

Portsmouth Metropolitan Housing Authority

Financial Statements

For the Year Ended June 30, 2010



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Portsmouth Metropolitan Housing Authority, Scioto County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 2, 2011

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PORTMOUTH METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2010

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Independent Auditors' Report

Board of Directors
Portsmouth Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Portsmouth Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2010, which collectively comprise the Authority basic financial statements, as listed in the table of contents. These 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 financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Portsmouth Metropolitan Housing Authority, Ohio, as of June 30, 2010, and the respective change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 30, 2010, 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 agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. 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 accounting principles generally accepted in the United State of America. 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 financial statements that collectively comprise the Portsmouth Metropolitan Housing Authority basic financial statements. The accompanying Schedule of Expenditure of Federal Awards 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 financial statements. The combining financial data schedule ("FDS") is presented for purposes of 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.

Salvatore Consiglio, CPA, Inc.
September 30, 2010

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2010

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 \$24,671,157 and \$23,296,296 for 2010 and 2009 respectively. The Authority –wide statements reflect a increase in total assets of \$1,374,861 (or 5.9%) during 2010. This increase is reflective of the year's activities.
- Revenue increased by \$1,754,327 during 2010, and was \$10,399,070 and \$8,644,743 for 2010 and 2009 respectively.
- Total expenses of all Authority programs increased by \$254,460 (or 2.87%). Total expenses were \$9,125,536 and \$8,871,076 for 2010 and 2009 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, 2010

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, 2010

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, 2010

UNAUDITED

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 63 contracts.

Section 8 New Construction – The Authority is no longer the third party administrator for one of HUD's Multifamily site-based projects located in Scioto County (Buckeye Towers). This contract was absorbed by the Contract Administration Program. The Authority administered the contract between the project and HUD assuring that HUD's rules and regulations were being followed. We will be closing out this program during the 2010 Fiscal Year.

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. This program will run through October 25, 2012.

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>2010</u>	<u>2009</u>	<u>Change</u>
Current Assets	\$ 5,790,706	\$ 5,255,537	\$ 535,169
Capital Assets	18,880,451	18,040,759	839,692
Total Assets	<u>\$ 24,671,157</u>	<u>\$ 23,296,296</u>	<u>\$ 1,374,861</u>
Current Liabilities	\$ 856,387	\$ 567,663	\$ 288,724
Long-Term Liabilities	704,680	892,077	(187,397)
Total Liabilities	<u>\$ 1,561,067</u>	<u>\$ 1,459,740</u>	<u>\$ 101,327</u>
Investment in Capital Assets, net of Debt	\$ 18,195,708	\$ 17,168,214	1,027,494
Restricted Net Assets	254,676	336,223	(81,547)
Unrestricted Net Assets	4,659,706	4,332,119	327,587
Total Net Assets	<u>23,110,090</u>	<u>21,836,556</u>	<u>1,273,534</u>
Total Liabilities and Net Assets	<u>\$ 24,671,157</u>	<u>\$ 23,296,296</u>	<u>\$ 1,374,861</u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2010

UNAUDITED

For more detailed information see the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

- Current assets increased by \$535,169, while current liabilities increased by \$288,724 in relation.
- The increase in capital assets reflects the capital improvements and equipment purchases less depreciation expense.
- The Net Assets section reflects an increase of \$1,273,534 that can be attributed to the results from operations less current year depreciation expense.

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>2010</u>	<u>2009</u>	<u>Change</u>
<u>Revenues</u>			
Tenant Revenues	\$ 1,619,498	\$ 1,496,965	\$ 122,533
Operating Subsidies	5,945,175	5,702,755	242,420
Capital Grants	2,403,427	949,972	1,453,455
Investment Income	27,736	79,729	(51,993)
Other Revenues	403,234	415,322	(12,088)
Total Revenues	<u>10,399,070</u>	<u>8,644,743</u>	<u>1,754,327</u>
<u>Expenses</u>			
Administrative	1,559,287	1,633,292	(74,005)
Tenant Services	883	385	498
Utilities	946,962	983,972	(37,010)
Maintenance	1,699,780	1,635,369	64,411
Protective Services	271,223	247,836	23,387
General and Interest Expenses	455,919	345,534	110,385
Housing Assistance Payments	2,349,782	2,279,389	70,393
Loss from Sale of Assets	9,711	-	9,711
Depreciation	1,831,989	1,745,299	86,690
Total Expenses	<u>9,125,536</u>	<u>8,871,076</u>	<u>254,460</u>
Net Increases (Decreases)	<u>\$ 1,273,534</u>	<u>\$ (226,333)</u>	<u>\$ 1,499,867</u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2010

UNAUDITED

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

The Authority's total revenue has increased by \$1,754,327. This is a reflection of an increase in Public Housing Operating Subsidy and an increase in Capital Fund Program activities during the year, specifically the American Recovery and Reinvestment Act grant received. There was also an increase in Tenant Revenue and a noticeable decrease in Investment Revenue due to interest rates. Expenses increased by \$254,460 for 2010. The Authority was able to increase the Section 8 lease up to coincide with Section 8 funding. Once again, there was an increase in employee health coverage specifically the health reimbursement account. We have experienced an increase in Bad Debts in relation to our increased revenue for Tenants. Other expenses reflect our retention from insurance claims and losses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had \$18,880,451 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (additions, deductions and depreciation) of \$839,692 from the end of last year.

TABLE 3

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

	<u>2010</u>	<u>2009</u>
Land	\$ 1,519,932	\$ 1,519,932
Buildings	53,126,789	52,590,343
Furniture, Equipment & Machinery - Dwelling	49,569	50,225
Furniture, Equipment & Machinery - Admin	875,613	858,825
Construction in Progress	2,108,330	17,668
Accumulated Depreciation	<u>(38,799,782)</u>	<u>(36,996,234)</u>
Total	<u>\$ 18,880,451</u>	<u>\$ 18,040,759</u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2010

UNAUDITED

The following reconciliation summarizes the change in Capital Assets.

**TABLE 4
CHANGE IN CAPITAL ASSETS**

Beginning Balance - June 30, 2009	\$	18,040,759
Current year Additions		2,685,592
Current year Depreciation Expense		(1,831,989)
Current year Disposal, Net of Accumulated Depreciation		<u>(13,911)</u>
 Ending Balance - June 30, 2010	 \$	 <u><u>18,880,451</u></u>

Current year Additions are summarized as follows:

- Capital Improvements	\$	2,645,252
- Heat Pump for Alexandria House		8,385
- Various Office Equipment		9,685
- Furniture		6,489
- Monitor/Servers for Security Cameras		14,781
- Snow blade		<u>1,000</u>
 Total 2009 Additions	 \$	 <u><u>2,685,592</u></u>

Debt Outstanding

As of year-end, the Authority had \$684,743 in debt (bonds, notes, etc.) outstanding compared to \$872,545 for the prior year. This debt was incurred for the energy performance contract for the acquisition and installation of energy efficient building fixtures.

	<u>2010</u>	<u>2009</u>
Beginning Balance	\$ 872,545	\$ 1,050,550
Current Year Principal Payments	(187,802)	(178,004)
Rounding Adjustment	<u>-</u>	<u>(1)</u>
 Ending Balance	 <u><u>\$ 684,743</u></u>	 <u><u>\$ 872,545</u></u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2010

UNAUDITED

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding cuts of the Department of Housing and Urban Development continue for both Public Housing and Section 8 Housing Choice Voucher Programs.
- The Contract Administration contract with HUD, in which we participate through Columbus MHA, has expired and we are currently operating under an extension. If we are successful with our re-bid the new fee structure will be significantly less.
- 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 reduced interest rates.

The Future of PMHA

We feel the future is secure for PMHA even with the uncertainty of the industry and the economy. We are transitioning into Asset Management. We have successfully completed our transition to site based budgeting and reporting. We are looking at training and implementation of project based management over the next fiscal year. We are looking for ways to implement with the emphasis on efficiency. We have completed our Early Retirement Incentive Plan and have realigned responsibilities for the positions we have eliminated.

We have increased our security at all developments with additional lighting and/or cameras; and are in the process of adding cameras at two of our developments this year. Now that we have developed our Security Program, we are addressing issues concerning the physical condition of our housing stock. We have completed several of these items in this budget year, for example we are currently upgrading heat pumps at several sites. We have updated our safety/nurse call system at two high rise buildings. We have begun the process of installing emergency generators at two family sites located out in the county. And with our American Recovery and Reinvestment Act grant, we have made major progress on updating two of our largest sites, by replacing roofs, siding, fencing, sidewalks, retaining walls and tuck-pointing the brick.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2010

UNAUDITED

The Contract Administration program we have participated in during the last 10 years will be undergoing changes during the next fiscal year, should we be successful in our re-bid. We are anticipating a decrease in future income from the program. Therefore, we have begun to implement changes to offset this loss of income. These changes, which include the realignment of personnel, have already begun and will continue throughout the new year. We will continue to look for new ways to generate income and reduce expenses.

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Portsmouth Metropolitan Housing Authority
Statement of Net Assets
Proprietary Funds
June 30, 2010

ASSETS

Current assets

Cash and cash equivalents	\$5,119,040
Restricted cash	411,606
Receivables, net	141,857
Inventories, net	41,571
Prepaid expenses and other assets	76,632
Total current assets	<u>5,790,706</u>

Noncurrent assets

Capital assets:	
Land	1,519,932
Building and equipment	54,051,971
Construction in Progress	2,108,330
Less accumulated depreciation	<u>(38,799,782)</u>
Total noncurrent assets	<u>18,880,451</u>
Total assets	<u><u>\$24,671,157</u></u>

LIABILITIES

Current liabilities

Accounts payable	\$309,711
Accrued liabilities	123,929
Intergovernmental payables	68,140
Tenant security deposits	145,427
Bonds, notes, and loans payable	198,138
Other current liabilities	11,042
Total current liabilities	<u>856,387</u>

Noncurrent liabilities

Bonds, notes, and loans payable	486,605
Accrued compensated absences non-current	206,572
Noncurrent liabilities - other	11,503
Total noncurrent liabilities	<u>704,680</u>
Total liabilities	<u><u>\$1,561,067</u></u>

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

Portsmouth Metropolitan Housing Authority
Statement of Net Assets (Continued)
Proprietary Funds
June 30, 2010

NET ASSETS

Invested in capital assets, net of related debt	\$18,195,708
Restricted Net Assets	254,676
Unrestricted net assets	4,659,706
Total net assets	<u>4,910,090</u>

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
For the Year Ended June 30, 2010

OPERATING REVENUES

Tenant Revenue	\$1,619,498
Government operating grants	5,945,175
Other revenue	403,234
Total operating revenues	<u>7,967,907</u>

OPERATING EXPENSES

Administrative	1,559,287
Tenant services	883
Utilities	946,962
Maintenance	1,699,780
Protective services	271,223
General	413,661
Housing assistance payment	2,349,782
Depreciation	1,831,989
Total operating expenses	<u>9,073,567</u>
Operating income (loss)	<u>(1,105,660)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	27,736
Loss from sale of assets	(9,711)
Interest expense	(42,258)
Total nonoperating revenues (expenses)	<u>(24,233)</u>
Income (loss) before contributions and transfers	(1,129,893)
Capital grants	2,403,427
Change in net assets	1,273,534
Total net assets - beginning	21,836,556
Total net assets - ending	<u><u>\$23,110,090</u></u>

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, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from grantor	\$6,347,168
Cash received from tenants	1,613,567
Cash received from other sources	402,844
Cash payment for housing assistance	(2,349,782)
Cash payment for administrative and operating expenses	<u>(4,566,667)</u>
Net cash provided by operating activities	<u>1,447,130</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	<u>27,736</u>
Net cash used by investing activities	<u>27,736</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital Grant funding received from HUD	2,403,427
Proceeds from sale of assets	4,200
Payment of long-term borrowings	(187,802)
Payment of interest expense	(42,258)
Property and equipment purchased	<u>(2,685,592)</u>
Net cash used by financing activities	<u>(508,025)</u>
Net Increase (Decrease) in Cash	966,841
Cash and cash equivalents – Beginning of Year	<u>4,563,805</u>
Cash and cash equivalents – End of Year	<u><u>\$5,530,646</u></u>

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

**Portsmouth Metropolitan Housing Authority
Statement of Cash Flows - Continued
Proprietary Funds - Enterprise Fund
For the Year Ended June 30, 2010**

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Operating Income (Loss)	(\$1,105,660)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	1,831,989
- Loss from Disposal of Assets	9,711
- (Increases) Decreases in Accounts Receivable	408,127
- (Increases) Decreases in Prepaid Assets	3,406
- (Increases) Decreases in Inventory	(602)
- Increases (Decreases) in Accounts Payable	293,379
- Increases (Decreases) in Accrued Expenses Payable	(2,026)
- Increases (Decreases) in Intergovernmental Payable	13,415
- Increases (Decreases) in Other Current Liabilities	(17,858)
- Increases (Decreases) in Other Noncurrent Liabilities	237
- Increases (Decreases) in Accrued Compensated Absences	11,668
- Increases (Decreases) in Tenant Security Deposits	1,344
	<u>1,344</u>
Net cash provided by operating activities	<u><u>\$1,447,130</u></u>

The notes to the 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, 2010

NOTE 1: REPORTING ENTITY

Introduction

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

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

As required by GAAP, the basic financial statements of the reporting entity include those of the Portsmouth Metropolitan Housing Authority and any component units. Component units are separate legal entities that; elected officials of a primary government are financially accountable for the entity or the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the basic financial statements misleading or incomplete. Based upon the application of these criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria. A summary of each program administered by the Authority included in the financial statements is provided to assist the reader in interpreting the basic financial statements. These programs constitute all programs subsidized by HUD and operated by the Authority.

POSTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)

NOTE 1: REPORTING ENTITY (Continued)

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. 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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- **PHA Owned Housing Fund**
This Fund accounts for all activities and projects of the Public Housing Program (described previously) including Public Housing, 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.

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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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. 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 one year 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.

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, 2010
(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

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

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

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

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

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

At fiscal year end June 30, 2010, the carrying amount of the Authority's deposits totaled \$5,530,646 and its bank balance was \$5,590,882. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2010, \$5,134,519 was exposed to custodial risk as discussed below, while \$456,362 was covered by the Federal Depository Insurance Corporation.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)

NOTE 3: DEPOSIT AND INVESTMENTS (Continued)

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

NOTE 4: TENANT ACCOUNT RECEIVABLES

As of June 30, 2010, tenant account receivable is shown net of an allowance for doubtful accounts of \$36,950.

NOTE 5: DEFINED BENEFIT PENSION PLAN

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administer three separate pension plans as described below:

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provide retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Direct Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issue a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010 and 2009, member and employer rates were consistent across all three plans. The 2010 and 2009 member contribution rates were 10.0% for members 14.0% for employers of covered payroll. The Authority's contribution for the years ended June 30, 2010, 2009, and 2008 amounted to \$243,888, \$251,046, and \$267,409. These costs have been charged to the employee fringe benefit account. Eighty-nine percent has been contributed for 2010. All required contributions for the two previous years have been paid.

NOTE 6: POST-EMPLOYMENT BENEFITS

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issue a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)

NOTE 6: POST-EMPLOYMENT BENEFITS (Continued)

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010 and 2009, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2010 and 2009, the employer contribution allocated to the health care plan was 5.50 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended June 30, 2010, which were used to fund post-employment benefits, were \$100,728.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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, 2010 amounted to \$234,045 and the net book value is \$1,591,752.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)

NOTE 7: CAPITAL LEASE (Continued)

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

	<u>Principal</u>	<u>Interest</u>
June 30, 2011	\$198,139	\$31,941
2012	209,045	21,035
2013	220,551	9,529
2014	57,008	511
Total	\$684,743	\$63,016

NOTE 8: CAPITAL ASSETS

The following is the change in current year:

	<u>Balance 06/30/09</u>	<u>Adjust</u>	<u>Additions</u>	<u>Deletion</u>	<u>Balance 06/30/10</u>
Capital Assets Not Depreciated:					
Land	\$1,519,932	\$0	\$0	\$0	\$1,519,932
Construction in Progress	17,668	(17,668)	2,108,330	0	2,108,330
Total Capital Assets Not Being Depreciated	1,537,600	(17,668)	2,108,330	0	3,628,262
Capital Assets Being Depreciated:					
Buildings	52,590,343	17,668	540,111	(21,333)	53,126,789
Furnt, Mach. & Equip - Admin	858,825	0	37,151	(20,363)	875,613
Furnt, Mach. & Equip - Dwelling	50,225	0	0	(656)	49,569
Total Capital Assets Being Depreciated	53,499,393	17,668	577,262	(42,352)	54,051,971
Accumulated Depreciated:					
Buildings	(36,234,338)	0	(1,775,712)	7,422	(38,002,628)
Furnt, Mach. & Equip - Admin	(743,329)	0	(49,946)	20,363	(772,912)
Furnt, Mach. & Equip - Dwelling	(18,567)	0	(6,331)	656	(24,242)
Total Accumulated Depreciated	(36,996,234)	0	(1,831,989)	28,441	(38,799,782)
Total Capital Assets Being Depreciated, Net	16,503,159	17,668	(1,254,727)	(13,911)	15,252,189
Total Capital Assets, Net	\$18,040,759	\$0	\$853,603	(\$13,911)	\$18,880,451

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)

NOTE 9: 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, 2010:

<u>Description</u>	<u>Balance 6/30/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/10</u>	<u>Due Within One Year</u>
Compensated Absences	\$217,854	\$183,961	\$172,293	\$229,522	\$22,950
Total Primary Government	\$217,854	\$183,961	\$172,293	\$229,522	\$22,950

NOTE 10: INTERPROGRAM RECEIVABLES AND PAYABLES

At June 30, 2010 inter-program receivables and (payables) consisted of the following:

Public Housing	\$75,000
COCC	(144,924)
Voucher	(6,975)
Business Activities	(105,924)
Capital Fund	11,031
Energy Performance (Other Federal Program)	171,792
TOTAL	\$0

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.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(CONTINUED)

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.

NOTE 13: SCHEDULE OF EXPENDITURE OF FEDERAL AWARD

The accompanying schedule of expenditure of federal award is a summary of the activity of the Authority's federal programs. This schedule has been prepared on the accrual basis of accounting.

NOTE 13: CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2010, the Authority implemented GASB Statement No. 51, Accounting and Reporting for Intangible Assets, GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, GASB Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards, and GASB Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies.

The implementation of GASB Statements No. 51, No. 54, No. 55, No. 56, and No. 58 did not affect the presentation of the financial statements of the Authority.

Portsmouth Metropolitan Housing Authority
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
June 30, 2010

	Project Total	Other Federal Program 1	N/C S/R Section 8 Programs	Business Activities	Housing Choice Vouchers	COCC	Formula Capital Fund Stimulus	ELIM	Total
111 Cash - Unrestricted	\$ 1,563,303	\$ -	\$ -	\$ 766,388	\$ 478,516	\$ 2,104,471	\$ -	\$ -	\$ 4,912,678
113 Cash - Other Restricted	\$ -	\$ -	\$ -	\$ -	\$ 266,179	\$ -	\$ -	\$ -	\$ 266,179
114 Cash - Tenant Security Deposits	\$ 145,427	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 145,427
100 Total Cash	\$ 1,708,730	\$ -	\$ -	\$ 766,388	\$ 744,695	\$ 2,104,471	\$ -	\$ -	\$ 5,324,284
122 Accounts Receivable - HUD Other Projects	\$ -	\$ -	\$ -	\$ -	\$ 10,373	\$ -	\$ -	\$ -	\$ 10,373
125 Accounts Receivable - Misc	\$ -	\$ -	\$ -	\$ 91,467	\$ -	\$ -	\$ -	\$ -	\$ 91,467
126 Accounts Receivable - Tenants	\$ 74,068	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,068
126.1 Allowance for Doubtful Accounts - Tenants	\$ (36,950)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (36,950)
129 Accrued Interest Receivable	\$ 2,899	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,899
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$ 40,017	\$ -	\$ -	\$ 91,467	\$ 10,373	\$ -	\$ -	\$ -	\$ 141,857
131 Investments - Unrestricted	\$ 206,362	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 206,362
142 Prepaid Expenses and Other Assets	\$ 67,704	\$ -	\$ -	\$ 1,533	\$ 3,832	\$ 3,563	\$ -	\$ -	\$ 76,632
143 Inventories	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,571	\$ -	\$ -	\$ 41,571
144 Inter Program Due From	\$ 86,031	\$ 171,792	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (257,823)	\$ -
150 Total Current Assets	\$ 2,108,844	\$ 171,792	\$ -	\$ 859,388	\$ 758,900	\$ 2,149,605	\$ -	\$ (257,823)	\$ 5,790,706
161 Land	\$ 1,492,161	\$ -	\$ -	\$ 27,771	\$ -	\$ -	\$ -	\$ -	\$ 1,519,932
162 Buildings	\$ 49,020,722	\$ 3,510,676	\$ -	\$ -	\$ -	\$ 595,391	\$ -	\$ -	\$ 53,126,789
163 Furniture, Equipment & Machinery - Dwellings	\$ 49,569	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,569
164 Furniture, Equipment & Machinery - Administration	\$ 496,741	\$ -	\$ -	\$ 58,270	\$ 44,689	\$ 275,913	\$ -	\$ -	\$ 875,613
166 Accumulated Depreciation	\$ (36,212,275)	\$ (1,918,924)	\$ -	\$ (54,359)	\$ (41,814)	\$ (572,410)	\$ -	\$ -	\$ (38,799,782)
167 Construction in Progress	\$ 2,108,330	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,108,330
160 Total Capital Assets, Net of Accumulated Depreciation	\$ 16,955,248	\$ 1,591,752	\$ -	\$ 31,682	\$ 2,875	\$ 298,894	\$ -	\$ -	\$ 18,880,451
190 Total Assets	\$ 19,064,092	\$ 1,763,544	\$ -	\$ 891,070	\$ 761,775	\$ 2,448,499	\$ -	\$ (257,823)	\$ 24,671,157

Portsmouth Metropolitan Housing Authority
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
June 30, 2010

	Project Total	Other Federal Program 1	N/C S/R Section 8 Programs	Business Activities	Housing Choice Vouchers	COCC	Formula Capital Fund Stimulus	ELIM	Total
312 Accounts Payable <= 90 Days	\$ 282,330	\$ -	\$ -	\$ 656	\$ 3,811	\$ 22,914	\$ -	\$ -	\$ 309,711
321 Accrued Wage/Payroll Taxes Payable	\$ 64,993	\$ -		\$ 4,737	\$ 7,338	\$ 23,911	\$ -	\$ -	\$ 100,979
322 Accrued Compensated Absences - Current Portion	\$ 14,168	\$ -	\$ -	\$ 349	\$ 2,665	\$ 5,768	\$ -	\$ -	\$ 22,950
333 Accounts Payable - Other Govern	\$ 68,140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,140
341 Tenant Security Deposits	\$ 145,427	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 145,427
342 Deferred Revenues	\$ 11,042	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,042
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$ -	\$ 198,138	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 198,138
345 Other Current Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
347 Inter Program - Due To	\$ -	\$ -	\$ -	\$ 105,924	\$ 6,975	\$ 144,924	\$ -	\$ (257,823)	\$ -
310 Total Current Liabilities	\$ 586,100	\$ 198,138	\$ -	\$ 111,666	\$ 20,789	\$ 197,517	\$ -	\$ (257,823)	\$ 856,387
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$ -	\$ 486,605	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 486,605
353 Non-current Liabilities - Other	\$ -	\$ -	\$ -	\$ -	\$ 11,503	\$ -	\$ -	\$ -	\$ 11,503
354 Accrued Compensated Absences - Non Current	\$ 127,525	\$ -	\$ -	\$ 3,144	\$ 23,987	\$ 51,916	\$ -	\$ -	\$ 206,572
350 Total Non-Current Liabilities	\$ 127,525	\$ 486,605	\$ -	\$ 3,144	\$ 35,490	\$ 51,916	\$ -	\$ -	\$ 704,680
300 Total Liabilities	\$ 713,625	\$ 684,743	\$ -	\$ 114,810	\$ 56,279	\$ 249,433	\$ -	\$ (257,823)	\$ 1,561,067
508.1 Invested In Capital Assets, Net of Related Debt	\$ 16,955,248	\$ 907,009	\$ -	\$ 31,682	\$ 2,875	\$ 298,894	\$ -	\$ -	\$ 18,195,708
511.1 Restricted Net Assets	\$ -	\$ -	\$ -	\$ -	\$ 254,676	\$ -	\$ -	\$ -	\$ 254,676
512.1 Unrestricted Net Assets	\$ 1,395,219	\$ 171,792	\$ -	\$ 744,578	\$ 447,945	\$ 1,900,172	\$ -	\$ -	\$ 4,659,706
513 Total Equity/Net Assets	\$ 18,350,467	\$ 1,078,801	\$ -	\$ 776,260	\$ 705,496	\$ 2,199,066	\$ -	\$ -	\$ 23,110,090
600 Total Liabilities and Equity/Net Assets	\$ 19,064,092	\$ 1,763,544	\$ -	\$ 891,070	\$ 761,775	\$ 2,448,499	\$ -	\$ (257,823)	\$ 24,671,157

Portsmouth Metropolitan Housing Authority
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
June 30, 2010

	Project Total	Other Federal Program 1	N/C S/R Section 8 Programs	Business Activities	Housing Choice Vouchers	COCC	Formula Capital Fund Stimulus	ELIM	Total
70300 Net Tenant Rental Revenue	\$ 1,582,408	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,582,408
70400 Tenant Revenue - Other	\$ 37,090	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,090
70500 Total Tenant Revenue	\$ 1,619,498	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,619,498
70600 HUD PHA Operating Grants	\$ 3,259,524	\$ -	\$ -	\$ -	\$ 2,601,000	\$ 84,651	\$ -	\$ -	\$ 5,945,175
70610 Capital Grants	\$ 814,429	\$ -	\$ -	\$ -	\$ -	\$ 5,196	\$ 1,583,802	\$ -	\$ 2,403,427
70710 Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 495,080	\$ -	\$ (495,080)	\$ -
70720 Asset Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,320	\$ -	\$ (106,320)	\$ -
70730 Book Keeping Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,648	\$ -	\$ (77,648)	\$ -
70740 Front Line Service Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70750 Other Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,854	\$ -	\$ (128,854)	\$ -
70700 Total Fee Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 807,902	\$ -	\$ (807,902)	\$ -
71100 Investment Income - Unrestricted	\$ 14,380	\$ -	\$ -	\$ 1,062	\$ 3,909	\$ 5,552	\$ -	\$ -	\$ 24,903
71200 Mortgage Interest Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
71400 Fraud Recovery	\$ -	\$ -	\$ -	\$ -	\$ 4,271	\$ -	\$ -	\$ -	\$ 4,271
71500 Other Revenue	\$ 37,336	\$ -	\$ -	\$ 358,778	\$ -	\$ 2,849	\$ -	\$ -	\$ 398,963
71600 Gain/Loss on Sale of Capital Assets	\$ (9,911)	\$ -	\$ -	\$ -	\$ -	\$ 200	\$ -	\$ -	\$ (9,711)
72000 Investment Income - Restricted	\$ -	\$ -	\$ -	\$ -	\$ 2,833	\$ -	\$ -	\$ -	\$ 2,833
70000 Total Revenue	\$ 5,735,256	\$ -	\$ -	\$ 359,840	\$ 2,612,013	\$ 906,350	\$ 1,583,802	\$ (807,902)	\$ 10,389,359
91100 Administrative Salaries	\$ 282,729	\$ -	\$ -	\$ 81,122	\$ 121,966	\$ 395,075	\$ -	\$ -	\$ 880,892
91200 Auditing Fees	\$ 6,733	\$ -	\$ -	\$ 809	\$ 2,194	\$ 5,505	\$ -	\$ -	\$ 15,241
91300 Management Fee	\$ 495,079	\$ -	\$ -	\$ 63,060	\$ 65,793	\$ -	\$ -	\$ (623,932)	\$ -
91310 Book-keeping Fee	\$ 77,650	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (77,650)	\$ -
91400 Advertising and Marketing	\$ 3,233	\$ -	\$ -	\$ -	\$ -	\$ 6,721	\$ -	\$ -	\$ 9,954
91500 Employee Benefit contributions - Administrative	\$ 112,873	\$ -	\$ -	\$ 30,932	\$ 42,550	\$ 186,452	\$ -	\$ -	\$ 372,807
91600 Office Expenses	\$ 45,296	\$ -	\$ -	\$ 5,781	\$ 21,150	\$ 40,487	\$ -	\$ -	\$ 112,714
91700 Legal Expense	\$ 11,795	\$ -	\$ -	\$ -	\$ 2,486	\$ 4,813	\$ -	\$ -	\$ 19,094
91800 Travel	\$ 10,057	\$ -	\$ -	\$ 784	\$ -	\$ 2,093	\$ -	\$ -	\$ 12,934
91810 Allocated Overhead	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
91900 Other	\$ 30,527	\$ -	\$ -	\$ 13,211	\$ 54,875	\$ 37,038	\$ -	\$ -	\$ 135,651
91000 Total Operating - Administrative	\$ 1,075,972	\$ -	\$ -	\$ 195,699	\$ 311,014	\$ 678,184	\$ -	\$ (701,582)	\$ 1,559,287

Portsmouth Metropolitan Housing Authority
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
June 30, 2010

	Project Total	Other Federal Program 1	N/C S/R Section 8 Programs	Business Activities	Housing Choice Vouchers	COCC	Formula Capital Fund Stimulus	ELIM	Total
92000 Asset Management Fee	\$ 106,320	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (106,320)	\$ -
92100 Tenant Services - Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
92200 Relocation Costs	\$ 883	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 883
92500 Total Tenant Services	\$ 883	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 883
93100 Water	\$ 101,683	\$ -	\$ -	\$ 17	\$ 24	\$ 171	\$ -	\$ -	\$ 101,895
93200 Electricity	\$ 462,659	\$ -	\$ -	\$ 838	\$ 1,173	\$ 6,586	\$ -	\$ -	\$ 471,256
93300 Gas	\$ 234,257	\$ -	\$ -	\$ 68	\$ 95	\$ 2,403	\$ -	\$ -	\$ 236,823
93400 Fuel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 189	\$ -	\$ -	\$ 189
93600 Sewer	\$ 136,753	\$ -	\$ -	\$ 19	\$ 27	\$ -	\$ -	\$ -	\$ 136,799
93000 Total Utilities	\$ 935,352	\$ -	\$ -	\$ 942	\$ 1,319	\$ 9,349	\$ -	\$ -	\$ 946,962
94100 Ordinary Maintenance and Operations - Labor	\$ 799,381	\$ -	\$ -	\$ -	\$ -	\$ 48,666	\$ -	\$ -	\$ 848,047
94200 Ordinary Maintenance and Operations - Materials and Other	\$ 244,563	\$ -	\$ -	\$ -	\$ -	\$ 16,177	\$ -	\$ -	\$ 260,740
94300 Ordinary Maintenance and Operations - Contracts	\$ 238,137	\$ -	\$ -	\$ -	\$ -	\$ 2,385	\$ -	\$ -	\$ 240,522
94500 Employee Benefit Contributions - Ordinary Maintenance	\$ 325,881	\$ -	\$ -	\$ -	\$ -	\$ 24,590	\$ -	\$ -	\$ 350,471
94000 Total Maintenance	\$ 1,607,962	\$ -	\$ -	\$ -	\$ -	\$ 91,818	\$ -	\$ -	\$ 1,699,780
95100 Protective Services - Labor	\$ 77,966	\$ -	\$ -	\$ 3,747	\$ 2,658	\$ 7,974	\$ -	\$ -	\$ 92,345
95200 Protective Services - Other Contract Costs	\$ 110,903	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,903
95300 Protective Services - Other	\$ 3,352	\$ -	\$ -	\$ -	\$ 1,031	\$ 26,508	\$ -	\$ -	\$ 30,891
95500 Employee Benefit Contributions - Protective Services	\$ 32,282	\$ -	\$ -	\$ -	\$ 868	\$ 3,934	\$ -	\$ -	\$ 37,084
95000 Total Protective Services	\$ 224,503	\$ -	\$ -	\$ 3,747	\$ 4,557	\$ 38,416	\$ -	\$ -	\$ 271,223

Portsmouth Metropolitan Housing Authority
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
June 30, 2010

	Project Total	Other Federal Program 1	N/C S/R Section 8 Programs	Business Activities	Housing Choice Vouchers	COCC	Formula Capital Fund Stimulus	ELIM	Total
96110 Property Insurance	\$ 165,498	\$ -	\$ -	\$ -	\$ 9,366	\$ 8,710	\$ -	\$ -	\$ 183,574
96130 Workmen's Compensation	\$ 17,220	\$ -	\$ -	\$ 1,200	\$ 1,849	\$ 6,598	\$ -	\$ -	\$ 26,867
96100 Total insurance Premiums	\$ 182,718	\$ -	\$ -	\$ 1,200	\$ 11,215	\$ 15,308	\$ -	\$ -	\$ 210,441
96200 Other General Expenses	\$ 12,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,200
96210 Compensated Absences	\$ 18,121	\$ -	\$ -	\$ 1,285	\$ 459	\$ (8,196)	\$ -	\$ -	\$ 11,669
96300 Payments in Lieu of Taxes	\$ 68,140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,140
96400 Bad debt - Tenant Rents	\$ 63,008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,008
96800 Severance Expense	\$ 1,019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,019
96000 Total Other General Expenses	\$ 162,488	\$ -	\$ -	\$ 1,285	\$ 459	\$ (8,196)	\$ -	\$ -	\$ 156,036
96710 Interest of Mortgage (or Bonds) Payable	\$ -	\$ 42,258	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,258
96700 Total Interest Expense and Amortization Cost	\$ -	\$ 42,258	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,258
96900 Total Operating Expenses	\$ 4,296,198	\$ 42,258	\$ -	\$ 202,873	\$ 328,564	\$ 824,879	\$ -	\$ (807,902)	\$ 4,886,870
97000 Excess of Operating Revenue over Operating Expenses	\$ 1,439,058	\$ (42,258)	\$ -	\$ 156,967	\$ 2,283,449	\$ 81,471	\$ 1,583,802	\$ -	\$ 5,502,489
97100 Extraordinary Maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
97200 Casualty Losses - Non-capitalized	\$ 47,184	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,184
97300 Housing Assistance Payments	\$ -	\$ -	\$ -	\$ -	\$ 2,349,782	\$ -	\$ -	\$ -	\$ 2,349,782
97400 Depreciation Expense	\$ 1,554,602	\$ 234,045	\$ -	\$ 3,463	\$ 2,583	\$ 37,296	\$ -	\$ -	\$ 1,831,989
90000 Total Expenses	\$ 5,897,984	\$ 276,303	\$ -	\$ 206,336	\$ 2,680,929	\$ 862,175	\$ -	\$ (807,902)	\$ 9,115,825
10010 Operating Transfer In	\$ 1,975,235	\$ 190,852	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,166,087
10020 Operating transfer Out	\$ (482,285)	\$ -	\$ -	\$ (100,000)	\$ -	\$ -	\$ (1,583,802)	\$ -	\$ (2,166,087)
10100 Tot Other financing Sources (Uses)	\$ 1,492,950	\$ 190,852	\$ -	\$ (100,000)	\$ -	\$ -	\$ (1,583,802)	\$ -	\$ -
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 1,330,222	\$ (85,451)	\$ -	\$ 53,504	\$ (68,916)	\$ 44,175	\$ -	\$ -	\$ 1,273,534
11030 Beginning Equity	\$ 17,020,245	\$ 1,164,252	\$ 63,189	\$ 722,756	\$ 711,223	\$ 2,154,891	\$ -	\$ -	\$ 21,836,556
Ending Equity	\$ 18,350,467	\$ 1,078,801	\$ 63,189	\$ 776,260	\$ 642,307	\$ 2,199,066	\$ -	\$ -	\$ 23,110,090

Portsmouth Metropolitan Housing Authority
FDS Schedule Submitted to REAC
Proprietary Fund Type - Enterprise Fund
June 30, 2010

	Project Total	Other Federal Program 1	N/C S/R Section 8 Programs	Business Activities	Housing Choice Vouchers	COCC	Formula Capital Fund Stimulus	ELIM	Total
11020 Required Annual Debt Principal Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11040 Prior Period Adjustments, Equity Transfers	\$ -	\$ -	\$ (63,189)	\$ -	\$ 63,189	\$ -	\$ -	\$ -	\$ -
11170 Administrative Fee Equity	\$ -	\$ -	\$ -	\$ -	\$ 450,820	\$ -	\$ -	\$ -	\$ 450,820
11180 Housing Assistance Payments Equity	\$ -	\$ -	\$ -	\$ -	\$ 254,676	\$ -	\$ -	\$ -	\$ 254,676
11190 Unit Months Available	10,596	\$ -	\$ -	\$ -	7,392	\$ -	\$ -	\$ -	17,988
11210 Number of Unit Months Leased	10,353	\$ -	\$ -	\$ -	7,002	\$ -	\$ -	\$ -	17,355
11270 Excess Cash	\$ 1,102,303	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,102,303
11610 Land Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11620 Building Purchases	\$ 814,429	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,583,802	\$ -	\$ 2,398,231
11630 Furniture & Equipment - Dwelling Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11640 Furniture & Equipment - Administrative Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,196	\$ -	\$ -	\$ 5,196
11650 Leasehold Improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11660 Infrastructure Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13510 CFFP Debt Service Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13901 Replacement Housing Factor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Portsmouth Metropolitan Housing Authority
 Schedule of Federal Award Expenditures
 For the Year Ended June 30, 2010

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	\$2,909,279
Public Housing Capital Fund Program (Cluster):		
- Public Housing Capital Fund Program	14.872	1,254,521
- Formula Capital Fund Stimulus Grant	14.885	<u>1,583,802</u>
Total Public Housing Capital Fund Program Cluster		<u>2,838,323</u>
Housing Choice Voucher Program	14.871	<u>2,601,000</u>
Total Expenditure of Federal Award		<u><u>\$8,348,602</u></u>

Portsmouth Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
June 30, 2010

Capital Fund Program Number OH016P01050105

1. The Program Costs are as follows:

Funds Approved	\$1,486,306
Funds Expended	<u>1,486,306</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -0-</u></u>
Funds Advanced	\$1,486,306
Funds Expended	<u>1,486,306</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 April 8, 2010.
4. The final costs on the certification agree to the Authority's records.

Portsmouth Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
June 30, 2010

Capital Fund Program Number OH016P01050106

1. The Program Costs are as follows:

Funds Approved	\$1,385,370
Funds Expended	<u>1,385,370</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -0-</u></u>
Funds Advanced	\$1,385,370
Funds Expended	<u>1,385,370</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 May 28, 2010.
4. The final costs on the certification agree to the Authority's records.



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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 Directors
Portsmouth Metropolitan Housing Authority

I have audited the financial statements of the business-type activities of Portsmouth Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2010, which collectively comprise the Portsmouth Metropolitan Housing Authority, Ohio, basic financial statements and have issued my report thereon dated September 30, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Portsmouth Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but no for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

My consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Portsmouth Metropolitan Housing Authority financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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 result of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that I have reported to management of Portsmouth Metropolitan Housing Authority in a separate letter dated September 30, 2010.

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.

Salvatore Consiglio, CPA, Inc.
September 30, 2010



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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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Portsmouth Metropolitan Housing Authority, Ohio is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Portsmouth Metropolitan Housing Authority 's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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, 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 Portsmouth Metropolitan Housing 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.

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 deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

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.

Salvatore Consiglio, CPA, Inc.
September 30, 2010

Portsmouth Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2010

1. SUMMARY OF AUDITOR'S RESULTS
--

Type of Financial Statement Opinion	Unqualified
Were there any significant deficiency reported as material weakness at the financial statement level (GAGAS)?	No
Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any significant deficiency reported for any major federal programs as material weakness?	No
Were there any other significant deficiency reported for the major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA 14.871 Housing Choice Voucher; 14.872 Public Housing Capital Fund; and 14.885 Formula Capital Fund Stimulus Grant
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
--

There are no Findings or questioned costs for the year ended June 30, 2010.

3. FINDINGS REALTED TO FEDERAL AWARDS
--

There are no Findings or questioned costs for the year ended June 30, 2010.

Portsmouth Metropolitan Housing Authority
 Schedule of Prior Audit Findings
 June 30, 2010

The following are the status of the June 30, 2009 audit findings:

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-PMHA -1	Waiting List	Yes	Corrected – Portsmouth Metropolitan Housing Authority revised its Administrative Plan.
2009-PMHA -2	Section 3 reported (form HUD 60002)	Yes	Corrected – Report were filed.

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Dave Yost • Auditor of State

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 15, 2011**