Portsmouth Metropolitan Housing Authority

Financial Statements

For the Year Ended June 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER

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

We have reviewed the *Independent Auditor's Report* of the Portsmouth Metropolitan Housing Authority, Scioto County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2017 through June 30, 2018. 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
Auditor of State
Columbus, Ohio

April 1, 2019

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PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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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, 2018, 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 59%, 6% and 18%, 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, 2018, 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.

Emphasis of Matter
As discussed in Note 7 to the financial statements, during 2018, the Authority adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension". I did not modify my opinion regarding this matter.

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 February 28, 2019, on my consideration of the Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control over financial reporting and compliance.

Salvatore Consiglio

Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
February 28, 2019

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 2018 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

- Current year financial statements presentation was revised from prior year presentation to include the component unit, Wayne Hills LP, as a blended component unit. This change was necessary to properly present the financial statements in accordance with Government Accounting Standards Board.

- Total assets were $30,959,263 and $35,511,410 for 2018 and 2017 respectively. The Authority –wide statements reflect an increase in total assets of $4,552,147 (or 14.7%) during 2018. This increase is reflective of the year's activities and the capital improvement to a RAD Project.

- Revenue decreased by $2,666,184 during 2018, and was $11,385,474 and $14,051,658 for 2018 and 2017 respectively. The reason for the decrease was due to the developer fee earned in prior year from the conversion of the RAD Project.

- Total expenses of all Authority programs increased by $1,328,578. Total expenses were $12,402,023 and $11,073,445 for 2018 and 2017 respectively. The decrease in expenses was due to costs included in prior year due to conversion of RAD Project.

Using this Annual Report

The following graphic outlines the format of this report:

MD&A ~Management Discussion and Analysis~
Basic Financial Statements ~Authority-wide Financial Statements~

~Notes to Financial Statements~
Other Required Supplementary Information ~Required Supplementary Information (other than MD&A)~

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

Authority-Wide Financial Statements

The Authority-wide Financial Statements are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

These statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Position", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly equity) is reported in three broad categories:

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantor, contributors, laws, regulations, etc.

Unrestricted: Consists of Net Position that does not meet the definition of 'Net Investment in Capital Assets" or "Restricted". This account resembles the old operating reserves account.

The Authority-wide financial statements also include a Statement of Revenues, Expenses, and Changes in Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance and depreciation; and Non-Operating Revenue and Expenses, such as investment income and interest expense.

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

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.

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

New GASB 75 Reporting

The net pension liability (NPL) is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the Authority adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OBEP liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the Authority's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service

2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net

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pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the Authority's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the Authority is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation of GASB 75 and the adjustment for proper presentation of the component unit had the effect of restating net position at June 30, 2017, from $12,270,251 to $21,046,825 (please see footnote 2 for detail explanation).

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.

		2018		Restated 2017
Current and Other Assets	$	4,757,461	$	4,695,060
Capital Assets		30,048,407		25,075,690
Other Assets		61,400		-
Deferred Outflows of Resources		644,142		1,188,513
Total Assets and Deferred Outflows of Resources	$	35,511,410	$	30,959,263
Current Liabilities	$	3,503,618	$	698,402
Long-Term Liabilities		11,314,949		9,194,860
Deferred Inflows of Resources		662,567		19,176
Total Liabilities and Deferred Inflows of Resources		15,481,134		9,912,438
Net Position:				
Net Investment in Capital Assets		14,094,536		12,034,665
Restricted Net Position		121,437		1,567,718
Unrestricted Net Position		5,814,303		7,444,442
Total Net Position		20,030,276		21,046,825
Total Liabilities, Deferred Inflows and Net Position	$	35,511,410	$	30,959,263

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

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Major Factors Affecting the Statement of Net Position

During 2018, current and other assets increased by $62,401 and current liabilities increased by $2,805,216. These changes in current and other assets is mainly due to result of current year activities. The change in current liability is due developer fee owed by the component unit.

Capital assets also changed, increasing from $25,075,690 to $30,048,407. The $4,972,717 increase is due to capital improvement at the component unit property less current year depreciation.

The change in Non-Current liability of $2,120,089 and deferred inflows of $ 643,391 is mainly due to implementation debt incurred by the component unit for financing the capital improvement in Wayne Hills LP and the changes due to GASB 68 and 75.

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

	Unrestricted	**Net Investment in Capital Assets**	**Restricted**
Beginning Balance - Restated	$7,444,442	$12,034,665	$1,567,718
Results of Operation	429,732	0	(1,446,281)
Adjustments:			
Current year Depreciation Expense (1)	1,509,049	(1,509,049)	0
Capital Expenditure (2)	(6,481,766)	6,481,766	0
Retirement of Debt	(235,816)	235,816	0
New Debt Issued	3,148,662	(3,148,662)	0
Ending Balance	$5,814,303	$14,094,536	$121,437

(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.

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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.

	2018	Restated 2017
Revenues		
Total Tenant Revenues	$ 1,715,524	$ 1,638,942
Operating Subsidies	7,674,531	6,772,767
Capital Grants	438,429	585,996
Investment Income	3,195	1,341
Gain on Disposal of Asset	-	4,814,862
Other Revenues	1,553,795	237,750
Total Revenues	**11,385,474**	**14,051,658**
Expenses		
Administrative	2,886,059	2,332,915
Tenant Services	-	486
Utilities	1,190,806	1,074,715
Maintenance	2,167,653	2,310,593
Protective Services	183,066	224,734
General and Interest	1,362,334	802,379
Housing Assistance Payments	3,103,056	2,883,222
Depreciation	1,509,049	1,444,401
Total Expenses	**12,402,023**	**11,073,445**
Net Increases (Decreases)	(1,016,549)	2,978,213
Beginning Net Position - Restated	21,046,825	18,068,612
	$ 20,030,276	**$ 21,046,825**

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

The Authority's total revenue decreased by $2,666,184. This decrease is due to prior year financial statements been restated to properly state the sale of the project converted to RAD and the developer fee earned.

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Total expenses increased $1,328,578. The increase is due full year of reporting of the operation of the component unit activities and interest payment on the debt.

CAPITAL ASSETS

As of year-end, the financial statements reflect $30,048,407 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase of $4,972,717 or 19.83% from the end of 2017. This increase is due to depreciation expense net of current year capital additions.

	2018	Restated 2017
Land	$ 2,337,787	$ 2,337,787
Building and Improvement	60,634,554	54,583,135
Equipment	822,760	818,389
Construction in Progress	5,016,165	4,590,189
Accumulated Depreciation	(38,762,859)	(37,253,810)
Total	$ 30,048,407	$ 25,075,690

The following reconciliation identifies the change in Capital Assets:

Beginning Balance	$ 25,075,690
Current year Additions	6,481,766
Current year Depreciation Expense	(1,509,049)
Ending Balance	$ 30,048,407

Current year Additions are summarized as follows:	
Primary Government:	
Building Improvements	$ 396,237
Computer Equipment and Software	4,371
Component Unit:	
Building Improvements	6,081,158
Total Current Year Additions	$ 6,481,766

DEBT OUTSTANDING

As of year-end, the financial statements reflect $7,483,871 in debt outstanding compared to $4,571,025 for the prior year. This change was due to debt incurred by Wayne Hills LP for renovation to the property.

Beginning Balance - Restated	$	4,571,025
Current Year Debt Issued		3,148,662
Current Year Debt Retired		(235,816)
Ending Balance	$	7,483,871

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 Authority 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. Authority 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 continued completion of total renovation of some of the Scattered Sites units, as they became vacant. We most recently completed total renovations of our homes at 1808 High Street and 1820 5th Street. The Authority also is in the final stages of the

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construction phase at our RAD (Rental Assistance Demonstration) Program Property. When construction is completed the Wayne Hills (now known as Kendall Heights) property will have completed a total renovation. Again this project will improve the condition of the housing stock, as well as enhance the living conditions for our tenants. It will also decrease maintenance issues at Wayne Hills/Kendall Heights.

Another project which is currently in-progress is the replacement of all exterior doors at our Miller Manor and Lett Terrace sites. We are also in-progress of a drainage improvement project at Lett Terrace. Again, these projects will improve the condition of the housing stock, as well as enhance the living conditions for our tenants.

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

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PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
Statement of Net Position
June 30, 2018

ASSETS		
Current assets		
Cash and cash equivalents	$	4,230,691
Restricted cash and cash equivalents		263,926
Receivables, net		115,951
Prepaid expenses and other assets		111,211
Inventory		35,682
Total current assets		**4,757,461**
Noncurrent assets		
Capital assets:		
Non-Depreciable capital assets		7,353,952
Depreciable capital assets, net		22,694,455
Total capital assets		30,048,407
Other Assets		61,400
Total noncurrent assets		**30,109,807**
Total assets	***$***	***34,867,268***
Deferred Outflows of Resources		
Pension	$	486,451
OPEB		157,691
Total Deferred Outflows of Resources	***$***	***644,142***
LIABILITIES		
Current liabilities		
Accounts payable	$	1,212,648
Accrued liabilities		748,967
Tenant security deposits		142,489
Other current liabilities		1,080,628
Unearned Revenue		19,958
Long-Term Debt - Current Portion		298,928
Total current liabilities	**$**	**3,503,618**

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, 2018

Noncurrent liabilities	
Long-Term Debt - Noncurrent Portion	$ 7,184,943
Accrued Compensated Absences	216,531
Non-current Liabilities - Other	0
Net Pension Liability	2,320,421
Net OPEB Liability	1,593,054
Total noncurrent liabilities	**11,314,949**
Total liabilities	***$ 14,818,567***
Deferred Inflows of Resources	
Pension	$ 543,895
OPEB	118,672
Total Deferred Inflows of Resources	***$ 662,567***
NET POSITION	
Net Invested in capital assets	$ 14,094,536
Restricted net position	121,437
Unrestricted net position	5,814,303
Total net position	***$ 20,030,276***

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, 2018

OPERATING REVENUES	
Tenant revenue	$ 1,715,524
Government operating grants	7,674,531
Other revenue	1,553,795
Total operating revenues	**10,943,850**
OPERATING EXPENSES	
Administrative	2,886,059
Utilities	1,190,806
Maintenance	2,167,653
Protective Services	183,066
General and insurance	1,002,109
Housing assistance payment	3,103,056
Depreciation	1,509,049
Total operating expenses	***12,041,798***
Operating income (loss)	**(1,097,948)**
NONOPERATING REVENUES (EXPENSES)	
Capital grant revenue	438,429
Interest income	3,195
Interest expense	(360,225)
Total nonoperating revenues (expenses)	***81,399***
Change in net position	(1,016,549)
Beginning net position - Restated	21,046,825
Total net position - ending	**$ 20,030,276**

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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating grants received	$7,674,531
Receipts from tenants	1,679,987
Other revenue received	449,307
Cash payments for administrative	(5,158,046)
Cash payments for HAP	(3,103,056)
Net cash provided (used) by operating activities	**1,542,723**
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	3,195
Net cash provided (used) by investing activities	**3,195**
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Capital grant received	438,429
Capital contributions	1,694,466
Capital purchases	(6,481,766)
Proceeds from debt issued	3,148,662
Interest payment	(19,590)
Retirement of debt	(235,816)
Net cash provided (used) by capital and related activities	**(1,455,615)**
Net increase (decrease) in cash	90,303
Cash and cash equivalents - Beginning of year	4,404,314
Cash and cash equivalents - End of year	**$ 4,494,617**

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, 2018

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income (Loss)	$	(1,097,948)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities		
- Depreciation		1,509,049
- (Increases) Decreases in Accounts Receivable		35,537
- (Increases) Decreases in Prepaid Assets		(18,320)
- (Increases) Decreases in Inventory		10,685
- (Increases) Decreases in Other Assets		(61,400)
- (Increases) Decreases in Deferred Outflows		544,371
- Increases (Decreases) in Accounts Payable		1,185,435
- Increases (Decreases) in Accured Liabilities		629,891
- Increases (Decreases) in Tenant Security Deposit		(554)
- Increases (Decreases) in Unearned Revenue		(3,281)
- Increases (Decreases) in Pension Liability		(733,670)
- Increases (Decreases) in Deferred Inflows		643,391
- Increases (Decreases) in Non-Current Liabilities Other		4,025
Net cash provided (used) by operating activities	**$**	**1,542,723**

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

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.

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 6 and 7.

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 6 and 7.

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 are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When expenses are incurred for purposes which both restricted and unrestricted Net Position are available, the Authority first applies restricted Net Position.

NOTE 2: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the Authority implemented the Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the Authority's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2018:

Net Position – June 30, 2017	$12,270,251
Adjustments:	
Adjustments at Primary Government due to GASB 75:	
Net OPEB Liability	(1,425,158)
Deferred Outflows – Payment subsequent to measurement date	11,639
Adjustments at Component Unit:	
Note to finance the renovation of the property at Wayne Hills LP	500,000
To record Seller Note for the sale of Wayne Hills for conversion to RAD	8,470,000
Capital improvements at Wayne Hills not previously reported	1,220,093
Restated Net Position – June 30, 2017	$21,046,825

The adjustments for the component unit were necessary to properly restate the financial statements at the component unit fiscal year of December 31st, which is different for the Authority fiscal year of June 30th. A determination was made that going forward, the component unit financial statements will be reported at their ending fiscal year, which is on calendar year basis. This determination was decided so that the audited financial statements of the Wayne Hills LP can be used in preparing the consolidated financials.

NOTE 3: DEPOSIT AND INVESTMENTS

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

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

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

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

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the Authority and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At fiscal year end June 30, 2018, the carrying amount of the Authority's deposits totaled $4,494,617 while the bank balance was $4,613,192. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure," as of June 30, 2018, $4,260,202 was exposed to custodial risk as discussed below, while $352,990 was covered by the Federal Depository Insurance Corporation.

Custodial credit is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 102 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve system in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at a Federal Reserve bank in the name of the Authority.

Deposits at June 30, 2018, consisted of the following:

Cash - Unrestricted	$4,127,701
Cash - Restricted	263,926
Certificate of Deposits	102,990
Total Deposits	$4,494,617

Restricted Cash:	
Tenant Security Deposits	$142,489
HUD Advances for Housing Assistance Payments	121,437
Total Restricted Cash	$263,926

NOTE 4: ACCOUNTS RECEIVABLES

Accounts Receivable at June 30, 2018, consisted of the following:

Tenants-net of allowance	$25,796
Delinquent Tenant Accounts	40,304
Miscellaneous Receivable	49,851
Total Receivable	$115,951

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)

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

	State and Local
2017 - 2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %

With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. The portion of the Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 1.0 percent for 2017, and 0.0 percent for 2018.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution for pension was $255,020 for fiscal year ending June 30, 2018.

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, 2017, 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	0.014189%
Proportion of the Net Pension Liability - Current Measurement Date	0.014791%
Change in Proportionate Share	0.000602%
Proportionate Share of the Net Pension Liability	$ 2,320,421
Pension Expense	$ 435,001

At June 30, 2018, 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	
Differences between expected and actual experience	$ 2,369
Changes of assumptions	277,305
Changes in proportion and differences between Authority contributions and proportionate share of contributions	85,073
Authority contributions subsequent to the measurement date	121,704
Total Deferred Outflows of Resources	$486,451
Deferred Inflows of Resources	
Net difference between projected plan investments and actual earnings on pension plan investments	$ 498,167
Differences between expected and actual experience	45,728
Total Deferred Inflows of Resources	$543,895

$121,704 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending June 30:	OPERS Traditional Pension Plan
2019	$ 260,390
2020	(15,470)
2021	(219,366)
2022	(204,702)
Total	$ (179,148)

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, 2017, 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. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. 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	7.5 percent
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 particular 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 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 and 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 considered to be 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 actually invested, for the Defined Benefit portfolio is 16.82 percent for 2017.

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 2017 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	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 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 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension liability	$ 4,120,477	$ 2,320,421	$ 819,717

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.

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)

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.

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.

As of December 2016, OPERS maintains one health care trust, the 115 Health Care Trust (115 Trust), which was established in 2014 to initially provide a funding mechanism for a health reimbursement arrangement (HRA), as the prior trust structure could not support the HRA. In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate health care assets into the 115 Trust. The 401(h) Health Care Trust (401(h) Trust) was a pre-funded trust that provided health care funding for eligible members of the Traditional Pension Plan and the Combined Plan through December 31, 2015, when plans funded through the 401(h) Trust were terminated. The Voluntary Employees' Beneficiary Association Trust (VEBA Trust) accumulated funding for retiree medical accounts for participants in the Member-Directed Plan through June 30, 2016. The 401(h) Trust and the VEBA Trust were closed as of June 30, 2016 and the net positions transferred to the 115 Trust on July 1, 2016. Beginning in 2016, the 115 Trust, established under Internal Revenue Code (IRC) Section 115, is the funding vehicle for all health care plans.

The OPERS health care plans are reported as other post-employment benefit plans (OPEB) based on the criteria established by the Governmental Accounting Standards Board (GASB). Periodically, OPERS modifies the health care program design to improve the ongoing solvency of the plans. Eligibility requirements for access to the OPERS health care options have changed over the history of the program for Traditional Pension Plan and Combined Plan members. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage. Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Beginning 2016, Traditional Pension Plan and Combined Plan retirees enrolled in Medicare A and B were eligible to participate in the OPERS Medicare Connector (Connector). The Connector, a vendor selected by OPERS, assists eligible retirees in the selection and purchase of Medicare supplemental coverage through the Medicare market. Retirees that purchase supplemental coverage through the Connector may receive a monthly allowance in their HRA that can be used to reimburse eligible health care expenses.

Upon termination or retirement, Member-Directed Plan participants can use vested retiree medical account funds for reimbursement of qualified medical expenses. Members who elect the Member-Directed Plan after July 1, 2015 will vest in health care over 15 years at a rate of 10% each year starting with the sixth year of participation. Members who elected the Member-Directed Plan prior to July 1, 2015, vest in health care over a five-year period at a rate of 20% per year. Health care coverage is neither guaranteed nor statutorily required.

The ORC permits, but does not require, OPERS to offer post-employment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. The health care portion of the employer contribution rate for the Traditional Pension Plan and Combined Plan is comparable, as the same coverage options are provided to participants in both plans.

Prior to January 1, 2015, the System provided comprehensive health care coverage to retirees with 10 or more years of qualifying service credit and offered coverage to their dependents on a premium deduction or direct bill basis. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the Connector, and may be eligible for monthly allowances deposited to an HRA to be used for reimbursement of eligible health care expenses. Coverage for non-Medicare retirees includes hospitalization, medical expenses and prescription drugs. The System determines the amount, if any, of the associated health care costs that will be absorbed by the System and attempts to control costs by using managed care, case management, and other programs. Additional details on health care coverage can be found in the Plan Statement in the OPERS 2017 CAFR.

Participants in the Member-Directed Plan are not eligible for health care coverage offered to benefit recipients in the Traditional Pension Plan and Combined Plan. A portion of employer contributions for these participants is allocated to a retiree medical account. Upon separation or retirement, participants may be reimbursed for qualified medical expenses from these accounts.

An additional retiree medical account (RMA) was also established several years ago when three health care coverage levels were available to retirees. Monthly allowance amounts in excess of the cost of the retiree's selected coverage were notionally credited to the retiree's RMA. Retirees and their dependents could seek reimbursements from the RMA balances for qualified medical expenses. In 2013, the number of health care options available to retirees was reduced from three to one, eliminating the majority of deposits to the RMA. Wellness incentive payments were the only remaining deposits made to this RMA. Wellness incentives are no longer awarded starting with the 2017 plan year. These RMA balances were transferred to the HRA for retirees with both types of accounts. In addition, OPERS initiated an automatic claims payment process for reimbursements for retiree health care costs paid through pension deduction. This process will reimburse members for eligible health care premiums paid to OPERS, currently through pension deduction, up to the member's available RMA balance.

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %

With the assistance of the System's actuary and Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The portion of the Traditional Pension Plan and Combined Plan employer contributions allocated to health care was 1.0 percent for 2017, and decreased to 0.0 percent for 2018. The employer contribution as a percent of covered payroll deposited for Member-Directed Plan health care accounts was 4.0 percent for 2017. The Authority's contractually required contribution was $15,034 for fiscal year ending June 30, 2018.

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

The net OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of total contributions relative to the total 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	0.014110%
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.014670%
Change in Proportionate Share	0.000560%
Proportionate Share of the Net OPEB Liability	$ 1,593,054
OPEB Expense	$ 142,709

At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	$ 1,241
Changes of assumptions	115,991
Changes in proportion and differences between Authority contributions and proportionate share of contributions	38,267
Authority contributions subsequent to the measurement date	2,192
Total Deferred Outflows of Resources	$ 157,691
Deferred Inflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	$ 118,672
Total Deferred Inflows of Resources	$ 118,672

$2,192 reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. 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
2019	$ 44,676
2020	44,676
2021	(22,857)
2022	(29,668)
Total	$ 36,827

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 health care costs 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 coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The total OPEB liability was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 74. In 2016, the Board of Trustees' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical view and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Single Discount Rate	3.85 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Actuarial Cost Method	Individual Entry Age Normal

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 particular 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.

OPERS manages investments in three investment portfolios: the Defined Benefits 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 considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care 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 continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. The table below displays the Board-approved asset allocation policy for 2017 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 %	1.88 %
Domestic Equities	21.00	6.37
REITs	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate – A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. 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 6.50 percent and a municipal bond rate of 3.31 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 sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, 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 3.85 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 (2.85 percent) or one percentage point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Single Discount Rate (3.85%)	1% Increase (4.85%)
Authority's proportionate share of the net OPEB liability	$ 2,116,441	$ 1,593,054	$ 1,169,639

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 Authority's proportionate share of 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 2018 is 7.50 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 actuaries' 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	$ 1,524,213	$ 1,593,054	$ 1,664,165

NOTE 7: CAPITAL LEASE

The original energy performance contract lease payable relates to a finance company for the acquisition and installation of energy efficient building fixtures. Amounts advanced under the lease total $3,283,301 with repayments beginning in October 2001. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Current year depreciation under the aforementioned capital lease as of June 30, 2018 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 aforementioned capital lease as of June 30, 2018 amounted to $316,938 and the net book value is $1,798,948.

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

	Balance 06/30/17	Additions	Deletions	Balance 06/30/18	Due One Year
Energy Performance Equipment Lease	$812,199	$0	($235,816)	$576,383	$242,456

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

For the Year Ended June 30,	
2019	$242,456
2020	249,283
2021	84,644
Total	$576,383

NOTE 8: CAPITAL ASSETS

A summary of capital assets at June 30, 2018 by class is as follows:

	Restate Balance 06/30/17	Additions	Deletions	Balance 06/30/18
Capital Assets Not Being Depreciated:				
Land	$2,337,787	$0	$0	$2,337,787
Construction in Progress	4,590,189	425,976	0	5,016,165
Total Capital Assets Not Being Depreciated	**6,927,976**	**425,976**	**0**	**7,353,952**
Capital Assets Being Depreciated:				
Buildings and Improvement	54,583,135	6,051,419	0	60,634,554
Furnt, Mach. and Equip.	818,389	4,371	0	822,760
Total Capital Assets Being Depreciated	**55,401,524**	**6,055,790**	**0**	**61,457,314**
Accumulated Depreciation:				
Buildings and Improvement	(36,353,900)			
Furnt, Mach. and Equip.	(899,910)			
Total Accumulated Depreciation	**(37,253,810)**	**(1,509,049)**	**0**	**(38,762,859)**
Total Capital Assets Being Depreciated, Net	**18,147,714**	**4,546,741**	**0**	**22,694,455**
Total Capital Assets, Net	**$25,075,690**	**$4,972,717**	**$0**	**$30,048,407**

Accumulated depreciation was not available by asset category.

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, 2018:

	Balance 06/30/17	Additions	Deletions	Balance 06/30/18	Due One Year
Compensated Absence Liability	$236,118	$186,968	($182,496)	$240,590	$24,059

NOTE 11: LONG-TERM DEBT

The component unit, Wayne Hills LP has the following long-term debt as of December 31, 2017:

Construction Loan
On December 1, 2016, Wayne Hills LP (Partnership) entered into a loan agreement with Ohio Housing finance Agency (OHFA) and Huntington National 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% (4.06775% as of December 31, 2017). 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, 2017, the Construction Loan outstanding balance is $7,154,940.

The debt issuance costs are being amortized over the term of the loan. The effective interest rate on the construction loan, including amortization of debt issuance costs was 5.36%, and the amortization of the debt issuance costs was $209,729.

The construction loan as of December 31, 2017 consists of the following:

Principal balance	$7,154,940
Less: unamortized debt issuance costs	(247,452)
Loan Balance 12/31/2017	$6,907,488

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

	Balance 06/30/17	Additions	Deletions	Balance 06/30/18	Due One Year
Construction Loan	$3,758,826	$3,148,662	$0	$6,907,488	$56,472

Maturity of the debt over the life of debt is as follows:

For the Year Ended June 30,	
2019	$56,472
2020	58,731
2021	61,080
2022	63,523
2023	65,523
2024-Thereafter	6,602,159
Total	$6,907,488

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 06/30/17	Additions	Deletions	Balance 06/30/18	Due One Year
Net Pension Liability	$3,221,987	$0	($901,566)	$2,320,421	$0
Net OPEB Liability - Restated	1,425,158	167,896	0	1,593,054	0
Total Long-Term Liabilities	$4,647,145	$167,896	($901,566)	$3,913,475	$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 February 3, 2016 (inception) to December 31, 2017, the management fee incurred was $146,328.

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 of from February 3, 2016 (inception) to December 31, 2017, the asset management fee incurred was $8,125.

Development Fee
On December 1, 2016 the Partnership entered into a development agreement with PIRHL Developer, LLC and the Portsmouth Metropolitan Housing Authority for services rendered in overseeing the development of the project. The developer fee earned by the Authority is $1,104,488. This amount is reported on the Partnership financial statements as a loan payable and on the Authority financial statements as a loan receivable. However, since the Partnership is reported as a blended component unit on the financial statements, a consolidated adjustment was recorded to eliminate the liability and the asset on the entity wide financial statements. This adjustment was necessary so that the entity wide financial statements are not misleading to the reader.

Operating Advances
During the period of February 3, 2016 (inception) to December 31, 2017, 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, 2017 the outstanding balance is $500,000. 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.

Seller Note
On February 3, 2016 the Authority converted one of its low rent public housing project to HUD Rental Assistance Demonstration Program. 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.

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 Four Fiscal Years (1)

	2018	**2017**	**2016**	**2015**
Authority's Proportion of the Net Pension Liability	0.014791%	0.014189%	0.014001%	0.014613%
Authority's Proportionate Share of the Net Pension Liability	$2,320,421	$3,222,081	$2,425,150	$1,762,491
Authority's Covered Payroll	$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	118.71%	175.67%	139.17%	98.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.

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 Two Fiscal Years (1)

	2018	2017
Authority's Proportion of the Net OPEB Liability	0.014670%	0.014110%
Authority's Proportionate Share of the Net OPEB Liability	$ 1,593,054	$ 1,425,158
Authority's Covered Payroll	$ 2,077,956	$ 1,950,271
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.66%	73.07%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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 the Authority's Contributions - Pension
Ohio Public Employees Retirement System - Traditional Pension Plan
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contributions	$ 255,020	$ 234,666	$ 208,901	$ 212,541	$ 235,947	$ 213,957	$ 181,108	$ 168,403	$ 157,178	$ 132,643
Contributions in Relation to the Contractually Required Contribution	(255,020)	(234,666)	(208,901)	(212,541)	(235,947)	(213,957)	(181,108)	(168,403)	(157,178)	(132,643)
Contribution Deficiency / (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's Covered Payroll	$ 1,894,819	$ 1,878,128	$ 1,740,842	$ 1,771,175	$ 1,887,642	$ 1,860,319	$ 1,811,075	$ 1,772,708	$ 1,811,845	$ 1,793,187
Pension Contributions as a Percentage	13.46%	12.49%	12.00%	12.00%	12.50%	11.50%	10.00%	9.50%	8.68%	7.40%

See accompanying notes to the required supplementary information

Portsmounth Metropolitan Housing Authority
Required Supplementary Information
Schedule of the Authority's Contributions - OPEB
Ohio Public Employees Retirement System
Last Four Fiscal Years (1)

	2018	2017	2016	2015
Contractually Required Contribution	$ 15,034	$ 32,973	$ 37,460	$ 36,788
Contributions in Relation to the Contractually Required Contribution	(15,034)	(32,973)	(37,460)	(36,788)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Authority Covered Payroll	$ 2,014,360	$ 1,995,651	$ 1,873,070	$ 1,883,578
Contributions as a Percentage of Covered Payroll	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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 2014-2018.

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.

Net OPEB Liability

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2018.

Portsmouth Metropolitan Housing Authority
Actual Modernization Cost Certificates
For the Year Ended June 30, 2018

Modernization Project Number:	OH-16-P010-501-13
Original Funds Approved:	$1,110,175.00
Funds Disbursed:	$1,110,175.00
Funds Expended:	$1,110,175.00
Amount to be Recaptured:	N/A
Excess of Funds Disbursed:	N/A
Modernization Project Number:	OH-16-P010-501-14
Original Funds Approved:	$1,209,719.00
Funds Disbursed:	$1,209,719.00
Funds Expended:	$1,209,719.00
Amount to be Recaptured:	N/A
Excess of Funds Disbursed:	N/A
Modernization Project Number:	OH-16-P010-501-15
Original Funds Approved:	$1,143,964.00
Funds Disbursed:	$1,143,964.00
Funds Expended:	$1,143,964.00
Amount to be Recaptured:	N/A
Excess of Funds Disbursed:	N/A

Portsmouth Metropolitan Housing Authority
Schedule of Expenditure of Federal Award
For the Year Ended June 30, 2018

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	$2,233,224
Housing Choice Voucher Program	14.871	3,188,759
Public Housing Capital Fund Program	14.872	1,144,673
Total Expenditure of Federal Award		**$6,566,656**

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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, 2018.

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, 2018.

The Authority had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the year ended June 30, 2018.

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 218

	Project Total	14.871 Housing Choice Vouchers	Component Unit - Blended Presented	Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	$1,423,212	$249,943	$580,654	$1,267,346	$606,546	$4,127,701	$0	$4,127,701
113 Cash - Other Restricted	$0	$121,437	$0	$0	$0	$121,437	$0	$121,437
114 Cash - Tenant Security Deposits	$119,371	$0	$23,118	$0	$0	$142,489	$0	$142,489
115 Cash - Restricted for Payment of Current Liabilities	$0	$0	$0	$0	$0	$0	$0	$0
100 Total Cash	$1,542,583	$371,380	$603,772	$1,267,346	$606,546	$4,391,627	$0	$4,391,627
125 Accounts Receivable - Miscellaneous	$0	$0	$0	$1,104,488	$49,851	$1,154,339	($1,104,488)	$49,851
126 Accounts Receivable - Tenants	$22,240	$0	$8,713	$0	$0	$30,953	$0	$30,953
126.1 Allowance for Doubtful Accounts -Tenants	($513)	$0	($4,644)	$0	$0	($5,157)	$0	($5,157)
128 Fraud Recovery	$18,841	$16,370	$5,093	$0	$0	$40,304	$0	$40,304
120 Total Receivables, Net of Allowances for Doubtful Accounts	$40,568	$16,370	$9,162	$1,104,488	$49,851	$1,220,439	($1,104,488)	$115,951
131 Investments - Unrestricted	$102,990	$0	$0	$0	$0	$102,990	$0	$102,990
142 Prepaid Expenses and Other Assets	$46,001	$659	$45,168	$0	$19,383	$111,211	$0	$111,211
143 Inventories	$0	$0	$0	$0	$35,682	$35,682	$0	$35,682
144 Inter Program Due From	$0	$8,996	$0	$0	$3,845	$12,841	($12,841)	$0
150 Total Current Assets	$1,732,142	$397,405	$658,102	$2,371,834	$715,307	$5,874,790	($1,117,329)	$4,757,461
161 Land	$1,430,858	$0	$825,000	$81,929	$0	$2,337,787	$0	$2,337,787
162 Buildings	$45,428,335	$0	$14,359,233	$0	$807,622	$60,595,190	$0	$60,595,190
163 Furniture, Equipment & Machinery - Dwellings	$95,502	$0	$86,780	$0	$0	$182,282	$0	$182,282
164 Furniture, Equipment & Machinery - Administration	$298,680	$32,955	$0	$46,116	$262,727	$640,478	$0	$640,478
165 Leasehold Improvements	$0	$0	$39,364	$0	$0	$39,364	$0	$39,364
166 Accumulated Depreciation	($37,598,503)	($32,955)	($183,416)	($46,116)	($901,869)	($38,762,859)	$0	($38,762,859)

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 218

	Project Total	14.871 Housing Choice Vouchers	Component Unit - Blended Presented	Business Activities	COCC	Subtotal	ELIM	Total
167 Construction in Progress	$0	$0	$5,016,165	$0	$0	$5,016,165	$0	$5,016,165
160 Total Capital Assets, Net of Accumulated Depreciation	$9,654,872	$0	$20,143,126	$81,929	$168,480	$30,048,407	$0	$30,048,407
171 Notes, Loans and Mortgages Receivable - Non-Current	$0	$0	$0	$8,970,000	$0	$8,970,000	($8,970,000)	$0
174 Other Assets	$0	$0	$61,400	$0	$0	$61,400	$0	$61,400
180 Total Non-Current Assets	$9,654,872	$0	$20,204,526	$9,051,929	$168,480	$39,079,807	($8,970,000)	$30,109,807
200 Deferred Outflow of Resources	$424,313	$28,462	$0	$0	$191,367	$644,142	$0	$644,142
290 Total Assets and Deferred Outflow of Resources	$11,811,327	$425,867	$20,862,628	$11,423,763	$1,075,154	$45,598,739	($10,087,329)	$35,511,410
312 Accounts Payable <= 90 Days	$0	$4,852	$1,062,639	$2,870	$81,352	$1,151,713	$0	$1,151,713
321 Accrued Wage/Payroll Taxes Payable	$45,436	$4,114	$0	$15,688	$72,659	$137,897	$0	$137,897
322 Accrued Compensated Absences - Current Portion	$9,740	$550	$0	$3,569	$10,200	$24,059	$0	$24,059
325 Accrued Interest Payable	$0	$0	$33,923	$0	$0	$33,923	$0	$33,923
333 Accounts Payable - Other Government	$60,935	$0	$0	$0	$0	$60,935	$0	$60,935
341 Tenant Security Deposits	$119,371	$0	$23,118	$0	$0	$142,489	$0	$142,489
342 Unearned Revenue	$11,601	$0	$8,357	$0	$0	$19,958	$0	$19,958
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	$242,456	$0	$56,472	$0	$0	$298,928	$0	$298,928
345 Other Current Liabilities	$0	$0	$2,185,116	$0	$0	$2,185,116	($1,104,488)	$1,080,628
346 Accrued Liabilities - Other	$0	$0	$553,088	$0	$0	$553,088	$0	$553,088
347 Inter Program - Due To	$0	$0	$0	$12,841	$0	$12,841	($12,841)	$0
310 Total Current Liabilities	$489,539	$9,516	$3,922,713	$34,968	$164,211	$4,620,947	($1,117,329)	$3,503,618

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 218

	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	$333,928	$0	$15,321,015	$0	$0	$15,654,943	($8,470,000)	$7,184,943
354 Accrued Compensated Absences - Non Current	$87,651	$4,953	$0	$32,125	$91,802	$216,531	$0	$216,531
355 Loan Liability - Non Current	$0	$0	$500,000	$0	$0	$500,000	($500,000)	$0
357 Accrued Pension and OPEB Liabilities	$2,563,325	$172,193	$0	$0	$1,177,957	$3,913,475	$0	$3,913,475
350 Total Non-Current Liabilities	$2,984,904	$177,146	$15,821,015	$32,125	$1,269,759	$20,284,949	($8,970,000)	$11,314,949
300 Total Liabilities	$3,474,443	$186,662	$19,743,728	$67,093	$1,433,970	$24,905,896	($10,087,329)	$14,818,567
400 Deferred Inflow of Resources	$433,982	$29,153	$0	$0	$199,432	$662,567	$0	$662,567
508.4 Net Investment in Capital Assets	$9,078,488	$0	$4,765,639	$81,929	$168,480	$14,094,536	$0	$14,094,536
511.4 Restricted Net Position	$0	$121,437	$0	$0	$0	$121,437	$0	$121,437
512.4 Unrestricted Net Position	($1,175,586)	$88,615	($3,646,739)	$11,274,741	($726,728)	$5,814,303	$0	$5,814,303
513 Total Equity - Net Assets / Position	$7,902,902	$210,052	$1,118,900	$11,356,670	($558,248)	$20,030,276	$0	$20,030,276
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$11,811,327	$425,867	$20,862,628	$11,423,763	$1,075,154	$45,598,739	($10,087,329)	$35,511,410
70300 Net Tenant Rental Revenue	$1,366,551	$0	$333,437	$0	$0	$1,699,988	$0	$1,699,988
70400 Tenant Revenue - Other	$15,536	$0	$0	$0	$0	$15,536	$0	$15,536
70500 Total Tenant Revenue	$1,382,087	$0	$333,437	$0	$0	$1,715,524	$0	$1,715,524
70600 HUD PHA Operating Grants	$2,939,468	$3,188,759	$1,546,304	$0	$0	$7,674,531	$0	$7,674,531
70610 Capital Grants	$438,429	$0	$0	$0	$0	$438,429	$0	$438,429
70710 Management Fee	$0	$0	$0	$0	$636,207	$636,207	($636,207)	$0

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 218

	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	$77,160	$77,160	($77,160)	$0
70730 Book Keeping Fee	$0	$0	$0	$0	$56,687	$56,687	($56,687)	$0
71100 Investment Income - Unrestricted	$2,990	$193	$12	$0	$0	$3,195	$0	$3,195
71400 Fraud Recovery	$0	$5,636	$0	$0	$0	$5,636	$0	$5,636
71500 Other Revenue	$86,204	$17,559	$178,493	$1,231,707	$34,196	$1,548,159	$0	$1,548,159
70000 Total Revenue	$4,849,178	$3,212,147	$2,058,246	$1,231,707	$804,250	$12,155,528	($770,054)	$11,385,474
91100 Administrative Salaries	$228,207	$89,556	$0	$44,034	$552,512	$914,309	$0	$914,309
91200 Auditing Fees	$6,877	$4,519	$2,028	$223	$1,598	$15,245	$0	$15,245
91300 Management Fee	$511,727	$83,676	$146,328	$0	$0	$741,731	($636,207)	$105,524
91310 Book-keeping Fee	$56,687	$0	$19,700	$0	$0	$76,387	($56,687)	$19,700
91400 Advertising and Marketing	$18	$6	$0	$0	$1,261	$1,285	$0	$1,285
91500 Employee Benefit contributions - Administrative	$264,480	$72,222	$0	$30,923	$500,876	$868,501	$0	$868,501
91600 Office Expenses	$44,960	$18,392	$45,146	$0	$55,520	$164,018	$0	$164,018
91700 Legal Expense	$14,517	$0	$21,062	$0	$3,970	$39,549	$0	$39,549
91800 Travel	$7,220	$253	$2,596	$0	$1,012	$11,081	$0	$11,081
91900 Other	$107,088	$34,189	$531,995	$4,749	$51,816	$729,837	$0	$729,837
91000 Total Operating - Administrative	$1,241,781	$302,813	$768,855	$79,929	$1,168,565	$3,561,943	($692,894)	$2,869,049
92000 Asset Management Fee	$77,160	$0	$17,010	$0	$0	$94,170	($77,160)	$17,010
93100 Water	$108,471	$37	$32,169	$0	$238	$140,915	$0	$140,915
93200 Electricity	$393,445	$1,602	$238,795	$0	$10,196	$644,038	$0	$644,038
93300 Gas	$76,587	$113	$59,312	$0	$1,736	$137,748	$0	$137,748
93600 Sewer	$198,346	$61	$69,309	$0	$389	$268,105	$0	$268,105

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 218

	Project Total	14.871 Housing Choice Vouchers	Component Unit - Blended Presented	Business Activities	COCC	Subtotal	ELIM	Total
93000 Total Utilities	$776,849	$1,813	$399,585	$0	$12,559	$1,190,806	$0	$1,190,806
94100 Ordinary Maintenance and Operations - Labor	$677,346	$0	$0	$117,515	$7,496	$802,357	$0	$802,357
94200 Ordinary Maintenance and Operations - Materials and Other	$181,157	$0	$79,036	$0	$22,037	$282,230	$0	$282,230
94300 Ordinary Maintenance and Operations Contracts	$295,799	$757	$647,950	$0	$17,854	$962,360	$0	$962,360
94500 Employee Benefit Contributions - Ordinary Maintenance	$61,376	$0	$0	$0	$0	$61,376	$0	$61,376
94000 Total Maintenance	$1,215,678	$757	$726,986	$117,515	$47,387	$2,108,323	$0	$2,108,323
95100 Protective Services - Labor	$57,638	$3,626	$0	$10,068	$21,441	$92,773	$0	$92,773
95200 Protective Services - Other Contract Costs	$0	$0	$13,663	$0	$0	$13,663	$0	$13,663
95300 Protective Services - Other	$33,355	$1,714	$39,014	$0	$2,395	$76,478	$0	$76,478
95500 Employee Benefit Contributions - Protective Services	$8	$0	$0	$0	$144	$152	$0	$152
95000 Total Protective Services	$91,001	$5,340	$52,677	$10,068	$23,980	$183,066	$0	$183,066
96110 Property Insurance	$109,563	$0	$62,467	$0	$0	$172,030	$0	$172,030
96140 All Other Insurance	$0	$1,590	$0	$0	$9,124	$10,714	$0	$10,714
96100 Total insurance Premiums	$109,563	$1,590	$62,467	$0	$9,124	$182,744	$0	$182,744
96200 Other General Expenses	$556,360	$5,998	$50,416	$0	$48,085	$660,859	$0	$660,859
96210 Compensated Absences	$9,078	$0	$864	$35,694	$4,158	$49,794	$0	$49,794
96300 Payments in Lieu of Taxes	$60,935	$0	$0	$0	$0	$60,935	$0	$60,935
96400 Bad debt - Tenant Rents	$31,069	$0	$16,708	$0	$0	$47,777	$0	$47,777
96000 Total Other General Expenses	$657,442	$5,998	$67,988	$35,694	$52,243	$819,365	$0	$819,365

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 218

	Project Total	14.871 Housing Choice Vouchers	Component Unit - Blended Presented	Business Activities	COCC	Subtotal	ELIM	Total
96710 Interest of Mortgage (or Bonds) Payable	$0	$0	$337,307	$0	$0	$337,307	$0	$337,307
96720 Interest on Notes Payable (Short and Long Term)	$19,590	$0	$0	$0	$0	$19,590	$0	$19,590
96730 Amortization of Bond Issue Costs	$0	$0	$3,328	$0	$0	$3,328	$0	$3,328
96700 Total Interest Expense and Amortization Cost	$19,590	$0	$340,635	$0	$0	$360,225	$0	$360,225
96900 Total Operating Expenses	$4,189,064	$318,311	$2,436,203	$243,206	$1,313,858	$8,500,642	($770,054)	$7,730,588
97000 Excess of Operating Revenue over Operating Expenses	$660,114	$2,893,836	($377,957)	$988,501	($509,608)	$3,654,886	$0	$3,654,886
97100 Extraordinary Maintenance	$10,314	$0	$7,800	$0	$0	$18,114	$0	$18,114
97200 Casualty Losses - Non-capitalized	$30,726	$0	$10,490	$0	$0	$41,216	$0	$41,216
97300 Housing Assistance Payments	$330,899	$2,755,928	$0	$0	$0	$3,086,827	$0	$3,086,827
97350 HAP Portability-In	$0	$16,229	$0	$0	$0	$16,229	$0	$16,229
97400 Depreciation Expense	$1,311,508	$0	$179,317	$0	$18,224	$1,509,049	$0	$1,509,049
90000 Total Expenses	$5,872,511	$3,090,468	$2,633,810	$243,206	$1,332,082	$13,172,077	($770,054)	$12,402,023
10010 Operating Transfer In	$278,088	$0	$0	$0	$0	$278,088	($278,088)	$0
10020 Operating transfer Out	($278,088)	$0	$0	$0	$0	($278,088)	$278,088	$0
10091 Inter Project Excess Cash Transfer In	$100,000	$0	$0	$0	$0	$100,000	($100,000)	$0
10092 Inter Project Excess Cash Transfer Out	($100,000)	$0	$0	$0	$0	($100,000)	$100,000	$0
10100 Total Other financing Sources (Uses)	$0	$0	$0	$0	$0	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	($1,023,333)	$121,679	($575,564)	$988,501	($527,832)	($1,016,549)	$0	($1,016,549)

Portsmouth Metropolitan Housing Authority (OH010)
Financial Data Schedule
For the Fiscal Year Ended June 30, 218

	Project Total	14.871 Housing Choice Vouchers	Component Unit - Blended Presented	Business Activities	COCC	Subtotal	ELIM	Total
11020 Required Annual Debt Principal Payments	$242,456	$0	$56,472	$0	$0	$298,928	$0	$298,928
11030 Beginning Equity	$9,852,090	$150,568	$474,371	$1,398,169	$395,053	$12,270,251	$0	$12,270,251
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	($925,855)	($62,195)	$1,220,093	$8,970,000	($425,469)	$8,776,574		$8,776,574
11170 Administrative Fee Equity	$0	$88,615	$0	$0	$0	$88,615	$0	$88,615
11180 Housing Assistance Payments Equity	$0	$121,437	$0	$0	$0	$121,437	$0	$121,437
11190 Unit Months Available	7,716	7,392	2,916	0	0	18,024	0	18,024
11210 Number of Unit Months Leased	7,570	6,876	1,911	0	0	16,357	0	16,357
11620 Building Purchases	$438,429	$0	$0	$0	$0	$438,429	$0	$438,429

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

Board of Commissioners
Portsmouth Metropolitan Housing Authority

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Portsmouth Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued my report thereon dated February 28, 2019. 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 we consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies. I consider finding 2018-001 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*.

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

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

Salvatore Consiglio

Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
February 28, 2019

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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, 2018. 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, 2018.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. I have identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003, which I consider to be significant deficiencies.

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

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

Salvatore Consiglio

Salvatore Consiglio, CPA, Inc.
North Royalton, Ohio
February 28, 2019

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unmodified
Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
Were there any material weaknesses in internal control reported for major federal programs?	No
Were there any significant deficiencies in internal control reported for major federal programs?	Yes
Type of Major Programs' Compliance Opinion	Unmodified
Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
Major Programs (list):	CFDA # 14.871 Housing Choice Voucher Program; 14.850 Low Rent Public Housing
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 2018-001 – 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. Due to rushing in meeting the deadline for filing with HUD, there were certain information that was missed in preparing the statements.

Effect
The financial statements filed with the Auditor of State, required several adjustments with regarding the report of the component unit financial statements. In addition, in reviewing the component unit audited financial statements there were several transactions between parties that were not reported on the financial statements, nor were proper disclosure made.

Recommendation
The Authority should make certain that the audited financial statements for the component units be obtained in sufficient time to allow the preparation of its financial statements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding No. 2018-002 – Significant Deficiency – Housing Choice Voucher Program – Other Matters

CFDA Title and Number:	14.871 – Housing Choice Voucher Program
Federal Award Year:	2017-2018
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Agency:	No – Direct Award

Statement of Condition/Criteria
Audit procedures revealed that the Authority had $16,229 of housing assistance payments for vouchers administered for other housing authorities (Port-In Vouchers). The review of the unaudited financial data schedule and the amounts reported in the Voucher Management System (VMS) revealed that these transactions were not reported.

This error was also noted in previous year audit and copy of the REAC Accounting Brief was provided.

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

Effect
The Authority monthly VMS report filed with HUD did not properly reported the Port-In expenses.

Recommendation
The Authority needs to review REAC accounting brief #20 for proper reporting of the HCV Program activities.

Finding No. 2018-003 – Significant Deficiency – Housing Choice Voucher Program – Other Matters

CFDA Title and Number:	14.871 – Housing Choice Voucher Program
Federal Award Year:	2017-2018
Federal Agency:	U.S. Department of Housing and Urban Development
Pass-Through Agency:	No – Direct Award

Statement of Condition/Criteria
Audit procedures over the SEMAP filed during the audit period revealed that the Authority did not comply with indicator 6 regarding Housing Quality Standards (HQS) Enforcement. This error was noted in 2 of the 3 files reviewed. The Authority records did not document that the housing assistance payments were properly abated for landlords that did not make the repairs timely. In addition, it was noted that re-inspections were not done within the Authority 10-day requirement as noted in the Administration Plan.

It was determined that the total housing assistance payments for the 2 errors noted was only $540, an immaterial amount.

Cause
It was explained that because the Authority contracts with a provider to perform the HQS inspections, that the re-inspection sometime may not be performed timely.

Effect
The Authority is not in compliance with its Administration Plan. In addition, this can result in the Authority not properly abating the HAP as required by HUD regulations.

Recommendation
I recommend that the PHA reviews its policy regarding timely performance of re-inspection. Policy states that re-inspection is to be done by 10-days from notification by the landlord. The Authority must require that the contractor adheres to its policy.

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 unaudited financial statements required several adjustments to properly report the component unit financial statements and activities.
2017-002	Review of the HCV Program tenant files revealed several errors.	No	Not Corrected. The Authority staff did review all tenants' files that were noted to have errors in calculating the Housing Assistance Payment (HAP). The result of the files reviewed resulted in HAP to have been overstated by $5,444. The restricted net position for the HCV Program was not adjusted to be reimbursed for the $5,444 error noted.

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, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	The Housing Authority understands it is essential to report complete and accurate financial information to the public. The Housing Authority is currently working 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, 2019	Teresa Everett, Director of Finance
2018-002	The Housing Authority understands the importance of accurate reporting of the port-in vouchers we are administering. Corrections have been submitted in VMS, and The Housing Authority will report these transactions accurately going forward.	June 30, 2019	Teresa Everett, Director of Finance
2018-003	The Housing Authority has reviewed its policy and feels the 10-days to re-inspect a unit that did not pass the HQS Inspection is appropriate. The Housing Authority believes the omission of re-inspections in a timely manner was an isolated internal issue for these files. The Housing Authority will be more diligent to ensure that re-inspections take place within the stated 10-days in the policy.	June 30, 2019	Tara Freeland, Section 8 Coordinator

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
APRIL 11, 2019

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