Portsmouth Metropolitan Housing Authority

Financial Statements

For the Year Ended June 30, 2019

OHIO AUDITOR OF STATE
KEITH FABER

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Board of Commissioners
Portsmouth Metropolitan Housing Authority
410 Court Street
Portsmouth, Ohio 45662-3949

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, 2018 through June 30, 2019. 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.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

February 27, 2020

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PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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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, 2019, and the related notes to the financial statements. I was not engaged to audit the financial statements of the aggregate blended 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 did not audit the financial statements of the component units of Portsmouth Metropolitan Housing Authority (see Note 1 for a description), which represent 75%, 16% and 32%, respectively, of the total assets, net position and revenues of Portsmouth Metropolitan Housing Authority. Those statements were audited by other auditors whose report has been furnished to me, and my opinion, insofar as it relates to the amounts included for the component units, is based solely on the report of such other auditors. 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.

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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion
In my opinion, based on my audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the blended presented component units of the Portsmouth Metropolitan Housing Authority as of June 30, 2019, 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 and Postemployment Benefit Liabilities and pension and postemployment benefit 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), Statement of Modernization and Schedule of Expenditure of Federal Awards are not a 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) and the statement of modernization cost are presented for purposes of additional analysis as required by the Department of Housing and Urban Development and are the responsibility of management and were 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, the financial data schedule ("FDS"), and the statement of modernization cost 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 January 27, 2020, 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
January 27, 2020

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 2019 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 and deferred outflows of resources were $50,048,204 and $35,511,410 for 2019 and 2018 respectively. The Authority – wide statements reflect an increase in total assets and deferred outflows of resources of $14,536,794 (or 40.94%) during 2019. This increase is due to Deferred Outflows increased by $558,824 and capital assets increased by $7,853,920 and cash increased by $5,905,350.

- Revenue decreased by $76,193 during 2019 and was $11,309,281and $11,385,474 for 2019 and 2018 respectively. The decrease was due to less funding received from HUD for the year.

- Total expenses of all Authority programs increased by $265,309. Total expenses were $12,667,332 and $12,402,023 for 2019 and 2018 respectively. The increase was due to an increase in interest expense for the component unit.

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)~

Unaudited

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 like 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 (like an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance and depreciation; and Non-Operating Revenue and Expenses, such as investment income and interest expense.

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

Unaudited

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.

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.

Unaudited

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 can 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.

	2019	2018
Current and Other Assets	$ 10,662,811	$ 4,757,461
Capital Assets	37,902,327	30,048,407
Other Assets	280,100	61,400
Deferred Outflows of Resources	1,202,966	644,142
Total Assets and Deferred Outflows of Resources	$ 50,048,204	$ 35,511,410
Current Liabilities	$ 7,532,725	$ 3,503,618
Long-Term Liabilities	21,086,955	11,314,949
Deferred Inflows of Resources	154,027	662,567
Total Liabilities and Deferred Inflows of Resources	28,773,707	15,481,134
Net Position:		
Net Investment in Capital Assets	14,072,609	14,094,536
Restricted Net Position	1,952,273	121,437
Unrestricted Net Position	5,249,615	5,814,303
Total Net Position	21,274,497	20,030,276
Total Liabilities, Deferred Inflows and Net Position	$ 50,048,204	$ 35,511,410

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

Unaudited

Major Factors Affecting the Statement of Net Position

During 2019, current and other assets increased by $5,905,350 and current liabilities increased by $4,029,107. These changes are due to current year activities plus ground lease payment received in advance.

Capital assets also changed, increasing from $30,048,407 to $37,902,327. The $7,853,920 increase is due to capital improvement at the component unit property less current year depreciation.

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

	Unrestricted	Net Investment in Capital Assets	Restricted
Beginning Balance - Restated	$5,814,303	$14,094,536	$121,437
Results of Operation	(3,188,887)	0	1,830,836
Adjustments:			
Current year Depreciation Expense (1)	1,645,144	(1,645,144)	0
Capital Expenditure (2)	(9,499,064)	9,499,064	0
Retirement of Debt	(298,928)	298,928	0
New Debt Issued	8,174,775	(8,174,775)	0
Capital Contributions	2,602,272	0	0
Ending Balance	$5,249,615	$14,072,609	$1,952,273

(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

	2019	2018
Revenues		
Total Tenant Revenues	$ 1,689,374	$ 1,715,524
Operating Subsidies	7,044,469	7,674,531
Capital Grants	880,793	438,429
Investment Income	3,351	3,195
Other Revenues	1,691,294	1,553,795
Total Revenues	**11,309,281**	**11,385,474**
Expenses		
Administrative	2,771,958	2,886,059
Utilities	1,041,976	1,190,806
Maintenance	1,851,102	2,167,653
Protective Services	183,367	183,066
General and Interest	2,435,842	1,362,334
Housing Assistance Payments	2,737,943	3,103,056
Depreciation	1,645,144	1,509,049
Total Expenses	**12,667,332**	**12,402,023**
Net Increases (Decreases)	(1,358,051)	(1,016,549)
Capital Contribution from CU Limited Parnter	2,602,272	-
Beginning Net Position	20,030,276	21,046,825
	$ 21,274,497	**$ 20,030,276**

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

The Authority's total revenue decreased by $76,193. This decrease is due to less grant funding received from HUD for the year.

Total expenses increased $265,309. The increase is due to interest payment on the debt.

Unaudited

CAPITAL ASSETS

As of year-end, the Authority had $37,902,327 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase of $7,853,920 or 26.14% from the end of 2018. This increase is due to capital assets addition net of current year depreciation expense.

	2019	2018
Land	$ 2,372,174	$ 2,337,787
Building and Improvement	74,923,307	60,634,554
Equipment	1,021,363	822,760
Construction in Progress	-	5,016,165
Accumulated Depreciation	(40,414,517)	(38,762,859)
Total	$ 37,902,327	$ 30,048,407

The following reconciliation identifies the change in Capital Assets:

Beginning Balance	$ 30,048,407
Current year Additions	9,499,064
Current year Depreciation Expense	(1,645,144)
Ending Balance	$ 37,902,327

Current year Additions are summarized as follows:

Primary Government:	
Building Improvements	$ 978,692
Computer Equipment and Software	4,119
Component Unit:	
Building Improvements	8,516,253
Total Current Year Additions	$ 9,499,064

Unaudited

DEBT OUTSTANDING

As of year-end, the financial statements reflect $15,359,718 in debt outstanding compared to $7,483,871 for the prior year. This change was due to debt incurred by the Component Unit - Wayne Hills LP for renovation to the property.

Beginning Balance	$	7,483,871
Current Year Debt Issued		8,174,775
Current Year Debt Retired		(298,928)
Ending Balance	$	15,359,718

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 Authority

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 several of these items. One example is the completion of replacement of all doors on all Miller Manor and Lett Terrace units. Also, we did an extensive upgrade of the drainage system at Lett Terrace. We have completed construction at Kendall Heights (formerly known as Wayne Hills) under the RAD (Rental Assistance Demonstration) program. Again, this project improved the condition of the housing stock, as well as enhanced the living conditions for our tenants. It also has dramatically decreased maintenance issues at Wayne Hills/Kendall Heights.

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

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PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
Statement of Net Position
June 30, 2019

ASSETS	
Current assets	
Cash and cash equivalents	$ 7,719,790
Restricted cash and cash equivalents	2,111,937
Receivables, net	681,276
Prepaid expenses and other assets	117,983
Inventory	31,825
Total current assets	**10,662,811**
Noncurrent assets	
Capital assets:	
Non-Depreciable capital assets	2,372,174
Depreciable capital assets, net	35,530,153
Total capital assets	37,902,327
Other Assets	280,100
Total noncurrent assets	**38,182,427**
Total assets	***$ 48,845,238***
Deferred Outflows of Resources	
Pension	$ 1,036,089
OPEB	166,877
Total Deferred Outflows of Resources	***$ 1,202,966***
LIABILITIES	
Current liabilities	
Accounts payable	$ 1,288,576
Accrued liabilities	158,315
Tenant security deposits	148,983
Other current liabilities	3,971,066
Unearned Revenue	1,716,502
Long-Term Debt - Current Portion	249,283
Total current liabilities	**$ 7,532,725**

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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
Statement of Net Position (Continued)
June 30, 2019

Noncurrent liabilities	
Long-Term Debt - Noncurrent Portion	$ 15,110,435
Accrued Compensated Absences	224,525
Net Pension Liability	3,909,907
Net OPEB Liability	1,842,088
Total noncurrent liabilities	**21,086,955**
Total liabilities	***$ 28,619,680***
Deferred Inflows of Resources	
Pension	$ 110,660
OPEB	43,367
Total Deferred Inflows of Resources	***$ 154,027***
NET POSITION	
Net Invested in capital assets	$ 14,072,609
Restricted net position	1,952,273
Unrestricted net position	5,249,615
Total net position	***$ 21,274,497***

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 Fund Net Position
For the Year Ended June 30, 2019

OPERATING REVENUES	
Tenant revenue	$ 1,689,374
Government operating grants	7,044,469
Other revenue	1,691,294
Total operating revenues	**10,425,137**
OPERATING EXPENSES	
Administrative	2,771,958
Utilities	1,041,976
Maintenance	1,851,102
Protective Services	183,367
General and insurance	1,724,075
Housing assistance payment	2,737,943
Depreciation	1,645,144
Total operating expenses	***11,955,565***
Operating income (loss)	**(1,530,428)**
NONOPERATING REVENUES (EXPENSES)	
Capital grant revenue	880,793
Interest income	3,351
Interest expense	(711,767)
Total nonoperating revenues (expenses)	***172,377***
Change in net position	(1,358,051)
Beginning net position	20,030,276
Capital Contributions from Component Unit Partners	2,602,272
Total net position - ending	**$ 21,274,497**

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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating grants received	$7,044,469
Receipts from tenants	1,604,936
Other revenue received	4,293,561
Cash payments for administrative	(6,019,344)
Cash payments for HAP	(2,737,943)
Net cash provided (used) by operating activities	**4,185,679**
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	3,351
Net cash provided (used) by investing activities	**3,351**
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Capital grant received	880,793
Capital purchases	(9,499,065)
Proceeds from debt issued	8,174,775
Capital Contribution from CU Limited Partner	2,602,272
Interest payment	(711,767)
Retirement of debt	(298,928)
Net cash provided (used) by capital and related activities	**1,148,080**
Net increase (decrease) in cash	5,337,110
Cash and cash equivalents - Beginning of year	4,494,617
Cash and cash equivalents - End of year	**$ 9,831,727**

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, 2019

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income (Loss)	$	(1,530,428)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating		
- Depreciation		1,645,144
- (Increases) Decreases in Accounts Receivable		(565,325)
- (Increases) Decreases in Prepaid Assets		(6,772)
- (Increases) Decreases in Inventory		3,857
- (Increases) Decreases in Other Assets		(218,700)
- (Increases) Decreases in Deferred Outflows		(558,824)
- Increases (Decreases) in Accounts Payable		75,928
- Increases (Decreases) in Accured Liabilities		(590,651)
- Increases (Decreases) in Tenant Security Deposit		6,494
- Increases (Decreases) in Other Current Liabilities		2,890,438
- Increases (Decreases) in Unearned Revenue		1,696,544
- Increases (Decreases) in Pension Liability		1,838,520
- Increases (Decreases) in Deferred Inflows		(508,540)
- Increases (Decreases) in Non-Current Liabilities Other		7,994
Net cash provided (used) by operating activities	**$**	**4,185,679**

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.

Blended Component Units

The financial statements included with this report includes the financial statements of the Wayne Hills LP (Partnership). Wayne Hills LP was determined to be a component unit of the Authority on the basis that the Authority appoints the governing body of the Partnership and the partnership provides services exclusively to the Authority clientele served.

The Governing body of the Partnership consists of the Authority: Board Chairperson, Executive Director and the Director of Finance.

Wayne Hills LP

Wayne Hills LP (Partnership) is an Ohio limited partnership formed on February 3, 2016. The purpose of the Partnership is to acquire, hold, invest in, construct, rehabilitate, develop, improve, maintain, operate, lease, sell, mortgage and otherwise deal with 243-unit low income housing project in Portsmouth, Ohio known as Wayne Hills Apartments.

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.

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.

A. 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.

B. Cash and Cash Equivalents
Cash and cash equivalents include 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.

C. 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.

D. 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

E. *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.

F. *Unearned Revenue*
Unearned revenue arises when revenues are received before revenue recognition criteria have been satisfied. The balance of $1,716,502 represent:

	CU	PMHA
- Ground lease payment in advanced	$0	$1,700,000
- Tenants prepaid rent	$6,530	$7,867

G. *Pension / Other Postemployment Benefits (OPEB)*
For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

H. *Deferred Outflows/Inflows of Resources*
In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the Authority, deferred outflows of resources are reported on the statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Note 5 and 6.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Authority, deferred inflows of resources are reported on the statement of net position for pension and OPEB. The deferred inflows of resources related to pension and OPEB plans are explained in Notes 5 and 6.

I. *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.

J. *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 is 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 2: 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, 2019, the carrying amount of the Authority's deposits totaled \$9,831,727 while the bank balance was \$9,941,114. Based on the criteria described in

GASB Statement No. 40, "Deposits and Investment Risk Disclosure," as of June 30, 2019, $9,191,114 was exposed to custodial risk as discussed below, while $750,000 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, 2019, consisted of the following:

Cash – Unrestricted	$7,719,790
Cash – Restricted	2,111,937
Total Deposits	$9,831,727

Restricted Cash:	
Primary Government – PMHA:	
- Tenant Security Deposits	$119,830
- FSS Escrow Funds	10,681
- HUD Advances for Housing Assistance Payments	65,973
Component Unit:	
- Tenant Security Deposits	29,153
- Replacement Reserve	186,300
- Funds held in trust to pay down construction loan	1,700,000
Total Restricted Cash	$2,111,937

NOTE 3: CHANGES IN ACCOUNTING PRINCIPLE

For fiscal year 2019, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 83 — "Certain Asset Retirement Obligations" and GASB Statement No. 88 - "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements".

GASB Statement No. 83 — "Certain Asset Retirement Obligations", the objective of this Statement is to provide financial statement users with information about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. These changes were incorporated in the Authority's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 88 - "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements", the objective of this Statement is to improve consistency in the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. These changes were incorporated in the Authority's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 4: ACCOUNTS RECEIVABLES

Account Receivable at June 30, 2019 consists of the following:

Tenants – net of allowance	$80,657
Delinquent Tenant Accounts	48,432
Miscellaneous receipts	21,889
Receivable from HUD	530,298
Total Receivable	$681,276

NOTE 5: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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 both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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 the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost 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 the Ohio Public Employees Retirement System, 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 Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 62 with 5 years of service credit or Age 57 with 25 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's 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:

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	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2019 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-Employment Health Care Benefits **	0.0 %
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within combined plan are not used to fund the defined benefit retirement allowance

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution for pension was $284,649 for fiscal year ending June 30, 2019.

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, 2018, 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:

	OPERS Traditional Pension Plan
Proportion of the Net Pension Liability:	
Prior Measurement Date	0.014791%
Proportion of the Net Pension Liability:	
Current Measurement Date	0.014276%
Change in Proportionate Share	-0.000515%
Proportionate Share of the Net Pension Liability	$ 3,909,907
Pension Expense	$ 738,945

At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Pension Plan
Deferred Outflows of Resources	
Net difference between projected and actual earnings on pension plan investments	$ 530,683
Differences between expected and actual experience	180
Changes of assumptions	340,366
Changes in proportion and differences between Authority contributions and proportionate share of contributions	32,525
Authority contributions subsequent to the measurement date	132,335
Total Deferred Outflows of Resources	$ 1,036,089

	OPERS Traditional Pension Plan
Deferred Inflows of Resources	
Differences between expected and actual experience	$ 51,339
Changes in proportion and differences between Authority contributions and proportionate share of contributions	59,321
Total Deferred Inflows of Resources	$ 110,660

$132,335 reported as deferred outflows of resources related to pension resulting from the

Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Pension Plan
Year Ending June 30:	
2020	$ 353,884
2021	143,173
2022	49,230
2023	246,807
Total	$ 793,094

Actuarial Assumptions - OPERS

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, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2014 Health Annuitant Mortality table. For males, Health Annuitant Mortality tables were used, adjusted for mortality improvement back to the observant period base of 2006 and then established the base year as 2015. For females, Health 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 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.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in three investment portfolios: The Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. 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 the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts invested, for the Defined Benefit portfolio was a loss of 2.94 percent for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees 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 table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	100.00 %	5.95 %

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent, post-experience study results. 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 contractually required rates, as actuarially determined. 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 7.2 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 (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Authority's proportionate share of the net pension liability	$ 5,776,070	$ 3,909,907	$ 2,359,109

NOTE 6: DEFINED POSTEMPLOYMENT BENEFITS (OPEB)

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

The 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 OPEB are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 another Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board 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 Pension Plan and Combined Plan was 0 percent during calendar year 2018. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2019 remained at 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $5,079 for fiscal year ending June 30, 2019.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability:	
Prior Measurement Date	0.014670%
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.014129%
Change in Proportionate Share	-0.000541%
Proportionate Share of the Net OPEB Liability	$ 1,842,088
OPEB Expense	$ 166,990

At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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		OPERS
Deferred Outflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	$	84,449
Differences between expected and actual experience		623
Changes of assumptions		59,390
Changes in proportion and differences between Authority contributions and proportionate share of contributions		19,968
Authority contributions subsequent to the measurement date		2,447
Total Deferred Outflows of Resources	$	166,877
Deferred Inflows of Resources		
Differences between expected and actual experience	$	4,998
Changes in proportion and differences between Authority contributions and proportionate share of contributions		38,369
Total Deferred Inflows of Resources	$	43,367

$2,447 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:		OPERS
2020	$	65,424
2021		(243)
2022		13,341
2023		42,541
Total	$	121,063

Actuarial Assumptions - OPERS

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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.71 percent
Health Care Cost Trend Rate	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: The Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is 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 invested, for the Health Care portfolio was a loss of 5.60 percent for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	100.00 %	5.16 %

Discount Rate – A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were enough to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following table presents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Authority's proportionate share of the net OPEB liability	$2,356,717	$1,842,088	$1,432,822

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate **–** Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.0 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuary's project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	$1,770,646	$1,842,088	$1,924,370

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 capital lease as of June 30, 2019 amounted to $0 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 capital lease as of June 30, 2019 amounted to $203,003 and the net book value is $1,595,945.

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

	Balance 06/30/18	Additions	Deletions	Balance 06/30/19	Due One Year
Energy Performance Equipment Lease	$576,383	$0	($242,456)	$333,927	$249,283

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

For the Year Ended June 30,	
2020	$249,283
2021	84,644
Total	$333,927

NOTE 8: CAPITAL ASSETS

A summary of capital assets at June 30, 2019 by class is as follows:

	Balance 6/30/2018	Additions	Adjustement / Deletions	Balance 6/30/2019
Capital Assets Not Being Depreciated:				
Land	$2,337,787	$34,387	$0	$2,372,174
Construction in Progress	5,016,165	0	(5,016,165)	0
Total Capital Assets Not Being Depreciated	**7,353,952**	**34,387**	**(5,016,165)**	**2,372,174**
Capital Assets Being Depreciated:				
Buildings and Improvement	60,634,554	9,266,075	5,022,678	74,923,307
Furnt, Mach. and Equip.	822,760	198,603	0	1,021,363
Total Capital Assets Being Depreciated	**61,457,314**	**9,464,678**	**5,022,678**	**75,944,670**
Total Accumulated Depreciation	**(38,762,859)**	**(1,645,144)**	**(6,514)**	**(40,414,517)**
Total Capital Assets Being Depreciated, Net	**22,694,455**	**7,819,534**	**5,016,164**	**35,530,153**
Total Capital Assets, Net	**$30,048,407**	**$7,853,921**	**($1)**	**$37,902,327**

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, 2019:

	Balance 06/30/18	Additions	Deletions	Balance 06/30/19	Due One Year
Compensated Absence Liability	$240,590	$182,955	($175,096)	$248,449	$23,924

NOTE 11: LONG-TERM DEBT

The component unit, Wayne Hills LP has the following long-term debt as of December 31, 2018:

Construction Loan
The component unit, Wayne Hills LP (Partnership) entered into a loan agreement with Ohio Housing Finance Agency (OHFA) and Huntington Bank (Huntington) for a loan in the amount up to $15,000,000 to fund the construction of the project. The construction loan is secured by security instrument as defined in the construction loan agreement. The construction loan has an interest rate of 1-month LIBOR plus 2.5% (4.84925%) as of December 31, 2018). Interest only payments shall be due and payable monthly through the conversion date.

Commencing on the first business day of the first calendar month following the conversion date and on the first business day thereafter until the maturity date of January 1, 2034. All unpaid principal accrues interest until the construction loan maturity date. As of December 31, 2018, the Construction Loan outstanding balance is $14,009,298.

The debt issuance costs of $495,730 are being amortized over the term of the loan. The effective interest rate on the construction loan, including amortization of debt issuance costs was 7.62%, and the amortization of the debt issuance costs for the period of January 1, 2018 through December 31, 2018 was $245,221, with an accumulative total of $460,995.

The construction loan as of December 31, 2018 consists of the following:

Principal balance	$14,009,298
Less: unamortized debt issuance costs	(34,735)
Loan Balance 12/31/2018	$13,974,561

HDAP Loan
On December 23, 2016 the component unit entered into a promissory note to fund certain development costs. The HDAP loan bears interest at a rate of 2% per annum,

compounded semi- annually. Payment of the principal and interest are due annually on the 30th of April in each year following the issuance of the project final certificate of occupancy in the amount of 35% of the project cash flow as defined in the partnership agreement. All unpaid principal and accrued interest are due on the HDAP loan maturity date of December 31, 2056. As of December 31, 2018, the balance of the loan was $1,051,230.

A summary of the debt activity in the period is as follows:

	Balance 12/31/17	Additions	Deletions	Balance 12/31/18	Due One Year
Construction Loan	$6,907,488	$7,123,545	($56,472)	$13,974,561	$0
HDAP Loan	0	1,051,230	0	1,051,230	0
Total Ling-Term Debt	$6,907,488	$8,174,775	($56,472)	$15,025,791	$0

Amortization schedule to detail the maturity amount per year is not available.

Net Pension/OPEB Liabilities
The Authority's proportion of the net pension and OPEB liability was based on the Authority's share of the plans relative to all of the participating entities. See Note 5 through Note 6 regarding pension plans and OPEB Benefits reported in Net Pension/OPEB Liability. The change in the net pension/OPEB liability is as follows:

	Balance 06/30/18	Additions	Deletions	Balance 06/30/19	Due One Year
Net Pension Liability	$2,320,421	$1,589,486	0	$3,909,907	$0
Net OPEB Liability - Restated	1,593,054	249,034	0	1,842,088	0
Total Long-Term Liabilities	$3,913,475	$1,838,520	$0	$5,751,995	$0

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: RELATED PARTY TRANSACTIONS

Property Management Fee
Pursuant to the management agreement between Portsmouth Metropolitan Housing Authority (Authority) and Wayne Hills LP (Partnership), a management fee shall be paid by the Partnership to the Authority in the amount of 6% of the project gross receipt for the preceding month. Such fees will be payable on the first day of each month. For the period from January 1, 2018 to December 31, 2018, the management fee incurred was $65,002.

Asset Management Fee
Under the terms of the partnership agreement, the Special Limited Partner is entitled to receive an asset management fee for an annual review of the operation of the Partnership in the amount of $7,500, increasing 3% annually. During the period from January 1, 2018 to December 31, 2018, the asset management fee incurred was $7,725.

Developer Fee
On December 1, 2016, Wayne Hills LP entered into a development agreement with PIHRL Developers, LLC and Portsmouth Metropolitan Housing Authority (collectively, the Developers) for services rendered in overseeing the development of the project. The development fee totaling $4,950,500 shall be paid pursuant to the development agreement. As of December 31, 2018, $4,865,213 of the development fee was incurred.

Operating Advances
During the period from February 3, 2016 (inception) to December 31, 2018, the Authority paid for miscellaneous costs associated with the operation of the project. The Partnership has agreed to reimburse the Authority for those expenses. As of December 31, 2018, the outstanding balance owed to the Authority is $2,200,000. This note is reported on the Partnership financial statements as a loan payable and on the Authority as a loan receivable. The asset and liability were eliminated for the presentation of the entity wide financial statements.

Seller Note
On February 3, 2016 the authority converted one of its low rent public housing projects to HUD Rental Assistance Demonstration Program (RAD). Under this conversion, the Authority sold the property to Wayne Hills LP and has received a Seller Note in the amount of $8,470,000. This note is reported on the Partnership financial statements as a loan payable and on the Authority as a loan receivable. This asset and liability were also eliminated for the presentation of the entity wide financial statements.

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NOTE 14: CONTINGENCIES

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

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

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

Portsmouth Metropolitan Housing Authority
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Five Fiscal Years (1)

	2019	2018	2017	2016	2015
Authority's Proportion of the Net Pension Liability	0.014276%	0.014791%	0.014189%	0.014001%	0.014613%
Authority's Proportionate Share of the Net Pension Liability	$ 3,909,907	$ 2,320,421	$ 3,222,081	$ 2,425,150	$ 1,762,491
Authority's Covered Payroll	$ 1,928,240	$ 1,954,641	$ 1,834,181	$ 1,742,590	$ 1,791,531
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.77%	118.71%	175.67%	139.17%	98.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%

(1) - Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the Authority's measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information

Portsmouth Metropolitan Housing Authority
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System
Last Three Fiscal Years (1)

	2019	2018	2017
Authority's Proportion of the Net OPEB Liability	0.014129%	0.014670%	0.014110%
Authority's Proportionate Share of the Net OPEB Liability	$ 1,842,088	$ 1,593,054	$ 1,425,158
Authority's Covered Payroll	$ 2,049,410	$ 2,077,956	$ 1,950,271
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.88%	76.66%	73.07%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.05%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the Authority's measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information

Portsmouth Metropolitan Housing Authority
Required Supplementary Information
Schedule of Authority's Contributions- Pension
Last Ten Fiscal Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	$284,649	$255,020	$234,666	$208,901	$212,541	$235,947	$213,957	$181,108	$168,403	$157,178
Contributions in Relation to the Contractually Required Contribution	($284,649)	($255,020)	($234,666)	($208,901)	($212,541)	($235,947)	($213,957)	($181,108)	($168,403)	($157,178)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Authority's Covered Payroll	$2,033,207	$1,894,819	$1,878,128	$1,740,842	$1,777,175	$1,887,642	$1,860,319	$1,811,075	$1,772,708	$1,811,845
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.46%	12.49%	12.00%	12.00%	12.50%	11.50%	10.00%	9.50%	8.68%

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, except for 2015 and 2016 which reports Traditional only.

Portsmouth Metropolitan Housing Authority

Required Supplementary Information

Schedule of the Authority's Contributions - OPEB

Ohio Public Employees Retirement System

Last Five Fiscal Years (1)

	2019	2018	2017	2016		2015
Contractually Required Contribution	$5,079	$15,034	$32,973	$37,460		$36,788
Contributions in Relation to the Contractually Required Contribution	(5,079)	(15,034)	(32,973)	(37,460)		(36,788)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -		$ -
Authority Covered Payroll	$ 2,160,185	$ 2,014,360	$ 1,995,651	$ 1,873,070	0	$ 1,883,578
Contributions as a Percentage of Covered Payroll	0.24%	0.75%	1.65%	2.00%		1.95%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2014-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) 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. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2018. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00%.

Portsmouth Metropolitan Housing Authority
Schedule of Expenditure of Federal Award
For the Year Ended June 30, 2019

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	$2,217,301
Housing Choice Voucher Program	14.871	2,989,763
Public Housing Capital Fund Program	14.872	1,185,770
Total Expenditure of Federal Award		**$6,392,834**

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019.

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, 2019.

The Authority had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the year ended June 30, 2019.

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 2019

	Project Total	14.871 Housing Choice Vouchers	Component Unit - Blended Presented	Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	$1,212,719	$262,619	$3,120,971	$2,991,997	$128,494	$7,716,800	$0	$7,716,800
112 Cash - Restricted - Modernization and Development	$0	$0	$1,700,000	$0	$0	$1,700,000	$0	$1,700,000
113 Cash - Other Restricted	$0	$76,654	$186,300	$0	$0	$262,954	$0	$262,954
114 Cash - Tenant Security Deposits	$119,830	$0	$29,153	$0	$0	$148,983	$0	$148,983
115 Cash - Restricted for Payment of Current Liabilities	$0	$0	$0	$0	$0	$0	$0	$0
100 Total Cash	$1,332,549	$339,273	$5,036,424	$2,991,997	$128,494	$9,828,737	$0	$9,828,737
122 Accounts Receivable - HUD Other Projects	$0	$0	$530,298	$0	$0	$530,298	$0	$530,298
125 Accounts Receivable - Miscellaneous	$0	$0	$0	$0	$21,889	$21,889		$21,889
126 Accounts Receivable - Tenants	$44,351	$0	$67,584	$0	$0	$111,935	$0	$111,935
126.1 Allowance for Doubtful Accounts -Tenants	-$1,424	$0	-$29,854	$0	$0	-$31,278	$0	-$31,278
128 Fraud Recovery	$25,895	$21,606	$931	$0	$0	$48,432	$0	$48,432
120 Total Receivables, Net of Allowances for Doubtful Accounts	$68,822	$21,606	$568,959	$0	$21,889	$681,276	$0	$681,276
131 Investments - Unrestricted	$2,990	$0	$0	$0	$0	$2,990	$0	$2,990
142 Prepaid Expenses and Other Assets	$46,429	$679	$45,562	$0	$25,313	$117,983	$0	$117,983
143 Inventories	$0	$0	$0	$0	$31,825	$31,825	$0	$31,825
150 Total Current Assets	$1,450,790	$361,558	$5,650,945	$2,991,997	$207,521	$10,662,811	$0	$10,662,811
161 Land	$1,430,858	$0	$853,474	$87,842	$0	$2,372,174	$0	$2,372,174
162 Buildings	$46,407,028	$0	$26,230,136	$0	$807,622	$73,444,786	$0	$73,444,786
163 Furniture, Equipment & Machinery - Dwellings	$96,402	$0	$280,664	$0	$0	$377,066	$0	$377,066
164 Furniture, Equipment & Machinery - Administration	$298,680	$31,878	$0	$46,116	$267,623	$644,297	$0	$644,297

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 2019

	Project Total	14.871 Housing Choice Vouchers	Component Unit - Blended Presented	Business Activities	COCC	Subtotal	ELIM	Total
165 Leasehold Improvements	$0	$0	$1,478,521	$0	$0	$1,478,521	$0	$1,478,521
166 Accumulated Depreciation	-$38,817,289	-$31,878	-$596,653	-$46,116	-$922,581	-$40,414,517	$0	-$40,414,517
160 Total Capital Assets, Net of Accumulated Depreciation	$9,415,679	$0	$28,246,142	$87,842	$152,664	$37,902,327	$0	$37,902,327
171 Notes, Loans and Mortgages Receivable - Non-Current	$0	$0	$0	$10,670,000	$0	$10,670,000	-$10,670,000	$0
174 Other Assets	$0	$0	$280,100	$0	$0	$280,100	$0	$280,100
180 Total Non-Current Assets	$9,415,679	$0	$28,526,242	$10,757,842	$152,664	$48,852,427	-$10,670,000	$38,182,427
200 Deferred Outflow of Resources	$787,719	$53,165	$0	$0	$362,082	$1,202,966	$0	$1,202,966
290 Total Assets and Deferred Outflow of Resources	$11,654,188	$414,723	$34,177,187	$13,749,839	$722,267	$60,718,204	-$10,670,000	$50,048,204
312 Accounts Payable <= 90 Days	$0	$9,702	$1,130,136	$4,192	$79,026	$1,223,056	$0	$1,223,056
321 Accrued Wage/Payroll Taxes Payable	$40,892	$4,460	$0	$19,123	$93,840	$158,315	$0	$158,315
322 Accrued Compensated Absences - Current Portion	$9,220	$566	$0	$4,050	$10,088	$23,924	$0	$23,924
325 Accrued Interest Payable	$0	$0	$106,074	$0	$0	$106,074	$0	$106,074
333 Accounts Payable - Other Government	$65,520	$0	$0	$0	$0	$65,520	$0	$65,520
341 Tenant Security Deposits	$119,830	$0	$29,153	$0	$0	$148,983	$0	$148,983
342 Unearned Revenue	$9,972	$0	$6,530	$1,700,000	$0	$1,716,502	$0	$1,716,502
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	$249,283	$0	$0	$0	$0	$249,283	$0	$249,283
345 Other Current Liabilities	$7,867	$0	$3,216,961	$256	$0	$3,225,084	$0	$3,225,084
346 Accrued Liabilities - Other	$0	$10,681	$605,303	$0	$0	$615,984	$0	$615,984
310 Total Current Liabilities	$502,584	$25,409	$5,094,157	$1,727,621	$182,954	$7,532,725	$0	$7,532,725

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 2019

	Project Total	14.871 Housing Choice Vouchers	Component Unit - Blended Presented	Business Activities	COCC	Subtotal	ELIM	Total
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	$84,644	$0	$23,495,791	$0	$0	$23,580,435	-$8,470,000	$15,110,435
354 Accrued Compensated Absences - Non Current	$92,195	$5,094	$0	$36,446	$90,790	$224,525	$0	$224,525
355 Loan Liability - Non Current	$0	$0	$2,200,000	$0	$0	$2,200,000	-$2,200,000	$0
357 Accrued Pension and OPEB Liabilities	$3,767,556	$253,088	$0	$0	$1,731,351	$5,751,995	$0	$5,751,995
350 Total Non-Current Liabilities	$3,944,395	$258,182	$25,695,791	$36,446	$1,822,141	$31,756,955	-$10,670,000	$21,086,955
300 Total Liabilities	$4,446,979	$283,591	$30,789,948	$1,764,067	$2,005,095	$39,289,680	-$10,670,000	$28,619,680
400 Deferred Inflow of Resources	$100,888	$6,776	$0	$0	$46,363	$154,027	$0	$154,027
508.4 Net Investment in Capital Assets	$9,081,752	$0	$4,750,351	$87,842	$152,664	$14,072,609	$0	$14,072,609
511.4 Restricted Net Position	$0	$65,973	$1,886,300	$0	$0	$1,952,273	$0	$1,952,273
512.4 Unrestricted Net Position	-$1,975,431	$58,383	-$3,249,412	$11,897,930	-$1,481,855	$5,249,615	$0	$5,249,615
513 Total Equity - Net Assets / Position	$7,106,321	$124,356	$3,387,239	$11,985,772	-$1,329,191	$21,274,497	$0	$21,274,497
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$11,654,188	$414,723	$34,177,187	$13,749,839	$722,267	$60,718,204	-$10,670,000	$50,048,204
70300 Net Tenant Rental Revenue	$1,399,776	$0	$255,913	$0	$0	$1,655,689	$0	$1,655,689
70400 Tenant Revenue - Other	$33,685	$0	$0	$0	$0	$33,685	$0	$33,685
70500 Total Tenant Revenue	$1,433,461	$0	$255,913	$0	$0	$1,689,374	$0	$1,689,374
70600 HUD PHA Operating Grants	$2,522,278	$2,989,763	$1,532,428	$0	$0	$7,044,469	$0	$7,044,469
70610 Capital Grants	$880,793	$0	$0	$0	$0	$880,793	$0	$880,793
70710 Management Fee	$0	$0	$0	$0	$704,712	$704,712	-$704,712	$0

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 2019

	Project Total	14.871 Housing Choice Vouchers	Component Unit - Blended Presented	Business Activities	COCC	Subtotal	ELIM	Total
70720 Asset Management Fee	$0	$0	$0	$0	$66,840	$66,840	-$66,840	$0
70730 Bookkeeping Fee	$0	$0	$0	$0	$56,237	$56,237	-$56,237	$0
70700 Total Fee Revenue	$0	$0	$0	$0	$827,789	$827,789	-$827,789	$0
71100 Investment Income - Unrestricted	$0	$231	$96	$0	$3,024	$3,351	$0	$3,351
71400 Fraud Recovery	$0	$3,419	$0	$0	$0	$3,419	$0	$3,419
71500 Other Revenue	$73,265	$3,906	$2,659,427	$1,406,036	$147,513	$4,290,147	$0	$4,290,147
70000 Total Revenue	$4,909,797	$2,997,3193	$4,447,864	$1,406,036	$978,326	$14,739,342	-$827,789	$13,911,553
91100 Administrative Salaries	$236,936	$91,572	$0	$107,967	$566,724	$1,003,199	$0	$1,003,199
91200 Auditing Fees	$7,952	$5,226	$2,709	$258	$1,848	$17,993	$0	$17,993
91300 Management Fee	$557,150	$82,560	$65,002	$0	$0	$704,712	-$704,712	$0
91310 Book-keeping Fee	$56,237	$0	$0	$0	$0	$56,237	-$56,237	$0
91400 Advertising and Marketing	$4,405	$19	$0	$386	$437	$5,247	$0	$5,247
91500 Employee Benefit contributions - Administrative	$307,938	$62,239	$0	$83,521	$323,061	$776,759	$0	$776,759
91600 Office Expenses	$51,275	$19,983	$331,580	$0	$51,210	$454,048	$0	$454,048
91700 Legal Expense	$14,764	$0	$7,596	$2,097	$2,360	$26,817	$0	$26,817
91800 Travel	$6,876	$347	$1,728	$0	$1,027	$9,978	$0	$9,978
91810 Allocated Overhead	$0	$0	$0	$0	$0	$0	$0	$0
91900 Other	$191,009	$37,245	$133,905	$47,021	$68,737	$477,917	$0	$477,917
91000 Total Operating - Administrative	$1,434,542	$299,191	$542,520	$241,250	$1,015,404	$3,532,907	-$760,949	$2,771,958
92000 Asset Management Fee	$66,840	$0	$0	$0	$0	$66,840	-$66,840	$0
93100 Water	$115,985	$35	$25,649	$0	$230	$141,899	$0	$141,899

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 2019

	Project Total	14.871 Housing Choice Vouchers	Component Unit - Blended Presented	Business Activities	COCC	Subtotal	ELIM	Total
93200 Electricity	$375,309	$1,423	$173,563	$0	$9,177	$559,472	$0	$559,472
93300 Gas	$75,932	$110	$55,213	$0	$1,844	$133,099	$0	$133,099
93500 Labor	$44,048	$0	$0	$0	$0	$44,048	$0	$44,048
93600 Sewer	$158,459	$59	$51,536	$0	$383	$210,437	$0	$210,437
93800 Other Utilities Expense	$0	$0	-$46,979	$0	$0	-$46,979	$0	-$46,979
93000 Total Utilities	$769,733	$1,627	$258,982	$0	$11,634	$1,041,976	$0	$1,041,976
94100 Ordinary Maintenance and Operations - Labor	$677,365	$0	$0	$294,593	$572	$972,530	$0	$972,530
94200 Ordinary Maintenance and Operations - Materials and Other	$163,303	$0	$40,703	$0	$28,253	$232,259	$0	$232,259
94300 Ordinary Maintenance and Operations Contracts	$234,040	$429	$135,410	$0	$450	$370,329	$0	$370,329
94500 Employee Benefit Contributions - Ordinary Maintenance	$129,688	$0		$112,053	$5	$241,746	$0	$241,746
94000 Total Maintenance	$1,204,396	$429	$176,113	$406,646	$29,280	$1,816,864	$0	$1,816,864
95100 Protective Services - Labor	$62,408	$3,695	$0	$24,104	$17,495	$107,702	$0	$107,702
95200 Protective Services - Other Contract Costs	$5	$0	$15,939	$0	$0	$15,944	$0	$15,944
95300 Protective Services - Other	$47,964	$4,548	$3,992	$0	$3,193	$59,697	$0	$59,697
95500 Employee Benefit Contributions - Protective Services	$24	$0	$0	$0	$0	$24	$0	$24
95000 Total Protective Services	$110,401	$8,243	$19,931	$24,104	$20,688	$183,367	$0	$183,367
96110 Property Insurance	$104,744	$0	$41,059	$0	$0	$145,803	$0	$145,803
96120 Liability Insurance	$6,889	$0	$0	$0	$0	$6,889	$0	$6,889
96140 All Other Insurance	$0	$1,610	$0	$0	$11,070	$12,680	$0	$12,680
96100 Total insurance Premiums	$111,633	$1,610	$41,059	$0	$11,070	$165,372	$0	$165,372

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 2019

	Project Total	14.871 Housing Choice Vouchers	Component Unit - Blended Presented	Business Activities	COCC	Subtotal	ELIM	Total
96200 Other General Expenses	$641,894	$33,815	$23,298	$132	$743,981	$1,443,120	$0	$1,443,120
96210 Compensated Absences	$5,027	$157	$0	$4,802	$0	$9,986	$0	$9,986
96300 Payments in Lieu of Taxes	$65,520	$0	$0	$0	$0	$65,520	$0	$65,520
96400 Bad debt - Tenant Rents	$38,354	$0	$1,723	$0	$0	$40,077	$0	$40,077
96000 Total Other General Expenses	$750,795	$33,972	$25,021	$4,934	$743,981	$1,558,703	$0	$1,558,703
96710 Interest of Mortgage (or Bonds) Payable	$0	$0	$694,724	$0	$0	$694,724	$0	$694,724
96720 Interest on Notes Payable (Short and Long Term)	$12,951	$0	$0	$0	$0	$12,951	$0	$12,951
96730 Amortization of Bond Issue Costs	$0	$0	$4,092	$0	$0	$4,092	$0	$4,092
96700 Total Interest Expense and Amortization Cost	$12,951	$0	$698,816	$0	$0	$711,767	$0	$711,767
96900 Total Operating Expenses	$4,461,291	$345,072	$1,762,442	$676,934	$1,832,057	$9,077,796	-$827,789	$8,250,007
97000 Excess of Operating Revenue over Operating Expenses	$448,506	$2,652,247	$2,685,422	$729,102	-$853,731	$5,661,546	$0	$5,661,546
97100 Extraordinary Maintenance	$3,973	$0	$0	$0	$0	$3,973	$0	$3,973
97200 Casualty Losses - Non-capitalized	$22,327	$0	$7,938	$0	$0	$30,265	$0	$30,265
97300 Housing Assistance Payments	$0	$2,734,557	$0	$0	$0	$2,734,557	$0	$2,734,557
97350 HAP Portability-In	$0	$3,386	$0	$0	$0	$3,386	$0	$3,386
97400 Depreciation Expense	$1,218,787	$0	$409,145	$0	$17,212	$1,645,144	$0	$1,645,144
90000 Total Expenses	$5,706,378	$3,083,0159	$2,179,525	$676,934	$1,849,269	$13,495,121	-$827,789	$12,667,332
10010 Operating Transfer In	$160,000	$0	$0	$0	$0	$160,000	-$160,000	$0
10020 Operating transfer Out	-$160,000	$0	$0	$0	$0	-$160,000	$160,000	$0

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 2019

	Project Total	14.871 Housing Choice Vouchers	Component Unit - Blended Presented	Business Activities	COCC	Subtotal	ELIM	Total
10091 Inter Project Excess Cash Transfer In	$170,000	$0	$0	$0	$0	$170,000	-$170,000	$0
10092 Inter Project Excess Cash Transfer Out	-$170,000	$0	$0	$0	$0	-$170,000	$170,000	$0
10093 Transfers between Program and Project - In	$0	$0	$0	$0	$100,000	$100,000	-$100,000	$0
10094 Transfers between Project and Program - Out	$0	$0	$0	-$100,000	$0	-$100,000	$100,000	$0
10100 Total Other financing Sources (Uses)	$0	$0	$0	-$100,000	$100,000	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-$796,581	-$85,696	$2,268,339	$629,102	-$770,943	$1,244,221	$0	$1,244,221
11020 Required Annual Debt Principal Payments	$249,283	$0	$0	$0	$0	$249,283	$0	$249,283
11030 Beginning Equity	$7,902,902	$210,052	$1,118,900	$11,356,670	-$558,248	$20,030,276	$0	$20,030,276
11170 Administrative Fee Equity	$0	$58,383	$0	$0	$0	$58,383	$0	$58,383
11180 Housing Assistance Payments Equity	$0	$65,973	$0	$0	$0	$65,973	$0	$65,973
11190 Unit Months Available	7,716	7,392	2,336	0	0	17,444	0	17,444
11210 Number of Unit Months Leased	7,498	6,920	2,301	0	0	16,719	0	16,719
11620 Building Purchases	$880,793	$0	$0	$0	$0	$880,793	$0	$880,793

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

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, 2019, and the related notes to the financial statements, and have issued my report thereon dated January 27, 2020. The financial statements of the blended presented component unit Wayne Hills LP 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 I 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 2019-001 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 a certain matter not required inclusion in this report that was reported to the Authority's management in a separate letter dated January 27, 2020.

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
January 27, 2020

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INDEPENDENT AUDITOR'S 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, 2019. 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, 2019.

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
January 27, 2020

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?	No
Type of Major Programs' Compliance Opinion	Unmodified
Are there any reportable findings under 2 CFR § 200.516(a)?	No
Major Programs (list):	CFDA # 14.871 Housing Choice Voucher Program; 14.872 Public Housing Capital Fund Program
Dollar Threshold: Type A/B Programs	Type A: > $750,000 Type B: All Others
Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2019-001 – 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
The finance department did not receive the component unit audited financial statements at a timely matter. The Director of Finance had to estimate the Component Unit financial statements in order to meet the HUD requirement of filing their unaudited financial statements within 60 days from the end of the fiscal year and the deadline with the Auditor of State filing with the Hinkle System. Due in rushing to meeting these deadlines, there were certain information that was estimated in preparing the financial statements.

Effect
The financial statements filed with the Auditor of State and with HUD, required several adjustments with regarding the report of the component unit.

Recommendation
The Authority will need to continue to work with the Component Unit auditors to obtain copy of the audited financial statements to allow enough time to prepare its financial statements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There are no findings or questioned costs for the year ended June 30, 2019.

Portsmouth Metropolitan Housing Authority
Schedule of Prior Audit Findings
June 30, 2019

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2017-001	The Authority filed financial statements required several audit adjustments to be fairly stated.	No	Not Corrected. The Authority financial statements required several adjustments. Finding was repeated.
2017-002	Review of the HCV Program tenant files revealed several errors.	Yes	Corrected. Audit procedures over tenant files revealed no errors. Therefore, concluded that finding was resolved.

Portsmouth Metropolitan Housing Authority

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PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001 2017-001	The Housing Authority understands it is essential to report complete and accurate financial information to the public. The Housing Authority continues to work with the independent auditor of the component unit to help assure the component unit audit is available in time to allow the preparation of The Housing Authority's financial statements by HUD's deadline of sixty days after the end of the fiscal year.	June 30, 2020	Teresa Everett, Director of Finance

OHIO AUDITOR OF STATE
KEITH FABER

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
MARCH 19, 2020