<u>Section 8 Housing Assistance Program:</u>		
Housing Choice Vouchers	14.871	2,698,776
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		6,681,174
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 6,681,174

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

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.

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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***

December 12, 2014

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, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2014.

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.

Portsmouth Metropolitan Housing Authority
Scioto County
Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards*
Page 2

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.



Perry & 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 OMB CIRCULAR A-133**

December 12, 2014

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

To the Board of Commissioners:

Report on Compliance for the Major Federal Program

We have audited the **Portsmouth Metropolitan Housing Authority's** (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Portsmouth Metropolitan Housing Authority's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Authority's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

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, 2014.

Report on Internal Control Over Compliance

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

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

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

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



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

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
FOR THE YEAR ENDED JUNE 30, 2014**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 3, 2015**