

Portsmouth Metropolitan Housing Authority

Basic Financial Statements

For the Year Ended June 30, 2004





**Auditor of State  
Betty Montgomery**

Board of Directors  
Portsmouth Metropolitan Housing Authority  
410 Courth Street  
Portsmouth, Ohio 45662-3949

We have reviewed the Independent Auditor's Report of the Portsmouth Metropolitan Housing Authority, Scioto County, prepared by Sal Consiglio, CPA, Inc., for the audit period July 1, 2003 to June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Portsmouth Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

March 9, 2005

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PORTMOUTH METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2004

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## **Independent Auditors' Report**

Board of Directors  
Portsmouth Metropolitan Housing Authority

I have audited the accompanying basic financial statements of Portsmouth Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2004. These basic financial statements are the responsibility of the Portsmouth Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Portsmouth Metropolitan Housing Authority, Ohio, as of June 30, 2004, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United State of America.

As described in Note 1 of the basic financial statements, the Authority adopted the provisions of Government Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as of July 1, 2003. This results in a change to the Authority’s format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 19, 2004, on my consideration of the Portsmouth Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion thereon.

My Audit was performed for the purpose of forming an opinion on the basic financial statements of the Portsmouth Metropolitan Housing Authority taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the basic financial statements. The combining financial data schedule ("FDS") and certification of actual modernization costs are presented for purposes additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Salvatore Consiglio". The signature is written in black ink and is positioned above a horizontal line.

Salvatore Consiglio, CPA, Inc.

October 19, 2004

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2004

Unaudited

The Portsmouth Metropolitan Housing Authority's ("the Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements.

**FINANCIAL HIGHLIGHTS**

- Total assets were \$28,887,377 and \$26,592,582 for 2003 and 2004 respectively. The Authority –wide statements reflect a decrease in total assets of \$2,294,795 (or 8%) during 2004. This decrease is reflective of the year's activities.
- Revenue decreased by \$1,852,398 during 2004, and was \$9,112,843 for 2003 and \$7,260,445 for 2004 respectively.
- Total expenses of all Authority programs increased by \$263,985 (or 4%). Total expenses were \$8,391,239 and \$8,655,224 for 2003 and 2004 respectively.

**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) ~



PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2004

Unaudited

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

**Authority-Wide Financial Statements**

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

These statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Assets", 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 Assets (the "Unrestricted Net Assets") is designed represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

**Net Assets, Invested in Capital Assets, Net of Related Debt**: This component of Net Assets 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 Net Assets**: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

**Unrestricted Net Assets**: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets". This account resembles the old operating reserves account.

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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2004

Unaudited

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change in Net Assets", 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 the funds be maintained by the Authority.

### **The Authority's Programs**

**Conventional Public Housing (PH)** – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 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 CGP was revised for the CFP, funds are still provided by formula allocation and based on size and age of your units.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2004

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**Contract Administration Program (a business activity)** – The Authority is one of nine agencies in the state of Ohio to participate in a program which conducts Management and Occupancy Reviews of HUD Multifamily sites in the state. The Authority earns a management fee plus incentives for administering approximately 49 contracts.

**Section 8 New Construction** – The Authority is the third party administrator for one of HUD's Multifamily site-based projects located in Scioto County (Buckeye Towers). The Authority administers the contract between the project and HUD assuring that HUD's rules and regulations are being followed. The Authority in turn earns a management fee of approximately 3% of the 2 bedroom Fair Market Rent.

**Energy Performance Contract** – The Authority entered into a contract with HUD and Viron Energy Services. The contract allows for the Authority to borrow money to take energy conservation measures within its Public Housing units, in turn, the Authority is allowed to “freeze” the current level of consumption for those units. The difference between the actual consumption and the frozen consumption is used to pay the debt.

**AUTHORITY-WIDE STATEMENT**

**Statement of Net Assets**

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

**TABLE 1  
STATEMENT OF NET ASSETS**

	<u>2004</u>	<u>Restated 2003</u>	<u>Change</u>
Current Assets	\$ 4,578,383	\$ 4,993,261	\$ (414,878)
Net fixed Assets	22,014,199	23,894,116	(1,879,917)
TOTAL ASSETS	<u>\$ 26,592,582</u>	<u>\$ 28,887,377</u>	<u>\$ (2,294,795)</u>
Current Liabilities	\$ 1,090,750	\$ 1,430,107	\$ (339,357)
Long-term Liabilities	1,842,922	2,402,534	(559,612)
TOTAL LIABILITIES	<u>\$ 2,933,672</u>	<u>\$ 3,832,641</u>	<u>\$ (898,969)</u>
Net Assets:			
Invested in Capital Assets, Net of Relat	\$ 19,801,675	\$ 21,140,040	\$ (1,338,365)
Unrestricted	3,857,235	3,914,696	(57,461)
TOTAL NET ASSETS	<u>\$ 23,658,910</u>	<u>\$ 25,054,736</u>	<u>\$ (1,395,826)</u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2004

Unaudited

For more detailed information see the Statement of Net Assets.

**Major Factors Affecting the Statement of Net Assets**

- Current assets decreased by \$414,878, while current liabilities decreased by \$339,357 in relation. This is a reflection of the Authority's effort to reduce outstanding debt.
- The decrease in fixed assets is due to depreciation expense.
- The Net Assets section decrease of \$1,395,826 can be attributed to the Net Loss in Operations being funded by the Equity.

**Statement of Revenue, Expenses and Change in Net Assets**

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

**TABLE 2  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	<u>2004</u>	<u>2003</u>	<u>Change</u>
<b>REVENUES</b>			
Total Tenant Revenue	\$ 1,288,833	\$ 1,190,642	\$ 98,191
HUD Operating Subsidies	5,462,446	5,851,793	(389,347)
Capital Grants	255,445	1,803,348	(1,547,903)
Investment Income	30,394	68,136	(37,742)
Other Revenue	223,327	198,924	24,403
TOTAL REVENUE	<u>7,260,445</u>	<u>9,112,843</u>	<u>(1,852,398)</u>
<b>EXPENSES</b>			
Administrative	1,271,470	1,362,934	(91,464)
Tenant Services	100,547	85,509	15,038
Utilities	780,355	808,311	(27,956)
Maintenance	1,509,915	1,397,260	112,655
Protective Services	227,020	158,296	68,724
General and Interest Expense	360,844	359,494	1,350
Housing Assistance Payments	2,250,209	2,124,689	125,520
Other Expenses	1,259	32,955	(31,696)
Depreciation	2,153,605	2,061,791	91,814
TOTAL EXPENSES	<u>8,655,224</u>	<u>8,391,239</u>	<u>263,985</u>
<b>NET INCREASE (DECREASE)</b>	<u>\$ (1,394,779)</u>	<u>\$ 721,604</u>	<u>\$ (2,116,383)</u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2004

Unaudited

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

The Authority's total revenue decreased by \$1,852,398. This is a reflection of a decrease in Public Housing Operating Subsidy and a reduction in Capital Fund Program activities during the year. Expenses increased by \$263,984 for 2004. The Authority enacted a cost cutting budget for the year due to the reduction of Operating Subsidy for Public Housing and experienced a reduction of activities in the Capital Fund Program.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of year-end, the Authority had \$22,014,199 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$1,879,917 from the end of last year.

**TABLE 3**

**CAPITAL ASSETS AT YEAR-END  
(NET OF DEPRECIATION)**

	<u>2004</u>	<u>2003</u>	<u>Change</u>
Land	\$ 1,519,932	\$ 1,509,194	\$ 10,738
Building	47,423,293	47,178,585	244,708
Furniture, Equipment & Machinery:			
- Dwelling	5,904	51,168	(45,264)
- Administration	753,821	690,315	63,506
Total Fixed Assets	49,702,950	49,429,262	273,688
Accumulated Depreciation	(27,688,751)	(25,535,146)	(2,153,605)
Net Fixed Assets	<u>\$ 22,014,199</u>	<u>\$ 23,894,116</u>	<u>\$ (1,879,917)</u>

The following reconciliation summarizes the change in Capital Assets.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2004

Unaudited

**TABLE 4**

**CHANGE IN CAPITAL ASSETS**

Beginning Balance	\$ 23,894,116
Additions	273,688
Depreciation	<u>(2,153,605)</u>
Ending Balance	<u><u>\$ 22,014,199</u></u>

Current year additions were:

- Purchase of E-Rims software for \$12,920
- Purchase of Computer for \$1,525
- Purchase of Desks for \$1,227
- Purchase of Canon copier \$17,413
- Purchase of HP Laserjet printer \$570
- Capital Fund grant expenditure for dwelling structural of \$240,033

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

- Federal funding cuts of the Department of Housing and Urban Development for both Public Housing and Housing Choice Voucher Programs.
- The elimination of the Drug Elimination Grant by the Department of Housing and Urban Development and the need to absorb those costs into the current Public Housing Operating budget to maintain our security programs in place.
- The increase in employee benefits, namely employee health insurance costs.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary rates on utility costs, supplies, salaries and other costs.

**The Future of PMHA**

We feel the future is secure for PMHA. In the last twelve to eighteen months we have been working closely with our field office to identify any deficiency, through a remote review, our Rental Housing Integrity Program review, and a review of our Family Self

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2004

Unaudited

Sufficiency Program. We have updated or created numerous policies and procedures to ensure compliance and consistency. We have combined procurement for all programs.

We are currently exploring ways to increase internal control. We are actively pursuing information on the changes being made to both the Section 8 Housing Choice Voucher Program and Public Housing funding systems. We have increased our security at all developments with additional lighting and/or cameras. We hired a Security Director and currently have a position for a Deputy Security Director open. The search for this candidate will be scrutinized thoroughly.

Now that we have developed our Security Program, we will be addressing issues concerning the physical condition of our housing stock. We addressed several of these items in this budget year, for example the repairing or replacing of porches and concrete, renovating two of our scattered sites units, painting of units, replacing dumpsters, and improving drainage.

We are looking to improve in all areas of operation in the upcoming year. We feel that we are on the right path to ensure the continued growth and the financial security of our organization.

**CONTACT:**

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

Peggy Rice  
Director of Finance

Carolyn J. Roark  
Executive Director

Portsmouth Metropolitan Housing Authority  
Statement of Net Assets  
Proprietary Funds - Enterprise Fund  
June 30, 2004

**ASSETS**

**Current assets**

Cash and cash equivalents	\$3,949,572
Receivables, net	291,307
Inventories, net	23,894
Prepaid expenses and other assets	139,679
Interprogram due from	173,931
<b>Total current assets</b>	<b>4,578,383</b>

**Capital assets:**

Land	1,519,932
Building and equipment	48,183,018
Less accumulated depreciation	(27,688,751)
<b>Total capital assets</b>	<b>22,014,199</b>
<b>Total assets</b>	<b>\$26,592,582</b>

**LIABILITIES**

**Current liabilities**

Accounts payable	\$72,476
Accrued liabilities	98,070
Intergovernmental payables	49,911
Tenant security deposits	125,104
Bonds, notes, and loans payable	571,258
Interprogram due to	173,931
<b>Total current liabilities</b>	<b>1,090,750</b>

**Noncurrent liabilities**

Bonds, notes, and loans payable	1,641,266
Accrued compensated absences non-current	169,291
Noncurrent liabilities – other	32,365
<b>Total noncurrent liabilities</b>	<b>1,842,922</b>
<b>Total liabilities</b>	<b>2,933,672</b>

**NET ASSETS**

Invested in capital assets, net of related debt	19,801,675
Unrestricted net assets	3,857,235
<b>Total net assets</b>	<b>23,658,910</b>
<b>Total Liabilities and Net Assets</b>	<b>\$26,592,582</b>

The 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 Assets  
Proprietary Funds - Enterprise Fund  
For the Year Ended June 30, 2004

***OPERATING REVENUES***

Tenant Revenue	\$1,288,833
Government operating grants	5,462,446
Other revenue	223,327
<b>Total operating revenues</b>	<b><u>6,974,606</u></b>

***OPERATING EXPENSES***

Administrative	1,271,470
Tenant services	100,547
Utilities	780,355
Maintenance	1,509,915
Protective services	227,020
General	224,343
Housing assistance payment	2,250,209
Other operating expenses	1,259
Depreciation	2,153,605
<b>Total operating expenses</b>	<b><u>8,518,723</u></b>
<b>Operating income (loss)</b>	<b><u>(1,544,117)</u></b>

***NONOPERATING REVENUES (EXPENSES)***

Interest and investment revenue	30,394
Interest expense	(136,501)
Capital grants	255,445
<b>Total nonoperating revenues (expenses)</b>	<b><u>149,338</u></b>
Income (loss) before contributions and transfers	<b><u>(1,394,779)</u></b>

Operating Transfer In	750,320
Operating Transfer Out	<u>(750,320)</u>

Change in net assets	(1,394,779)
Total net assets – beginning	25,054,736
Prior Period Adjustment	(1,047)
<b>Total net assets – ending</b>	<b><u><u>\$23,658,910</u></u></b>

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

Portsmouth Metropolitan Housing Authority  
Statement of Cash Flows  
Proprietary Funds - Enterprise Fund  
For the Year Ended June 30, 2004

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from grantor	\$5,855,677
Cash received from tenants	1,268,917
Cash received from other sources	212,066
Cash payment for housing assistance	(2,250,209)
Cash payment for administrative and operating expenses	<u>(4,088,029)</u>
Net cash provided by operating activities	<u>998,422</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	<u>33,219</u>
Net cash used by investing activities	<u>33,219</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Capital Grant funding received from HUD	255,445
Payment of long-term borrowings	(541,552)
Payment of interest from borrowings	(136,501)
Property and equipment purchased	<u>(273,688)</u>
Net cash used by financing activities	<u>(696,296)</u>
Net Increase (Decrease) in Cash	335,345
Cash and cash equivalents – Beginning of Year	<u>3,614,227</u>
Cash and cash equivalents – End of Year	<u><u>\$3,949,572</u></u>

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

Portsmouth Metropolitan Housing Authority  
 Combined Statement of Cash Flows  
 Proprietary Funds - Enterprise Fund  
 For the Year Ended June 30, 2004

**Reconciliation of Net Income to Cash Provided by Operating Activities:**

Net Income	(\$1,544,117)
Adjustments to Reconcile Net Income to net Cash Provided by Operating Activities:	
Depreciation	2,153,605
Bad Debts	6,728
Decrease in accounts receivable	362,054
Decrease in accrued interest receivable	2,825
Increase in prepaid expenses	(34,688)
Decrease in Inventory	1,652
Decrease in Accounts Payable	(4,349)
Increase in accrued expenses	38,870
Increase in other liabilities	3,649
Increase in tenant security deposit	12,193
Net Cash provided by operating activities	\$998,422

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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

**NOTE 1: REPORTING ENTITY**

**Introduction**

The Portsmouth Metropolitan Housing Authority was established for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives. The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the low-income housing program under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make grants to assist the local housing authorities in financing the acquisition, construction and/or leasing of housing units and to make annual contributions (subsidies) to the local housing authorities for the purpose of maintaining the low-rent character of the local housing program.

The financial statements of the Portsmouth Metropolitan Housing Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

In June 1999, GASB approved Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statements include the following:

- For the first time the financial statements include a Management Discussion and Analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operation.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The Authority has elected to implement GASB 34 in the current fiscal year.

As required by GAAP, the basic financial statements of the reporting entity include those of the Portsmouth Metropolitan Housing Authority and any component units. Component units are separate legal entities that; elected officials of a primary government are financially accountable for the entity or the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the basic financial statements misleading or incomplete. Based upon the application of these criteria,

POSTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

**NOTE 1: REPORTING ENTITY** (Continued)

this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria. A summary of each program administered by the Authority included in the financial statements is provided to assist the reader in interpreting the basic financial statements. These programs constitute all programs subsidized by HUD and operated by the Authority.

**Description of programs**

A. **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 contribution 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. **Contract Administration Program**

The Authority is one of nine agencies participating in a program which manages the reporting requirements for Housing Authorities. The Authority earns a management fee plus incentives for administering approximately 68 contracts.

E. **Public Housing Drug Elimination Program**

The Authority administers the Public Housing Drug Elimination Program to provide its communities with services such as community policing, drug education intervention, and drug prevention programs for youths. Funding for the services is provided by grants from HUD and the services from local youth organizations. This program was eliminated by HUD.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The Authority has created a number of funds within each enterprise fund. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The funds of the Authority are all considered Proprietary Fund Types. The funds included in this category are as follows:

- **PHA Owned Housing Fund**  
This Fund accounts for all activities and projects of the Public Housing Program (described previously) including Public Housing, Capital Fund and Drug Elimination Grants. The Authority either sets up separate funds within the PHA Owned Housing Fund for each program or assigns a particular set of general ledger accounts in order to account for income and expenses of each program separately. All sub-accounts or funds are combined to produce the financial statements of the Public Housing Agency Owned Fund.
- **Voucher Fund**  
This fund accounts for the rental assistance program more fully described under the "Housing Choice Voucher Program," in note 1. It also includes the Section 8 New Construction Program.
- **Business Activities Fund**  
This fund accounts for fees earned rendering contract administration services to outside agencies.
- **Other Federal Program**  
The Other Federal Program accounts for the activities for the Energy Performance Contract.

All proprietary funds are accounted for using the accrual basis of accounting. In applying the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds, the Authority applies all GASB pronouncements and all Financial Accounting Standards Board pronouncements that do not conflict with or contradict GASB Pronouncements.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

**B. Use of Estimates**

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

**C. Cash and Cash Equivalents**

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

**D. Inventory**

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

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

**E. Fixed Assets**

Fixed assets are stated at cost. 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.

**F. Income Taxes**

No provision for income taxes is recorded as the Authority is a non-profit, tax exempt entity under the Internal Revenue Code.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**G. Budgets and Budgetary Accounting**

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

**NOTE 3: DEPOSIT AND INVESTMENTS**

The Authority is authorized by HUD to invest in time deposits, certificates of deposits and obligations of the U.S. Treasury.

The U.S. Department of HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security deposits. Obligations furnished as security must be held by the Authority or with and unaffiliated bank or trust company for the account of the Authority.

It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.

**The three credit risk categories are:**

- Insured or collateralized with securities held by the entity or by its agent (correspondent bank or Federal Reserve Bank) in the entity's name.
- Collateralized with securities held by the pledging financial institution trust department or agent in the entity's name.
- Uncollateralized or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name.

As of June 30, 2004, the carrying amounts of the Authority's deposits were \$3,949,572 and the bank balances were \$4,072,099. All funds are covered by the federal depository insurance or by collateral held by the Authority's agent in the Authority's name.



PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

**NOTE 4: TENANT ACCOUNT RECEIVABLES**

As of June 30, 2004, tenant account receivables is shown net of an allowance for doubtful accounts of \$16,060.

**NOTE 5: PENSION PLAN**

The Authority and its employees are members of the State of Ohio Public Employees Retirement System (O.P.E.R.S.). As a member of O.P.E.R.S., employees are required to contribute 8.5% of earnable salary. Employers are required to make contributions to the system in the amount of 13.55% of reportable payroll. The Authority's contribution for the years ended June 30, 2004, 2003, and 2002 amounted to \$219,341, \$195,977, and \$186,758. These costs have been charged to the employee fringe benefit account.

**NOTE 6: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES  
RETIREMENT SYSTEM**

The Public Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care based on authority granted by State statute. The Ohio Revised Code provides the statutory authority requiring public employers to fund pension and postretirement health care through their contributions to PERS.

**NOTE 7: CAPITAL LEASE**

Energy performance contract lease payable to a finance company for the acquisition and installation of energy efficient building fixtures. Amounts advanced under the lease total \$3,283,801 with repayment beginning in October, 2001. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation under the aforementioned capital lease as of June 30, 2004 amounted to \$234,045 and accumulated depreciation is \$514,653.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

**NOTE 7: CAPITAL LEASE** (Continued)

Future minimum lease payments under capital leases over the next several years are as follows:

June 30, 2005	\$790,047
2006	230,080
2007	230,080
2008	230,080
2009	230,080
Thereafter	977,841
Total minimum lease payments	2,688,208
Amounts representing interest	475,684
Present value of lease payments	2,212,524
Less: current portion	571,258
Capital lease, excluding current portion	\$1,641,266

**NOTE 4: FIXED ASSETS**

The following is a summary of fixed assets:

Land	\$1,519,932
Buildings	47,423,293
Furniture, Machinery and Equipment	759,725
Total Fixed Assets	49,702,950
Accumulated Depreciation	(27,688,751)
Net Fixed Assets	\$22,014,199

The following is a summary of changes:

	<b>Balance 07/01/03</b>	<b>Additions</b>	<b>Deletion</b>	<b>Balance 06/30/04</b>
Land	\$1,509,194	\$10,738	\$-0-	\$1,519,932
Buildings	47,178,585	244,708	-0-	47,423,293
Furnt, Mach. And Equip.	741,483	18,242	-0-	759,725
Total Fixed Assets	\$49,429,262	\$273,688	\$-0-	\$49,702,950

The depreciation expense for the year ended June 30, 2004 was \$2,153,605.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2004  
 (CONTINUED)

**NOTE 8: 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.

**NOTE 9: INTERPROGRAM RECEIVABLES AND PAYABLES**

At June 30, 2004 interprogram receivables and (payables) consisted of the following:

Public Housing	(\$173,931)
Voucher	1,639
Business Activities	5,825
Capital Fund	43,652
Section 8 N/C	162
Energy Performance (Other Federal Program)	122,653
TOTAL	\$ -0-

**NOTE 10: PRIOR PERIOD ADJUSTMENT**

Beginning retained earnings for 2004 was adjusted to reflect a correction of an error in reporting receivables in prior years. As a result, beginning receivable and retained earnings were increased by \$1,047. The adjustment had no effect on net income for 2004.

**NOTE 11: ECONOMIC DEPENDENCY**

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

**NOTE 12: RISK MANAGEMENT**

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 except for deductibles.

POSTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004  
(CONTINUED)

**NOTE 13: CHANGE IN ACCOUNTING PRINCIPLES**

For the fiscal year 2004 the Authority Implemented GASB 34. The implementation had no effect on the total enterprise fund equity. However, it did effect the classification of the equity. The table bellow shows the reclassification adjustment necessary.

	Contributed Capital	Retained Earnings	Invested in Capital Assets, Net Of Debt	Unrestricted Net Assets	Total
Beginning Balance	\$17,736,502	\$7,318,234	\$-0-	\$-0-	\$25,054,736
Reclassification- GASB 34	(17,736,502)	(7,318,234)	21,140,040	3,914,696	-0-
Restated Beginning Balance	-0-	-0-	21,140,040	3,914,696	25,054,736
Fixed Assets Addition	-0-	-0-	273,688	-0-	273,688
Unrestricted Assets used for Fixed Assets	-0-	-0-	-0-	(18,243)	(18,243)
Depreciation Expense	-0-	-0-	(2,153,605)	-0-	(2,153,605)
Debt Principal Payment	-0-	-0-	541,552	-0-	541,552
Unrestricted Assets used for Debt Retirement	-0-	-0-	-0-	(541,552)	(541,552)
Prior Period Adjustment	-0-	-0-	-0-	(1,047)	(1,047)
Current Year Income	-0-	-0-	-0-	503,381	503,381
Ending Net Assets	\$-0-	\$-0-	\$19,801,675	\$3,857,235	\$23,658,910

Portsmouth Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
June 30, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Other Federal Program 1	Total
111	Cash - Unrestricted	\$20,598	\$37,427	\$1,498,959	\$0	\$263,685	\$0	\$0	\$1,820,669
113	Cash - Other Restricted	\$0	\$0	\$36,413	\$0	\$17,386	\$0	\$0	\$53,799
114	Cash - Tenant Security Deposits	\$0	\$0	\$25,104	\$0	\$0	\$0	\$0	\$25,104
100	Total Cash	\$20,598	\$37,427	\$1,560,476	\$0	\$281,071	\$0	\$0	\$1,899,572
122	Accounts Receivable - HUD Other Projects	\$0	\$9,379	\$0	\$0	\$133,399	\$47,764	\$0	\$190,542
125	Accounts Receivable - Miscellaneous	\$60,163	\$0	\$7,605	\$0	\$0	\$0	\$0	\$67,768
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$0	\$35,560	\$0	\$0	\$0	\$0	\$35,560
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	(\$19,500)	\$0	\$0	\$0	\$0	(\$19,500)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
129	Accrued Interest Receivable	\$880	\$0	\$16,057	\$0	\$0	\$0	\$0	\$16,937
120	Total Receivables, net of allowances for doubtful accounts	\$61,043	\$9,379	\$39,722	\$0	\$133,399	\$47,764	\$0	\$291,307
131	Investments - Unrestricted	\$150,000	\$0	\$1,900,000	\$0	\$0	\$0	\$0	\$2,050,000
142	Prepaid Expenses and Other Assets	\$2,092	\$471	\$97,272	\$0	\$4,758	\$0	\$35,086	\$139,679
143	Inventories	\$0	\$0	\$23,894	\$0	\$0	\$0	\$0	\$23,894
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$5,825	\$162	\$0	\$0	\$1,639	\$43,652	\$122,653	\$173,931
150	Total Current Assets	\$239,558	\$47,439	\$3,621,364	\$0	\$420,867	\$91,416	\$157,739	\$4,578,383
161	Land	\$27,771	\$0	\$1,492,161	\$0	\$0	\$0	\$0	\$1,519,932
162	Buildings	\$0	\$0	\$42,165,359	\$0	\$0	\$1,747,258	\$3,510,676	\$47,423,293

Portsmouth Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
June 30, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Other Federal Program 1	Total
163	Furniture, Equipment & Machinery – Dwellings	\$0	\$0	\$5,904	\$0	\$0	\$0	\$0	\$5,904
164	Furniture, Equipment & Machinery - Administration	\$35,994	\$0	\$642,522	\$0	\$32,649	\$42,656	\$0	\$753,821
166	Accumulated Depreciation	(\$18,647)	\$0	(\$27,034,524)	\$0	(\$25,886)	(\$95,041)	(\$514,653)	(\$27,688,751)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$45,118	\$0	\$17,271,422	\$0	\$6,763	\$1,694,873	\$2,996,023	\$22,014,199
									\$0
190	Total Assets	\$284,676	\$47,439	\$20,892,786	\$0	\$427,630	\$1,786,289	\$3,153,762	\$26,592,582
312	Accounts Payable <= 90 Days	\$9	\$21	\$72,238	\$0	\$208	\$0	\$0	\$72,476
321	Accrued Wage/Payroll Taxes Payable	\$3,302	\$677	\$65,517	\$0	\$6,843	\$2,922	\$0	\$79,261
322	Accrued Compensated Absences - Current Portion	\$256	\$230	\$15,994	\$0	\$2,329	\$0	\$0	\$18,809
333	Accounts Payable - Other Government	\$0	\$0	\$49,911	\$0	\$0	\$0	\$0	\$49,911
341	Tenant Security Deposits	\$0	\$0	\$125,104	\$0	\$0	\$0	\$0	\$125,104
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$0	\$0	\$571,258	\$571,258
347	Interprogram Due To	\$0	\$0	\$173,931	\$0	\$0	\$0	\$0	\$173,931
310	Total Current Liabilities	\$3,567	\$928	\$502,695	\$0	\$9,380	\$2,922	\$571,258	\$1,090,750
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$0	\$0	\$1,641,266	\$1,641,266
354	Accrued Compensated Absences - Non Current	\$2,307	\$2,073	\$143,946	\$0	\$20,965	\$0	\$0	\$169,291
353	Noncurrent Liabilities - Other	\$0	\$0	\$14,979	\$0	\$17,386	\$0	\$0	\$32,365

Portsmouth Metropolitan Housing Authority  
 Combining Balance Sheet  
 FDS Schedule Submitted To REAC  
 Propriety Fund Type- Enterprise Fund  
 June 30, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Other Federal Program 1	Total
350	Total Noncurrent Liabilities	\$2,307	\$2,073	\$158,925	\$0	\$38,351	\$0	\$1,641,266	\$1,842,922
300	Total Liabilities	\$5,874	\$3,001	\$661,620	\$0	\$47,731	\$2,922	\$2,212,524	\$2,933,672
508.1	Invested in Capital Assets, Net of Related Debt	\$45,118	\$0	\$17,271,422	\$0	\$6,763	\$1,694,873	\$783,499	\$19,801,675
512.1	Unrestricted Net Assets	\$233,684	\$44,438	\$2,959,744	\$0	\$373,136	\$88,494	\$157,739	\$3,857,235
513	Total Equity/Net Assets	\$278,802	\$44,438	\$20,231,166	\$0	\$379,899	\$1,783,367	\$941,238	\$23,658,910
600	Total Liabilities and Equity/Net Assets	\$284,676	\$47,439	\$20,892,786	\$0	\$427,630	\$1,786,289	\$3,153,762	\$26,592,582

Portsmouth Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and Change in Retained Earnings  
FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
June 30, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Other Federal Program 1	Total
703	Net Tenant Rental Revenue	\$0	\$0	\$1,259,026	\$0	\$0	\$0	\$0	\$1,259,026
704	Tenant Revenue - Other	\$0	\$0	\$29,807	\$0	\$0	\$0	\$0	\$29,807
705	Total Tenant Revenue	\$0	\$0	\$1,288,833	\$0	\$0	\$0	\$0	\$1,288,833
706	HUD PHA Operating Grants	\$0	\$235,320	\$2,289,085	\$0	\$2,371,684	\$529,231	\$0	\$5,425,320
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$255,445	\$0	\$255,445
708	Other Government Grants	\$0	\$0	\$37,126	\$0	\$0	\$0	\$0	\$37,126
711	Investment Income - Unrestricted	\$1,374	\$48	\$27,315	\$0	\$483	\$0	\$0	\$29,220
715	Other Revenue	\$204,897	\$0	\$18,430	\$0	\$0	\$0	\$0	\$223,327
720	Investment Income - Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$1,174	\$1,174
700	Total Revenue	\$206,271	\$235,368	\$3,660,789	\$0	\$2,372,167	\$784,676	\$1,174	\$7,260,445
911	Administrative Salaries	\$86,092	\$13,495	\$411,027	\$0	\$136,451	\$77,453	\$0	\$724,518
912	Auditing Fees	\$232	\$313	\$7,892	\$0	\$3,168	\$0	\$0	\$11,605
914	Compensated Absences	\$1,667	(\$312)	\$24,844	\$0	(\$3,152)	\$0	\$0	\$23,047
915	Employee Benefit Contributions - Administrative	\$27,356	\$5,393	\$155,237	\$0	\$54,527	\$17,103	\$0	\$259,616
916	Other Operating - Administrative	\$12,604	\$4,536	\$168,855	\$0	\$64,313	\$1,976	\$400	\$252,684
921	Tenant Services - Salaries	\$0	\$0	\$73,308	\$0	\$0	\$0	\$0	\$73,308
922	Relocation Costs	\$0	\$0	\$0	\$0	\$0	\$1,289	\$0	\$1,289
923	Employee Benefit Contributions - Tenant Services	\$0	\$0	\$25,038	\$0	\$0	\$0	\$0	\$25,038
924	Tenant Services - Other	\$0	\$0	\$912	\$0	\$0	\$0	\$0	\$912
931	Water	\$0	\$3	\$92,709	\$0	\$25	\$0	\$0	\$92,737



Portsmouth Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and Change in Retained Earnings  
FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
June 30, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Other Federal Program 1	Total
932	Electricity	\$0	\$122	\$285,935	\$0	\$1,232	\$0	\$0	\$287,289
933	Gas	\$0	\$8	\$275,256	\$0	\$85	\$0	\$0	\$275,349
938	Other Utilities Expense	\$0	\$3	\$124,946	\$0	\$31	\$0	\$0	\$124,980
941	Ordinary Maintenance and Operations - Labor	\$0	\$0	\$762,001	\$0	\$0	\$0	\$0	\$762,001
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$0	\$152,071	\$0	\$0	\$0	\$0	\$152,071
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$0	\$209,618	\$0	\$0	\$0	\$0	\$209,618
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$0	\$290,443	\$0	\$0	\$0	\$0	\$290,443
951	Protective Services - Labor	\$0	\$0	\$74,412	\$0	\$0	\$0	\$0	\$74,412
952	Protective Services - Other Contract Costs	\$0	\$0	\$108,492	\$0	\$0	\$0	\$0	\$108,492
953	Protective Services - Other	\$0	\$0	\$14,070	\$0	\$0	\$0	\$0	\$14,070
955	Employee Benefit Contributions - Protective Services	\$0	\$0	\$30,046	\$0	\$0	\$0	\$0	\$30,046
961	Insurance Premiums	\$2,751	\$619	\$127,910	\$0	\$6,258	\$0	\$0	\$137,538
962	Other General Expenses	\$0	\$0	\$21,008	\$0	\$0	\$0	\$0	\$21,008
963	Payments in Lieu of Taxes	\$0	\$0	\$49,911	\$0	\$0	\$0	\$0	\$49,911
964	Bad Debt - Tenant Rents	\$0	\$0	\$15,886	\$0	\$0	\$0	\$0	\$15,886
967	Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$136,501	\$136,501
969	Total Operating Expenses	\$130,702	\$24,180	\$3,501,827	\$0	\$262,938	\$97,821	\$136,901	\$4,154,369
970	Excess Operating Revenue over Operating Expenses	\$75,569	\$211,188	\$158,962	\$0	\$2,109,229	\$686,855	(\$135,727)	\$3,106,076
971	Extraordinary Maintenance	\$0	\$0	\$95,782	\$0	\$0	\$0	\$0	\$95,782

Portsmouth Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and Change in Retained Earnings  
FDS Schedule Submitted To REAC  
Propriety Fund Type- Enterprise Fund  
June 30, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Other Federal Program 1	Total
972	Casualty Losses - Non-Capitalized	\$0	\$0	\$1,259	\$0	\$0	\$0	\$0	\$1,259
973	Housing Assistance Payments	\$0	\$206,099	\$0	\$0	\$2,044,110	\$0	\$0	\$2,250,209
974	Depreciation Expense	\$8,849	\$0	\$1,821,042	\$0	\$2,444	\$87,225	\$234,045	\$2,153,605
900	Total Expenses	\$139,551	\$230,279	\$5,419,910	\$0	\$2,309,492	\$185,046	\$370,946	\$8,655,224
1001	Operating Transfers In	\$0	\$0	\$0	\$0	\$0	\$0	\$750,320	\$750,320
1002	Operating Transfers Out	\$0	\$0	(\$302,346)	\$0	\$0	(\$447,974)	\$0	(\$750,320)
1010	Total Other Financing Sources (Uses)	\$0	\$0	(\$302,346)	\$0	\$0	(\$447,974)	\$750,320	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$66,720	\$5,089	(\$2,061,467)	\$0	\$62,675	\$151,656	\$380,548	(\$1,394,779)
1103	Beginning Equity	\$256,103	\$38,132	\$21,166,639	\$3,701	\$308,499	\$2,720,972	\$560,690	\$25,054,736
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	(\$44,021)	\$1,217	\$1,125,994	(\$3,701)	\$8,725	(\$1,089,261)	\$0	(\$1,047)
	Ending Equity	\$278,802	\$44,438	\$20,231,166	\$0	\$379,899	\$1,783,367	\$941,238	\$23,658,910
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$541,552	\$541,552
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$263,075	\$0	\$0	\$0	\$0	\$0	\$263,075
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$2,217,626	\$0	\$0	\$2,217,626

Portsmouth Metropolitan Housing Authority  
 Combining Statement of Revenue, Expenses and Change in Retained Earnings  
 FDS Schedule Submitted To REAC  
 Propriety Fund Type- Enterprise Fund  
 June 30, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Other Federal Program 1	Total
1115	Contingency Reserve, ACC Program Reserve	\$0	\$583,385	\$0	\$0	\$44,058	\$0	\$0	\$627,443
1116	Total Annual Contributions Available	\$0	\$846,460	\$0	\$0	\$2,261,684	\$0	\$0	\$3,108,144
1120	Unit Months Available	0	1,428	10,524	0	7,392	0	0	19,344
1121	Number of Unit Months Leased	0	1,392	10,227	0	7,305	0	0	18,924

Portsmouth Metropolitan Housing Authority  
PHA's Statement and Certification of Actual Modernization Cost  
June 30, 2004

Capital Fund Program Number OH16P01050100

1. The Program Costs are as follows:

Funds Approved	\$1,873,182
Funds Expended	<u>1,873,182</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -0-</u></u>
Funds Advanced	\$1,873,182
Funds Expended	<u>1,873,182</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on March 26, 2003.
4. The final costs on the certification agree to the Authority's records.

Portsmouth Metropolitan Housing Authority  
 Schedule of Federal Award Expenditures  
 For the Year Ended June 30, 2004

<b>FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850a	\$2,289,085
Public Housing Capital Fund Program	14.872	784,676
Housing Choice Voucher Program	14.871	2,371,684
Section 8 New Construction	14.182	<u>235,320</u>
Total Expenditure of Federal Award		<u>\$5,680,765</u>

POSTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARD  
FOR THE YEAR ENDED JUNE 30, 2004

1. **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal activity of Portsmouth Metropolitan Housing Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



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

Board of Directors  
Portsmouth Metropolitan Housing Authority

I have audited the basic financial statements of the Portsmouth Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2004, and have issued my report thereon dated October 19, 2004. 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.

**Compliance**

As part of obtaining reasonable assurance about whether Portsmouth Metropolitan Housing Authority, Ohio's basic financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing my audit, I considered Portsmouth Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of the Portsmouth Metropolitan Housing Authority, Ohio, in a separate letter dated October 19, 2004.

This report is intended solely for the information of the audit committee, management and the U.S. Department of Housing and Urban Development and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Salvatore Consiglio", is positioned above a horizontal line. A vertical line is on the left side of the signature.

Salvatore Consiglio, CPA, Inc.

October 19, 2004





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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
Portsmouth Metropolitan Housing Authority

**Compliance**

I have audited the compliance of the Portsmouth Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Portsmouth Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Portsmouth Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Portsmouth Metropolitan Housing Authority, Ohio's compliance based on my audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Portsmouth Metropolitan Housing Authority, Ohio'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. My audit does not provide a legal determination on Portsmouth Metropolitan Housing Authority, Ohio's compliance with those requirements.

In my opinion, Portsmouth Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

## **Internal Control Over Compliance**

The management of Portsmouth Metropolitan Housing Authority, Ohio is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Portsmouth Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I considered to be material weaknesses.

This report is intended for the information of the Board of Directors, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.



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Salvatore Consiglio, CPA, Inc.

October 19, 2004

Portsmouth Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
June 30, 2004

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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Type of Financial Statement Opinion	Unqualified
Was there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Was there any material internal control weakness conditions reported for major federal programs?	No
Was there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA #14.850, 14.871, 14.872- Low Rent Public Housing, Housing Choice Voucher & Capital Fund
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Audit?	No

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b>
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There are no Findings or questioned costs for the year ended June 30, 2004.

Portsmouth Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
June 30, 2004

**3. FINDINGS REALTED TO FEDERAL AWARDS**

There are no Findings or questioned costs for the year ended June 30, 2004.

Portsmouth Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
June 30, 2004

The following are the status of the June 30, 2003 audit findings. Those findings not fully corrected are repeated in the 2004 audit report.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
FED-2003-1	Release of Information (form HUD-9886)	Yes	Fully Corrected, the PHA is documenting, in the tenant files, the signed form 9886.
FED-2003-2	Third party verification	Yes	Third party documentation is properly obtained and documented in file. Current filed reviewed revealed 3 errors (from 15 tested) were the wrong income amount was calculated. The error amounts were identified and appropriate adjustments were made.
FED-2003-3	Utility allowance	Yes	PHA has updated its utility allowance schedule. The PHA has purchased services from a contractor to perform utility rate study.
FED-2003-4	Rent Reasonableness	Yes	Rent reasonableness is properly documented in tenant files.
FED-2003-5	Payment Standard	Yes	No errors were noted in current year audit procedures. Therefore, concluded that correct payment standard is used.
FED-2003-6	Birth Certificates and SS Card	Yes	Files reviewed properly documented copy of the birth certificate and social security cards.
FED-2003-7	FSS Escrow	Yes	The PHA reimbursed the program for the prior year error noted from its non federal funds.
FED-2003-8	Annual Recertification	Yes	No exceptions noted in current year audit procedures. Annual recertification was properly performed within the required 12 month periods.
FED-2003-9	Family choice of flat rent or income base	Yes	Family choice of paying a flat rent or based on 30% of adjusted income is properly documented in the files.
FED-2003-10	HUD Remote Review	No	Not corrected. Correspondence with HUD local office revealed that several of the findings have not been closed. The PHA is still negotiating final resolutions with HUD.
FED-2003-11	Davis Bacon Act	Yes	No exception noted in current audit procedures performed.





**Auditor of State  
Betty Montgomery**

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**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
SCIOTO COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 22, 2005**