Portsmouth Metropolitan Housing Authority

Financial Statements

For the Year Ended June 30, 2017

Dave Yost · Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Portsmouth Metropolitan Housing Authority, Scioto County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2016 through June 30, 2017. 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

May 15, 2018

This page intentionally left blank.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

This page intentionally left blank.

SALVATORE CONSIGLIO, CPA, INC.

14129 State Road
North Royalton, Ohio 44133
Phone (440) 877-9870
Fax (440) 877-9237
sconsiglio@salcpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Portsmouth Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Portsmouth Metropolitan Housing Authority (Authority), Ohio, as of and for the year ended June 30, 2017, and the related notes to the financial statements. I was not engaged to audit the financial statements of the aggregate discretely presented component units. These financial statements 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the aggregate discretely presented component units.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Except for the matter described in the "Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units" paragraph, I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Summary of Opinions

Opinion Unit	Type of Opinion
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Disclaimer

Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

The financial statements of the Kendall Heights, Inc. have not been audited, and I was not engaged to audit the Kendall Heights, Inc. financial statements as part of my audit of the Authority's basic financial statements. Kendall Heights, Inc. financial activities are included in the Authority's basic financial statements as a discretely presented component unit and represent 45 percent, 4 percent, and 6 percent of the assets, net position, and revenues, respectively, of the Authority's aggregate discretely presented component units.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units" paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units of the Portsmouth Metropolitan Housing Authority, Ohio. Accordingly, I do not express an opinion on these financial statements.

Unmodified Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Portsmouth Metropolitan Housing Authority as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with 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 that the Management's Discussion and Analysis and the Schedules of Net Pension Liabilities and Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Portsmouth Metropolitan Housing Authority, Ohio's basic financial statements. The accompanying financial data schedule ("FDS") is not required part of the basic financial statements. The Schedule of Expenditure of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is not a required part of the financial statements.

The financial data schedule (FDS) is presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Expenditure of Federal Awards, and the financial data schedule ("FDS") are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 28, 2018, on my consideration of the Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control over financial reporting and compliance.

Salvatore Consiglio

Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
February 28, 2018

Unaudited

The Portsmouth Metropolitan Housing Authority's ("the Authority") Management's Discussion and Analysis (MD&A) 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 position, and (d) identify individual fund issues of concerns.

Since the MD&A is designed to focus of the 2017 year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statement. Also, please note since this is not a full year for the component unit, and since it was not part of the scope of this audit, the comparison with prior year were not included in this management discussions.

FINANCIAL HIGHLIGHTS

- Total assets were $16,481,132 and $23,289,611 for 2017 and 2016 respectively. The Authority –wide statements reflect a decrease in total assets of $6,808,479 (or 32%) during 2017. This decrease is reflective of the year's activities and the conversion of AMP1 to a RAD Project.

- Revenue decreased by $1,768,874 during 2017, and was $8,692,426 and $10,461,300 for 2017 and 2016 respectively.

- Total expenses of all Authority programs increased by $4,431,219. Total expenses were $14,658,614 and $10,227,395 for 2017 and 2016 respectively. The increase in expenses includes $4,229,357 of loss due to conversion of RAD Project.

Using this Annual Report

The following graphic outlines the format of this report:

MD&A ~Management Discussion and Analysis~
Basic Financial Statements ~Authority-wide Financial Statements~ ~Notes to Financial Statements~
Other Required Supplementary Information ~Required 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.

Unaudited

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

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

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

Fund Financial Statements

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

The Department of Housing and Urban Development requires these 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 PHA to provide the housing at a rent that is based on 30% of adjusted gross household income.

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

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

Unaudited

RAD Conversion of Public Housing AMP to Multifamily Section 8 Housing- The Authority converted AMP 1 from Convention Public Housing to Multifamily Section 8 Housing through HUD's RAD (Rental Assistance Demonstration) Program. The program is administered under a Housing Assistance Payment (HAP) contract. HUD provides funding to the site through a site-based voucher which enables tenants to pay a percentage of their adjusted gross household income, typically 30%, with the balance subsidized through the voucher.

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

AUTHORITY STATEMENTS

Statement of Net Position

The following table reflects the Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities. Because of the discussion below, many end users of this financial statement will gain a clearer understanding of the Government's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position.

*** This space was intentionally left blank ***

Unaudited

TABLE 1
STATEMENT OF NET POSITION

Table 1 - Condensed Statement of Net Position - Primary Government

		2017		2016
Current and Other Assets	$	4,545,060	$	5,531,128
Capital Assets		10,759,198		16,940,542
Deferred Outflows		1,176,874		817,941
Total Assets and Deferred Outflowsof Resources	$	16,481,132	$	23,289,611
Current Liabilities	$	655,200	$	897,353
Long-Term Liabilities		4,010,876		4,535,122
Deferred Inflows		19,176		95,068
Total Liabilities and Deferred Inflows of Resoureces		4,685,252		5,527,543
Net Position:				
Net Investment in Capital Assets		9,946,999		14,628,255
Restricted		6,355		86,213
Unrestricted		1,842,526		3,047,600
Total Net Position		11,795,880		17,762,068
Total Liabilities, Deferred Inflows and Net Position	$	16,481,132	$	23,289,611

For more detail information see Statement of Net Position presented elsewhere in this report.

Major Factors Affecting the Statement of Net Position

During 2017, current and other assets decreased by $986,068 and current liabilities decreased by $242,153. These changes are due to elimination of AMP1 through the RAD conversion.

Capital assets also changed, decreasing from $16,940,542 to $10,759,198. The $6,181,344 decrease is contributed primarily to a combination of total acquisitions of $650,603 less current year depreciation of $1,434,840, and the conversion of AMP1 to RAD project resulting in decrease in asset in the amount of $5,397,107.

The following table presents details on the change in Net Position.

Unaudited

Table 2 - Changes of Net Position - Primary Government

	Unrestricted	Net Investment in Capital Assets	Restricted
Beginning Balance - June 30, 2016	$ 3,047,600	14,628,255	86,213
Results of Operation	(5,886,330)	0	(79,858)
Adjustments:			
Current year Depreciation Expense (1)	1,434,840	(1,434,840)	0
Capital Expenditure (2)	(650,603)	650,603	0
Retirement of Debt	1,500,088	(1,500,088)	
Conversion of AMP1 to RAD	2,396,931	(2,396,931)	0
Ending Balance -June 30, 2017	$ 1,842,526	$ 9,946,999	$ 6,355

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position.

(2) Capital expenditures represent an outflow of unrestricted net position, but are not treated as an expense against Results of Operations, and therefore must be deducted.

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Position provides a clearer presentation of financial position.

Statement of Revenue, Expenses and Change in Net Position

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

Unaudited

Table 3 - Statement of Revenue, Expenses & Changes in Net Position
Primary Government

	2017	2016
Revenues		
Operating Subsidies	$ 6,314,327	$ 6,905,904
Total Tenant Revenues	1,555,568	1,720,367
Capital Grants	585,996	1,751,342
Investment Income	1,309	1,861
Other Revenues	235,226	81,826
Total Revenues	**8,692,426**	**10,461,300**
Expenses		
Administrative	2,003,116	1,866,708
Tenant Services	486	789
Utilities	938,599	967,215
Maintenance	2,211,657	2,058,217
Insurance	149,956	168,201
General and Interest	588,180	240,835
Protective Services	219,201	233,417
Housing Assistance Payments	2,883,222	2,569,831
Depreciation	1,434,840	2,122,182
Loss due to conversion To RAD Project	4,229,357	0
Total Expenses	**14,658,614**	**10,227,395**
Net Increases (Decreases)	(5,966,188)	233,905
Net Position, Beginning of the Year	17,762,068	17,528,163
Net Position, End of Year	**$** 11,795,880	**$** 17,762,068

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

The Authority's total revenue decreased by $1,768,874. 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. The authority's tenant rent revenue decreased $164,799 due to vacancies. However, the largest factor in the decrease in revenue was the RAD conversion of AMP 1.

Total expenses increased $4,431,219. The increase is due to loss from the conversion of AMP1 to a RAD Project of $4,229,357 and decrease in depreciation expense due to removal of AMP1 from the capital assets.

Unaudited

CAPITAL ASSETS

As of year-end, the Authority had $10,759,198 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of $6,181,344 or 36.49% from the end of 2016. This decrease is due to depreciation expense net of current year capital additions and the removal of capital asset of AMP1 due to RAD conversion.

Table 4 - Condensed Statement of Changes in Capital Assets - Primary Govnt

	2017	2016
Land	$ 1,512,787	$ 1,573,311
Buildings	45,797,527	64,925,415
Equipment	698,595	926,380
Accumulated Depreciation	(37,249,711)	(50,484,564)
Total	$ 10,759,198	$ 16,940,542

The following reconciliation identifies the change in Capital Assets:

Table 5 - Changes in Capital Assets - Primary Government

Beginning Balance - June 30, 2016	$ 16,940,542
Current year Additions	650,603
Disposal of Asset	(5,397,107)
Current year Depreciation Expense	(1,434,840)
Ending Balance - June 30, 2017	$ 10,759,198

Unaudited

Current year Additions are summarized as follows:

Equipment	$	217,818
Building Improvements		432,785
Total 2017 Additions	$	650,603

DEBT OUTSTANDING

As of year-end, the Authority had $812,199 in debt (bonds, notes, etc.) outstanding compared to $2,312,287 for the prior year. This change was due to debt tied to AMP 1 was paid in-full by the RAD project.

Beginning Balance - June 30, 2016	$	2,312,287
Current Year Principal Payments		(1,500,088)
Ending Balance - June 30, 2017	$	812,199

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

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 work to improve security at all developments. PMHA is 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 include continuing to work with local law enforcement to increase foot patrols; also, the authority has expanded meet & greet sessions, and neighborhood movie nights. The authority continues to incorporate 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

Unaudited

several of these items. One example is the completion of replacement of roofs on all Scattered Sites units. We also recently completed a total renovation of our home at 1621 Summit Street. The Authority also is in the middle of the construction stage at our RAD (Rental Assistance Demonstration) Program Property. When construction is completed the Wayne Hills (now known as Kendall Heights) property will have completed a total renovation. Again this project will improve the condition of the housing stock, as well as enhance the living conditions for our tenants. It will also decrease maintenance issues at Wayne Hills/Kendall Heights.

Another project which is currently in-progress is the renovation of all the laundry facilities at our sites. Again this project will improve the condition of the housing stock, as well as enhance the living conditions for our tenants.

Lastly, we are constantly reviewing and updating policies to enhance our safety and customer service efforts to our tenants.

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
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017

	PRIMARY GOVERNEMENT	COMPONENT UNIT
Assets		
Current Assets:		
Cash and Cash Equivalents - Unrestricted	$4,007,968	$246,948
Cash and Cash Equivalents - Restricted	123,671	25,727
Receivable from Component Unit	157,158	0
Receivables, Net	136,626	14,862
Inventory, Net	46,367	0
Prepaid Expenses and other assets	73,270	19,621
Total Current Assets	4,545,060	307,158
Noncurrent Assets:		
Capital Assets:		
Capital Assets, Not Dreciated	1,512,787	5,560,189
Capital Assets,Net	9,246,411	7,536,210
Total Noncurrent Assets	10,759,198	13,096,399
Deferred Outflows of Resources	1,176,874	0
Total Assets and Deferred Outflows of Resources	**$16,481,132**	**$13,403,557**
Liabilities		
Current Liabilities:		
Accounts Payable	$167,764	$9,464
Accounts Payable to Primary Governement	0	157,158
Accrued Liabilities	119,076	0
Tenant Security Deposits	117,316	25,727
Unearned Revenues	15,228	8,011
Bonds, Notes, and Loans Payable - Current Portion	235,816	0
Total Current Liabilities	655,200	200,360
Long Term Liabilities:		
Bonds, Notes, and Loans Payable	576,383	12,728,826
Accrued Compensated Absences	212,506	0
Net Pension Liability	3,221,987	0
Total Long Term Liabilities	4,010,876	12,728,826
Total Liabilities	**$4,666,076**	**$12,929,186**

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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET POSITION - Continued
AS OF JUNE 30, 2017

	PRIMARY GOVERNEMENT	**COMPONENT UNIT**
Deferred Inflows of Resources	$19,176	$0
Total Deferred Inflows of Resources	19,176	0
Net Position:		
Net Investment In Capital Assets	9,946,999	867,573
Restricted	6,355	1,561,363
Unrestricted	1,842,526	(1,954,565)
Total Net Position	11,795,880	474,371
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$16,481,132**	**$13,403,557**

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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017

	PRIMARY GOVERNEMENT	**COMPONENT UNIT**
Operating Revenues:		
Tenant Revenue	$1,555,568	$83,374
Operating Grants	6,314,327	458,440
Other Revenue	235,226	2,524
Total Operating Revenues	8,105,121	544,338
Operating Expenses:		
Administrative	2,003,116	329,799
Tenant Services	486	0
Utilities	938,599	136,116
Maintenance	2,186,295	88,446
Protective Services	219,201	5,533
Insurance	149,956	19,621
General	568,590	44,622
Other Expensese	25,362	10,490
Housing Assistance Payments	2,883,222	0
Depreciation	1,434,840	9,561
Total Operating Expenses	10,409,667	644,188
Operating Income (Loss)	(2,304,546)	(99,850)
Other Non-Operating Revenues (Expenses):		
Capital Grant Income	585,996	0
Investment Income	1,309	2
Interest Expense	(19,590)	0
Gain/(Loss) on Sale of Capital Assets	(4,229,357)	574,219
Total Other Non-Operating Revenues	(3,661,642)	574,221
Change in Net Position	(5,966,188)	474,371
Net Position, Beginning of the Year	17,762,068	0
Net Position, End of Year	**$11,795,880**	**$474,371**

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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	PRIMARY GOVERNEMENT	COMPONENT UNIT
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Operating Grants	$6,314,327	$458,440
Cash Received from Tenants	1,561,228	68,512
Cash Received from Other Income	235,226	2,524
Cash Payments for Housing Assistance Payments	(2,883,222)	0
Cash Payments for General and Administrative Expenses Paid	(5,882,675)	(453,888)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(655,116)	75,588
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Earned	1,098	2
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	1,098	2
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Payments of Related Debt	(1,500,088)	0
Capital Grant Funds Received	735,103	0
Proceeds from RAD Conversion to payoff EPC Debt	1,229,073	0
Cash proceeds from RAD conversion	(150,786)	150,786
Proceeds from Debt	0	110,064
Property and Equipment Purchased	(650,603)	(63,765)
Payments for Interest Expense	(19,590)	0
NET CASH PROVIDED/(USED) CAPITAL AND RELATED FINANCING ACTIVITIES	(356,891)	197,085
Net Increase (Decrease) in Cash and Cash Equivalents	(1,010,909)	272,675
Cash and Cash Equivalents at Beginning of Year	5,142,548	0
Cash and Cash Equivalents at End of Year	$4,131,639	$272,675

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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS - Continued
FOR THE YEAR ENDED JUNE 30, 2017

	PRIMARY GOVERNEMENT	COMPONENT UNIT
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net Operating Income (Loss) Adjustments:	($2,304,546)	($99,850)
Depreciation	1,434,840	9,561
(Increase) Decrease in :		
Receivables, Net	4,938	(14,862)
Prepaid Expenses	53,589	(19,621)
Inventory	(46,367)	0
Deferred Outflows	(358,933)	0
Increase (Decrease) in:		
Accounts Payable	14,558	9,464
Accrued Liabilities	10,602	0
Payable between Primary Government and Component Unit	(157,158)	157,158
Tenant Security Deposits	(37,147)	25,727
Unearned Revenue	3,621	8,011
Accrued Compensated Absences	5,941	0
Pension Liability	796,838	0
Deferred Inflows	(75,892)	0
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	($655,116)	$75,588

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

NOTE1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

For financial reporting purposes, the reporting entity is defined to include the primary government, component units and other organizations that are included to insure that the financial statements are not misleading consistent with Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 61). Based on application of the criteria set forth in GASB Statements No. 14 and No. 39, the Authority annually evaluates potential component units (PCU) for inclusion based on financial accountability, the nature and significance of their relationship to the Authority, and whether exclusion would cause the basic financial statements to be misleading or incomplete.

The primary government consists of all funds, agencies, departments, and offices that are not legally separate from the Authority. The preceding financial statements include all funds and account groups of the Authority (the primary government) and the Authority's component units. The following organizations are described due to their relationship to the Authority.

Discretely Presented Component Units

The component units' column in the combined financial statements identifies the financial data of the Authority's component unit: the Kendal Heights. The component unit is reported separately to emphasize that they are legally separate entities and provide services to clients of the Authority and others. The

Authority serves as the management agent for project. In addition, the board member of the component unit consists of the following members of the housing authority: Board Chairperson, Executive Director and the Director of Finance.

Description of programs

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.

A. Public Housing Program

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

B. **Capital Fund Program**

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

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

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

D. **Energy Performance Contract**

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

E. **RAD Conversion of Public Housing AMP to Multifamily Section 8 Housing**

The Authority converted AMP 1 from Convention Public Housing to Multifamily Section 8 Housing through HUD's RAD (Rental Assistance Demonstration) Program. The program is administered under a Housing Assistance Payment (HAP) contract. HUD provides funding to the site through a site-based voucher which enables tenants to pay a percentage of their adjusted gross household income, typically 30%, with the balance subsidized through the voucher.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

- **PHA Owned Housing Fund**
  This Sub-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 sub-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 sub-funds are combined to produce the financial statements of the Public Housing Agency Owned Fund.

- **Voucher Fund**
  This Sub-Fund accounts for the rental assistance program more fully described under the “Housing Choice Voucher Program,” in note 1.

- **Business Activities Fund**
  This Sub-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 of these programs are accounted for under the Enterprise Fund and report using the accrual basis of accounting. In applying the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds, the Authority applies all GASB pronouncements and all Financial Accounting Standards Board pronouncements that do not conflict with or contradict GASB pronouncements.

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

B. Basis of Accounting

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

C. Use of Estimates

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

D. Cash and Cash Equivalents

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

E. Inventory

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

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

F. Capital Assets

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

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

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

G. Budgets and Budgetary Accounting

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

H. Unearned Revenue

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

I. Pensions

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

J. Deferred Outflows/Inflows of Resources

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

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

K. Operating Revenues and Expenses

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

L. **Net Position**

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

NOTE 3: DEPOSIT AND INVESTMENTS

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

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

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

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

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

At fiscal year end June 30, 2017, the carrying amount of the Authority's deposits totaled $4,131,639 while the bank balance was $4,276,049. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure," as of June 30, 2017, $3,924,590 was exposed to custodial risk as discussed below, while $351,459 was covered by the Federal Depository Insurance Corporation.

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

Deposits at June 30, 2017, consisted of the following:

Cash - Unrestricted	$3,906,509
Cash - Restricted	123,671
Certificate of Deposits	101,459
Total Deposits	$4,131,639

Restricted Cash:	
Tenant Security Deposits	$117,316
HUD Advances for Housing Assistance Payments	6,355
Total Restricted Cash	$123,671

NOTE 4: ACCOUNTS RECEIVABLES

Accounts Receivable at June 30, 2017, consisted of the following:

	Primary Government	Component Unit
Tenants-net of allowance	$24,329	$14,123
Delinquent Tenant Accounts	30,403	739
Receivable from HUD	81,547	0
Accrued Interest Receivable	347	0
Total Receivable	$136,626	$14,862

NOTE 5: DEFINED BENEFIT PENSION PLANS

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

The net pension liability represents the Authority’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position.

The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

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

Plan Description - Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Authority employees) may elect the member-directed plan and combined plan, substantially all employees are in the OPERS' traditional plan; therefore the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual costs-of-living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (800) 222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
	20 years of service credit prior to January	Members not in other Groups and
Eligible to retire prior to January 7, 2013	7, 2013 or eligible to retire ten years after	members hired on or after January 7, 2013
or five years after January 7, 2013	after January 7, 2013	
State and Local	**State and Local**	**State and Local**
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 60 with 60 months of service credit	Age 60 with 60 months of service credit	Age 57 with 25 years of service credit
or Age 55 with 25 years of service credit	or Age 55 with 25 years of service credit	or Age 62 with 5 years of service credit
Formula:	**Formula:**	**Formula:**
2.2% of FAS multiplied by years of	2.2% of FAS multiplied by years of	2.2% of FAS multiplied by years of
service form the first 30 years and 2.5%	service form the first 30 years and 2.5%	service form the first 30 years and 2.5%
for service years in excess of 30	for service years in excess of 30	for service years in excess of 35

Final Average Salary (FAS) represents the average of the three highest years of earnings over a members' career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy – The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2016 Statutory Maximum Contribution Rates:	
Employer	14.0%
Employee	10.0%
2016 Actual Contribution Rates:	
Employer:	
Pension	12.0%
Post-employment Health Care Benefits	2.0%
Total Employer	14.0%
2017Actual Contribution Rates:	
Employer:	
Pension	13.0%
Post-employment Health Care Benefits	1.0%
Total Employer	14.0%
Employee	10.0%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $249,355 for the fiscal year ended June 30, 2017.

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

The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	Traditional	**Members Direct**
Proportion Share of Net Pension Liability /(Asset)	$3,222,081	($93)
Proportion of Net Pension Liability	.014189%	.022363%
Change in Proportion from Prior Measurement Date	0.000188%	-.001417%
Pension Expense	$362,012	

At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional	**Members-Direct**	**Total**
DEFERRED OUTFLOWS:			
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	($479,843)	($80)	($479,923)
Assumption Changes	(511,061)	(105)	(511,166)
Difference Between Expected and Actual Experience	(4,367)	0	(4,367)
Change in Proportion Share	(42,326)	0	(42,326)
Contributions After Measurement Date	(139,092)	0	(139,092)
	($1,176,689)	($185)	$1,176,874
DEFERRED INFLOWS:			
Difference Between Expected and Actual Experience	$19,176	$0	$19,176
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	0	0	0
	$19,176	$0	$19,176

$139,092 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	Traditional	**Members-Direct**
Fiscal Year Ending June 30:		
2017	($402,621)	($131)
2018	(416,965)	(54)
2019	(170,574)	0
2020	(28,261)	0
Total	($1,018,421)	($185)

Actuarial Assumptions – PERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Future Salary Increases, including inflation	3.25 - 10.75 percent, including wage inflation of 3.25%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3 percent, simple; Post 1/7/2013 retirees: 3 percent simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual entry age

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return.

Asset Class	Target Allocation for 2016	Weighted Average Long-Term Expected Real Rate of Return
Fixed Income	23.00%	2.75%
Domestic Equities	20.70%	6.34%
Real Estate	10.00%	4.75%
Private Equity	10.00%	8.97%
International Equities	18.30%	7.95%
Other Investments	18.00%	4.92%
TOTAL	100.00%	5.66%

Discount Rate: The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proporationate share of the net pension liability			
- Traditional Pension Plan	$4,922,448	$3,222,081	$1,805,125
- Members Directed Plan	$224	($93)	($224)

NOTE 6: **POSTEMPLOYMENT BENEFITS**

A. Plan Description

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

OPERS maintains two cost-sharing, multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, and Medicare Part B premium reimbursement, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored 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 No. 45. See the Plan Statement in OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide healthcare to its eligible benefit recipients. Authority to establish and amend healthcare coverage is provided in Chapter 145 of the Ohio Revised Code.

OPERS issue a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 1-800-222-7377, or by visiting www.opers.org/investements/cafr.shtml.

B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the earnable salary payroll of active members. For the year ended June 30, 2017, 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 earnable salary for state and local employers. Active member contributions do not fund health care.

OPERS maintains that cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and 115 Health Care trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined Plans. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Plan was 2.0 percent for calendar year 2016. As recommended by the OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for the Traditional Plan. 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 dependents and the coverage selected. The portion of actual Authority contributions for the years ended June 30, 2017, 2016, 2015 and 2014, which were used by OPERS to fund post-employment benefits, were $30,036, $46,171 and $36,788, respectively.

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. Current year depreciation under the aforementioned capital lease as of June 30, 2017 amounted to $203,003 with no remaining net book value.

The phase 2 energy performance contract lease payable relates to a finance company for the acquisition and installation of additional energy efficient building fixtures. Amounts advanced under the phase 2 lease total $3,172,219 with repayments beginning in October 2013. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Current year depreciation under the aforementioned capital lease as of June 30, 2017 amounted to $316,938 and the net book value is $2,115,885.

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

	Balance 06/30/16	Retired	Balance 06/30/17	Due One Year
Debt Amount	$2,312,287	$1,500,088	$812,199	$235,816

The table below identifies the amortization of the debt over the remaining life:

For the Year Ended June 30,	
2018	$235,816
2019	242,456
2020	249,283
2021	84,644
Total	$812,199

***** This space was intentionally left blank *****

NOTE 8: CAPITAL ASSETS

A summary of capital assets at June 30, 2017 by class is as follows:

Primary Government

	Balance 06/30/16	Adjustment / Additions	Deletions	Balance 06/30/17
Capital Assets Not Depreciated				
Land	$1,573,311	$0	($60,524)	$1,512,787
Total Capital Assets Not Depreciated	1,573,311	0	(60,524)	1,512,787
Capital Assets Depreciated				
Buildings and Improvements	64,925,415	432,785	(19,560,673)	45,797,527
Furniture, Equipment and Vehicles	926,380	217,818	(445,602)	698,595
Leasehold Improvements	0	0	0	0
Total Capital Assets Depreciated	65,851,795	650,603	(20,006,275)	46,496,122
Accumulated Depreciation:				
Buildings and Improvements	(49,613,021)	(1,416,034)	14,474,992	(36,554,064)
Furniture, Equipment and Vehicles	(871,543)	(18,806)	194,701	(695,647)
Total Accumulated Depreciation	(50,484,564)	(1,434,840)	14,669,693	(37,249,711)
Total Capital Assets Depreciated, Net	15,367,231	(784,237)	(5,336,582)	9,246,411
Total Capital Assets, Net	$16,940,542	($784,237)	($5,397,106)	$10,759,198

Component Unit

	Balance 06/30/16	Adjustment / Additions	Deletions	Balance 06/30/17
Capital Assets Not Depreciated				
Land	$0	$970,000	$0	$970,000
Construction in process	0	4,590,189	0	4,590,189
Total Capital Assets Not Depreciated	0	5,560,189	0	5,560,189
Capital Assets Depreciated				
Buildings and Improvements	0	7,500,927	0	7,500,927
Furniture, Equipment and Vehicles	0	239,546	0	239,546
Total Capital Assets Depreciated	0	7,740,473	0	7,740,473
Accumulated Depreciation:				
Furniture, Equipment and Vehicles	0	(204,263)	0	(204,263)
Total Accumulated Depreciation	0	(204,263)	0	(204,263)
Total Capital Assets Depreciated, Net	0	7,536,210	0	7,536,210
Total Capital Assets, Net	$0	$8,506,210	$0	$8,506,210

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 balance sheet date for which payment is probable.

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

The following is a summary of changes in compensated absences for the year ended June 30, 2017:

Description	Balance 06/30/16	Additions	Deletions	Balance 06/30/17	Due Within One Year
Compensated Absences	$229,516	$181,698	$175,096	$236,117	$23,611
Total Primary Government	$229,516	$181,698	$175,096	$236,117	$23,611

NOTE 11: OTHER LONG-TERM LIABILITIES

Changes in other long-term obligations of the Authority during the year-ended June 30, 2017 were as follows:

	Balance 06/30/16	Addition	Reduction	Balance 06/30/17
Net Pension Liability	$2,425,150	$796,837	$ 0	$3,221,988

NOTE 12: 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 13: 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.

Portsmouth Metropolitan Housing Authority
Required Supplementary Information
Schedule of Portsmouth Metropolitan Housing Authority
Proportionate Share of the Net Pension Liability
Fiscal Years Available

Traditional Plan	**2017**	**2016**	**2015**
Authority's Proportion of the Net Pension Liability / Asset	0.014189%	0.014001%	0.014613%
Authority's Proportionate Share of the Net Pension Liability	$3,222,081	$2,425,150	$1,762,491
Authority's Covered-Employee Payroll	$1,994,937	$1,741,873	$1,902,830
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	161.51%	139.23%	92.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.54%

Member Directed Plan	**2017**	**2016**	**2015**
Authority's Proportion of the Net Pension Liability / Asset	0.022363%	0.022380%	0.000000%
Authority's Proportionate Share of the Net Pension Asset	$93	$86	$0
Authority's Covered-Employee Payroll	$715	$717	$0
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	13.01%	11.99%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	103.91%	114.83%

(1) Information prior to 2014 is not available.

Portsmouth Metropolitan Housing Authority
Required Supplementary Information
Schedule of Portsmouth Metropolitan Housing Authority's
PERS Schedule of Ten Year Contributions
For the Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	$249,355	$208,901	$212,541	$235,947	$213,957	$181,108	$168,403	$157,178	$132,643	$142,967
Contributions in Relation to the Contractually Required Contribution	$249,355	$208,901	$212,541	$235,947	$213,957	$181,108	$168,403	$157,178	$132,643	$142,967
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Authority's Covered-Employee Payroll	$1,995,652	$1,740,842	$1,771,175	$1,887,642	$1,860,319	$1,811,075	$1,772,708	$1,811,845	$1,793,187	$1,920,796
Contributions as a Percentage of Covered-Employee Payroll	12.49%	12.00%	12.00%	12.50%	11.50%	10.00%	9.50%	8.68%	7.40%	7.44%

Calculated contribution rates above sometimes differ from published OPERS rates due to the rate changes during the Authority’s fiscal year (OPERS rates are effective based on a calendar year).

This schedule includes pension-only contributions to both Traditional Plan and Member-Direct Plan.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Ohio Public Employees' Retirement System

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

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years presented. See the notes to the basic financial statements for the methods and assumptions in this calculation

Portsmouth Metropolitan Housing Authority
Schedule of Expenditure of Federal Award
For the Year Ended June 30, 2017

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development		
Direct Program		
Low Rent Public Housing	14.850	$3,429,588
Housing Choice Voucher Program	14.871	3,104,774
Public Housing Capital Fund Program	14.872	824,401
Total Expenditure of Federal Award		**$7,358,763**

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

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

NOTE B – SUBRECIPIENTS

The Authority provided no federal awards to subrecipients during the year ended June 30, 2017.

NOTE C – DISCLOSURE OF OTHER FORMS OF ASSISTANCE

The Authority received no federal awards of non-monetary assistance that are required to be disclosed for the year ended June 30, 2017.

The Authority had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the year ended June 30, 2017.

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 217

	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	$1,565,238	$255,861	$246,948	$1,317,620	$767,790	$4,153,457	$0	$4,153,457
113 Cash - Other Restricted	$0	$6,355	$0	$0	$0	$6,355	$0	$6,355
114 Cash - Tenant Security Deposits	$117,316	$0	$25,727	$0	$0	$143,043	$0	$143,043
100 Total Cash	$1,682,554	$262,216	$272,675	$1,317,620	$767,790	$4,302,855	$0	$4,302,855
122 Accounts Receivable - HUD Other Projects	$81,547	$0	$0	$0	$0	$81,547	$0	$81,547
126 Accounts Receivable - Tenants	$24,890	$0	$14,712	$0	$0	$39,602	$0	$39,602
126.1 Allowance for Doubtful Accounts -Tenants	($561)	$0	($589)	$0	$0	($1,150)	$0	($1,150)
128 Fraud Recovery	$14,452	$15,951	$739	$0	$0	$31,142	$0	$31,142
129 Accrued Interest Receivable	$0	$0	$0	$0	$347	$347	$0	$347
120 Total Receivables, Net of Allowances for Doubtful Accounts	$120,328	$15,951	$14,862	$0	$347	$151,488	$0	$151,488
131 Investments - Unrestricted	$0	$0	$0	$0	$101,459	$101,459	$0	$101,459
142 Prepaid Expenses and Other Assets	$45,159	$667	$19,621	$0	$27,444	$92,891	$0	$92,891
143 Inventories	$0	$0	$0	$0	$46,367	$46,367	$0	$46,367
144 Inter Program Due From	$0	$0	$0	$0	$179,714	$179,714	($179,714)	$0
150 Total Current Assets	$1,848,041	$278,834	$307,158	$1,317,620	$1,123,121	$4,874,774	($179,714)	$4,695,060
161 Land	$1,430,858	$0	$970,000	$81,929	$0	$2,482,787	$0	$2,482,787
162 Buildings	$44,989,905	$0	$7,500,927	$0	$807,622	$53,298,454	$0	$53,298,454
163 Furniture, Equipment & Machinery - Dwellings	$65,002	$0	$10,030	$0	$0	$75,032	$0	$75,032
164 Furniture, Equipment & Machinery - Administration	$293,595	$32,955	$229,516	$46,116	$260,927	$863,109	$0	$863,109
166 Accumulated Depreciation	($36,286,995)	($32,955)	($204,263)	($46,116)	($883,645)	($37,453,974)	$0	($37,453,974)
167 Construction in Progress	$0	$0	$4,590,189	$0	$0	$4,590,189	$0	$4,590,189

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 217

	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	1 Business Activities	COCC	Subtotal	ELIM	Total
160 Total Capital Assets, Net of Accumulated Depreciation	$10,492,365	$0	$13,096,399	$81,929	$184,904	$23,855,597	$0	$23,855,597
180 Total Non-Current Assets	$10,492,365	$0	$13,096,399	$81,929	$184,904	$23,855,597	$0	$23,855,597
200 Deferred Outflow of Resources	$772,698	$51,700	$0	$0	$352,476	$1,176,874	$0	$1,176,874
290 Total Assets and Deferred Outflow of Resources	$13,113,104	$330,534	$13,403,557	$1,399,549	$1,660,501	$29,907,245	($179,714)	$29,727,531
312 Accounts Payable <= 90 Days	$0	$4,596	$9,464	$0	$97,645	$111,705	$0	$111,705
321 Accrued Wage/Payroll Taxes Payable	$40,373	$4,152	$0	$0	$50,940	$95,465	$0	$95,465
322 Accrued Compensated Absences - Current Portion	$8,943	$768	$0	$0	$13,900	$23,611	$0	$23,611
333 Accounts Payable - Other Government	$65,523	$0	$0	$0	$0	$65,523	$0	$65,523
341 Tenant Security Deposits	$117,316	$0	$25,727	$0	$0	$143,043	$0	$143,043
342 Unearned Revenue	$15,228	$0	$8,011	$0	$0	$23,239	$0	$23,239
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	$235,816	$0	$0	$0	$0	$235,816	$0	$235,816
347 Inter Program - Due To	$0	$21,176	$157,158	$1,380	$0	$179,714	($179,714)	$0
310 Total Current Liabilities	$483,199	$30,692	$200,360	$1,380	$162,485	$878,116	($179,714)	$698,402
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	$576,383	$0	$12,228,826	$0	$0	$12,805,209	$0	$12,805,209
354 Accrued Compensated Absences - Non Current	$80,488	$6,915	$0	$0	$125,103	$212,506	$0	$212,506
355 Loan Liability - Non Current	$0	$0	$500,000	$0	$0	$500,000	$0	$500,000
357 Accrued Pension and OPEB Liabilities	$2,108,460	$141,525	$0	$0	$972,002	$3,221,987	$0	$3,221,987
350 Total Non-Current Liabilities	$2,765,331	$148,440	$12,728,826	$0	$1,097,105	$16,739,702	$0	$16,739,702

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 217

	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	1 Business Activities	COCC	Subtotal	ELIM	Total
300 Total Liabilities	$3,248,530	$179,132	$12,929,186	$1,380	$1,259,590	$17,617,818	($179,714)	$17,438,104
400 Deferred Inflow of Resources	$12,484	$834	$0	$0	$5,858	$19,176	$0	$19,176
508.4 Net Investment in Capital Assets	$9,680,166	$0	$867,573	$81,929	$184,904	$10,814,572	$0	$10,814,572
511.4 Restricted Net Position	$0	$6,355	$1,561,363	$0	$0	$1,567,718	$0	$1,567,718
512.4 Unrestricted Net Position	$171,924	$144,213	($1,954,565)	$1,316,240	$210,149	($112,039)	$0	($112,039)
513 Total Equity - Net Assets / Position	$9,852,090	$150,568	$474,371	$1,398,169	$395,053	$12,270,251	$0	$12,270,251
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$13,113,104	$330,534	$13,403,557	$1,399,549	$1,660,501	$29,907,245	($179,714)	$29,727,531
70300 Net Tenant Rental Revenue	$1,533,058	$0	$83,374	$0	$0	$1,616,432	$0	$1,616,432
70400 Tenant Revenue - Other	$22,510	$0	$0	$0	$0	$22,510	$0	$22,510
70500 Total Tenant Revenue	$1,555,568	$0	$83,374	$0	$0	$1,638,942	$0	$1,638,942
70600 HUD PHA Operating Grants	$3,667,993	$3,104,774	$458,440	$0	$0	$7,231,207	($458,440)	$6,772,767
70610 Capital Grants	$585,996	$0	$0	$0	$0	$585,996	$0	$585,996
70710 Management Fee	$0	$0	$0	$0	$710,952	$710,952	($710,952)	$0
70720 Asset Management Fee	$0	$0	$0	$0	$94,170	$94,170	($94,170)	$0
70730 Book Keeping Fee	$0	$0	$0	$0	$75,628	$75,628	($75,628)	$0
70700 Total Fee Revenue	$0	$0	$0	$0	$880,750	$880,750	($880,750)	$0
71100 Investment Income - Unrestricted	$0	$188	$2	$0	$1,121	$1,311	$0	$1,311

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 217

	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	1 Business Activities	COCC	Subtotal	ELIM	Total
71400 Fraud Recovery	$0	$2,613	$0	$0	$0	$2,613	$0	$2,613
71500 Other Revenue	$219,470	$8,771	$2,524	$0	$4,372	$235,137	$0	$235,137
71600 Gain or Loss on Sale of Capital Assets	$0	$0	($3,655,138)	$0	$0	($3,655,138)	$0	($3,655,138)
70000 Total Revenue	$6,029,027	$3,116,346	($3,110,798)	$0	$886,243	$6,920,818	($1,339,190)	$5,581,628
91100 Administrative Salaries	$332,170	$87,912	$0	$0	$544,120	$964,202	$0	$964,202
91200 Auditing Fees	$5,148	$3,382	$2,028	$168	$1,516	$12,242	$0	$12,242
91300 Management Fee	$591,718	$86,448	$241,230	$0	$0	$919,396	($710,953)	$208,443
91310 Book-keeping Fee	$66,667	$0	$8,960	$0	$0	$75,627	($75,627)	$0
91400 Advertising and Marketing	$994	$159	$0	$0	$113	$1,266	$0	$1,266
91500 Employee Benefit contributions - Administrative	$183,028	$80,678	$0	$0	$489,509	$753,215	$0	$753,215
91600 Office Expenses	$50,826	$18,540	$44,856	$0	$49,099	$163,321	$0	$163,321
91700 Legal Expense	$25,069	$510	$3,680	$0	$3,720	$32,979	$0	$32,979
91800 Travel	$7,610	$268	$845	$0	$1,242	$9,965	$0	$9,965
91900 Other	$22,712	$37,045	$28,200	$4,532	$94,793	$187,282	$0	$187,282
91000 Total Operating - Administrative	$1,285,942	$314,942	$329,799	$4,700	$1,184,112	$3,119,495	($786,580)	$2,332,915
92000 Asset Management Fee	$94,170	$0	$0	$0	$0	$94,170	($94,170)	$0
92400 Tenant Services - Other	$486	$0	$0	$0	$0	$486	$0	$486
92500 Total Tenant Services	$486	$0	$0	$0	$0	$486	$0	$486
93100 Water	$122,482	$32	$11,764	$0	$216	$134,494	$0	$134,494
93200 Electricity	$506,448	$1,697	$72,523	$0	$10,772	$591,440	$0	$591,440
93300 Gas	$92,860	$97	$33,386	$0	$1,571	$127,914	$0	$127,914

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 217

	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	1 Business Activities	COCC	Subtotal	ELIM	Total
93600 Sewer	$202,110	$41	$18,443	$0	$273	$220,867	$0	$220,867
93000 Total Utilities	$923,900	$1,867	$136,116	$0	$12,832	$1,074,715	$0	$1,074,715
94100 Ordinary Maintenance and Operations - Labor	$944,183	$0	$0	$0	$554	$944,737	$0	$944,737
94200 Ordinary Maintenance and Operations - Materials and Other	$234,747	$0	$32,016	$0	($2,369)	$264,394	$0	$264,394
94300 Ordinary Maintenance and Operations Contracts	$351,969	$463	$56,430	$1,077	$15,078	$425,017	$0	$425,017
94500 Employee Benefit Contributions - Ordinary Maintenance	$640,102	$0	$0	$0	$491	$640,593	$0	$640,593
94000 Total Maintenance	$2,171,001	$463	$88,446	$1,077	$13,754	$2,274,741	$0	$2,274,741
95100 Protective Services - Labor	$80,783	$3,593	$0	$0	$20,095	$104,471	$0	$104,471
95200 Protective Services - Other Contract Costs	$0	$0	$4,510	$0	$0	$4,510	$0	$4,510
95300 Protective Services - Other	$39,988	$4,095	$1,023	$0	$2,750	$47,856	$0	$47,856
95500 Employee Benefit Contributions - Protective Services	$50,092	$0	$0	$0	$17,805	$67,897	$0	$67,897
95000 Total Protective Services	$170,863	$7,688	$5,533	$0	$40,650	$224,734	$0	$224,734
96110 Property Insurance	$128,422	$0	$19,621	$0	$0	$148,043	$0	$148,043
96120 Liability Insurance	$6,589	$0	$0	$0	$0	$6,589	$0	$6,589
96140 All Other Insurance	$0	$1,696	$0	$0	$13,249	$14,945	$0	$14,945
96100 Total insurance Premiums	$135,011	$1,696	$19,621	$0	$13,249	$169,577	$0	$169,577
96200 Other General Expenses	$59,908	$322	$34,838	$186,682	$209,612	$491,362	$0	$491,362
96210 Compensated Absences	$7,349	$3,951	$3,415	$0	$8,503	$23,218	$0	$23,218
96300 Payments in Lieu of Taxes	$65,523	$0	$0	$0	$0	$65,523	$0	$65,523
96400 Bad debt - Tenant Rents	$26,740	$0	$6,369	$0	$0	$33,109	$0	$33,109

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 217

	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	1 Business Activities	COCC	Subtotal	ELIM	Total
96000 Total Other General Expenses	$159,520	$4,273	$44,622	$186,682	$218,115	$613,212	$0	$613,212
96720 Interest on Notes Payable (Short and Long Term)	$19,590	$0	$0	$0	$0	$19,590	$0	$19,590
96700 Total Interest Expense and Amortization Cost	$19,590	$0	$0	$0	$0	$19,590	$0	$19,590
96900 Total Operating Expenses	$4,960,483	$330,929	$624,137	$192,459	$1,482,712	$7,590,720	($880,750)	$6,709,970
97000 Excess of Operating Revenue over Operating Expenses	$1,068,544	$2,785,417	($3,734,935)	($192,459)	($596,469)	($669,902)	($458,440)	($1,128,342)
97100 Extraordinary Maintenance	$23,862	$0	$0	$0	$0	$23,862	$0	$23,862
97200 Casualty Losses - Non-capitalized	$1,500	$0	$10,490	$0	$0	$11,990	$0	$11,990
97300 Housing Assistance Payments	$458,440	$2,874,709	$0	$0	$0	$3,333,149	($458,440)	$2,874,709
97350 HAP Portability-In	$0	$8,513	$0	$0	$0	$8,513	$0	$8,513
97400 Depreciation Expense	$1,393,038	$680	$9,561	$0	$41,122	$1,444,401	$0	$1,444,401
90000 Total Expenses	$6,837,323	$3,214,831	$644,188	$192,459	$1,523,834	$12,412,635	($1,339,190)	$11,073,445
10080 Special Items (Net Gain/Loss)	($4,229,357)	$0	$4,229,357	$0	$0	$0	$0	$0
10091 Inter Project Excess Cash Transfer In	$150,000	$0	$0	$0	$0	$150,000	($150,000)	$0
10092 Inter Project Excess Cash Transfer Out	($150,000)	$0	$0	$0	$0	($150,000)	$150,000	$0
10100 Total Other financing Sources (Uses)	($4,229,357)	$0	$4,229,357	$0	$0	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	($5,037,653)	($98,485)	$474,371	($192,459)	($637,591)	($5,491,817)	$0	($5,491,817)
11020 Required Annual Debt Principal Payments	$235,816	$0	$0	$0	$0	$235,816	$0	$235,816

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 217

	Project Total	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	1 Business Activities	COCC	Subtotal	ELIM	Total
11030 Beginning Equity	$14,889,743	$249,053	$0	$1,590,628	$1,032,644	$17,762,068	$0	$17,762,068
11170 Administrative Fee Equity	$0	$144,213	$0	$0	$0	$144,213	$0	$144,213
11180 Housing Assistance Payments Equity	$0	$6,355	$0	$0	$0	$6,355	$0	$6,355
11190 Unit Months Available	7,716	7,392	1,215	0	0	16,323	0	16,323
11210 Number of Unit Months Leased	7,529	7,204	834	0	0	15,567	0	15,567
11620 Building Purchases	$585,996	$0	$0	$0	$0	$585,996	$0	$585,996

This page intentionally left blank.

SALVATORE CONSIGLIO, CPA, INC.

14129 State Road
North Royalton, Ohio 44133
Phone (440) 877-9870
Fax (440) 877-9237
sconsiglio@salcpa.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Portsmouth Metropolitan Housing Authority

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Portsmouth Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued my report thereon dated February 28, 2018. The financial statements of the discretely presented component unit Kendall Heights, Inc. were not audited in accordance with *Governmental Auditing Statements* and accordingly this report does not extend to this component unit.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered Portsmouth Metropolitan Housing Authority, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Portsmouth Metropolitan Housing Authority, Ohio's, internal control. Accordingly, I do not express an opinion on the effectiveness of Portsmouth Metropolitan Housing Authority, Ohio's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that we consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies. I consider finding 2017-001 to be a significant deficiency.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Portsmouth Metropolitan Housing Authority, Ohio's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I did note certain matter not requiring inclusion in this report that reported to the Authority management in a separate letter dated February 28, 2018.

Authority's Response to Finding
The Authority's response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report
The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Salvatore Consiglio

Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
February 28, 2018

SALVATORE CONSIGLIO, CPA, INC.

14129 State Road
North Royalton, Ohio 44133
Phone (440) 877-9870
Fax (440) 877-9237
sconsiglio@salcpa.com

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

Board of Commissioners
Portsmouth Metropolitan Housing Authority

Report on Compliance for Each Major Federal Program

I have audited Portsmouth Metropolitan Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Portsmouth Metropolitan Housing Authority's major federal programs for the year ended June 30, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Portsmouth Metropolitan Housing Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In my opinion, Portsmouth Metropolitan Housing Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Other Matters

The results of my auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-002. My opinion on each major federal program is not modified with respect to this matters.

Portsmouth Metropolitan Housing Authority response to the noncompliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. Portsmouth Metropolitan Housing Authority response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control over Compliance

Management of the Portsmouth Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Salvatore Consiglio

Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
February 28, 2018

This page intentionally left blank.

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unmodified
Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
Were there any material weaknesses in internal control reported for major federal programs?	No
Were there any significant deficiencies in internal control reported for major federal programs?	Yes
Type of Major Programs' Compliance Opinion	Unmodified
Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
Major Programs (list):	CFDA # 14.871 Housing Choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > $750,000 Type B: All Others
Low Risk Auditee under 2 CFR §200.520?	Yes

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

FINDING NUMBER 2017-001 – Significant Deficiency – Financial Statements Reporting

<u>Statement of Condition/Criteria</u>
Sound financial reporting is the responsibility of the Authority and is essential to ensure the information issued to the public is complete and accurate. The Authority should have in place a system of controls to review the financial statements prior to issuance, to ascertain that the financial statements are complete, fairly presented and filed timely.

Cause

Management did not revised its accounting system to separate the RAD Project as a separate entity from the Housing Authority after the conversion from its public housing project to the RAD Project. Therefore, the finance department continue business as usual before the conversion.

Effect

The financial statements filed with the Auditor of State, required several adjustments with regarding the report of the salaries and benefits for the staff performing duties at the component unit. The financial statements originally filed, reported the Authority Staff salaries as payroll expense on the component unit financial statements. However, during the audit it was determined that the component unit does not have any staff and it contracts with the housing authority for management service resulting in expenses and revenue to be understated. In addition, the presentation of the component unit on the statements needed to be revised to be reported as a Discretely Component Unit (based on the reporting in REAC), not as a Blended Component Unit.

Recommendation

The accounting system needs to be revised to separate the two separate legal entities (Portsmouth Metropolitan Housing Authority and Kendall Heights, Inc.). The Authority provides management services to Kendall Heights Inc as per the management agreement. Therefore, staff working on that site are employees of the Authority and must be reflected on its accounting records not on the component unit financials. The services rendered to Kendall Heights are invoiced on a regular basis and are recorded as Management Fee Earned.

Client Response – Corrective Action

The Housing Authority has separated the accounting system of the two legal entities, PMHA and the RAD conversion property (Portsmouth Metropolitan Housing Authority and Wayne Hills LP aka Kendall Heights). The Authority is using the same software for both entities due to familiarity and efficiency of the programs. However, all systems are maintained separately; Occupancy, Accounts Payable, Tenant Accounts Receivable, Work-orders, Rent Calculation, etc. Also, the staffing of the RAD conversion property is now all being charged to the Authority and, in turn the Authority is invoicing the RAD property for staffing fee expenses and Management Fees Earned.

Responsible Contact Person: Teresa Everett, Director of Finance
Anticipated Completion Date: June 30, 2018

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding No. 2017-002 – Significant Deficiency – Housing Choice Voucher Program – Other Matters

CFDA Title and Number:	14.871 – Housing Choice Voucher Program
Federal Award Year:	2016-2017
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Agency:	No – Direct Award

Statement of Condition/Criteria

Audit procedures of 50 tenant files reviewed, revealed the following errors:

- Inspection report showed a failed inspection. No documentation was made available to show if a re-inspection was performed and if the unit passed the second inspection.
- One file was missing a rent reasonableness comparison for a landlord rent increase request.
- One file did not document the reason for income exclusion. Therefore, I was not able to determine if the rental assistance was properly calculated.
- One file did not exclude the monthly food stamps assistance received. This will resulted in the client over paying its share of the rent.

Cause

An explanation for the cause of the errors was not provided.

Effect

The housing assistance payment expense maybe over stated. The actual amount of overstatement could not be calculated at the time this report was issued.

Recommendation

The Authority needs to review the tenant files to identify the total dollar amount of the over payment issued in housing assistance, if any. In addition, I recommend that proper procedures be established to perform QA of the files.

Client Response – Corrective Action

Staff will review all tenant files and an adjustment will be recorded to reduce the Housing Assistance Payment Expense in the following fiscal year financial statements if necessary. A Quality Review procedures of the files will be implemented.

Responsible Contact Person:	Hellen Adams, Director of Housing
Anticipated Completion Date:	June 30, 2018

This page intentionally left blank.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2016-001	The Authority did not include the change in proportionate share and differences between employer contributions and proportionate share of contributions. It was also noted the amount for employer pension contribution subsequent to measurement date was incorrectly calculated.	Yes	Corrected. The Authority corrected the GASB 68 reporting.
2016-002	The Authority did not file financial statements for 2016 with the Auditor of State.	No	Partially Corrected. Financials statements were filed with the Auditor of State; however, several adjustments were needed.

This page intentionally left blank.

Dave Yost · Auditor of State

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 29, 2018

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