

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
Portsmouth, Ohio
Financial Statements and
Supplemental Information
Year Ended June 30, 1999

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Year Ended June 30, 1999

TABLE of CONTENTS

| | Page(s) |
|---|---------|
| <i>Financial Section</i> | |
| Independent Auditors' Report | 1 - 2 |
| Balance Sheet | 3 |
| Statement of Revenues, Expenditures and Changes in Fund Balances PHA Owned Housing | 4 |
| Statement of Revenues, Expenditures and Changes in Fund Balances Section 8 Housing Assistance Payments Program | 5 |
| Analysis of Surplus | 6 |
| Notes to Financial Statements | 7 - 14 |
| Supplemental Information: | |
| Certification of Actual Modernization Costs | 15 |
| Required Supplementary Information - Year 2000 | 16 |
| <i>Single Audit Section</i> | |
| Schedule of Expenditures of Federal Awards | 17 |
| Notes to Schedule of Expenditures of Federal Awards | 18 |
| Schedule of Findings | 19 - 20 |
| Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 21 - 22 |
| Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 | 23 - 24 |
| <i>Management Section</i> | |
| Distribution List | 25 |



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

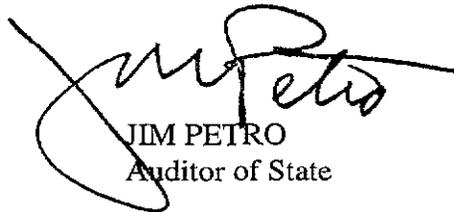
Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

Board of Directors
Portsmouth Metropolitan Housing Authority
Portsmouth, Ohio

We have reviewed the Independent Auditor's Report of the Portsmouth Metropolitan Housing Authority, Scioto County, prepared by Heller, Blosky & Dabagian, P.C., for the audit period July 1, 1998 to June 30, 1999. 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.



JIM PETRO
Auditor of State

February 3, 2000

HELLER, BLOSKY & DABAGIAN, P.C.

Certified Public Accountants & Housing Consultants

Plymouth Greene Office Campus

1000 Germantown Pike • Suite H-1

Plymouth Meeting, PA 19462

(800) 535-2623

(610) 272-4700

(610) 272-6785 FAX

Independent Auditors' Report

Board of Directors
Portsmouth Metropolitan Housing Authority
Portsmouth, Ohio

We have audited the accompanying financial statements of the Portsmouth Metropolitan Housing Authority, as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the *Public and Indian Housing Compliance Supplement* dated May 29, 1996. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 3, the Portsmouth Metropolitan Housing Authority's policy is to prepare its financial statements on the basis of accounting practices prescribed or permitted by the Department of Housing and Urban Development, which is a comprehensive basis of accounting other than generally accepted accounting principles.

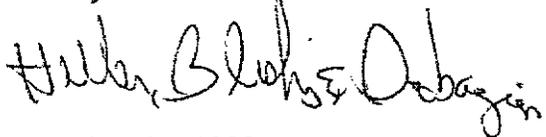
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Portsmouth Metropolitan Housing Authority, as of June 30, 1999, and the results of its operations and the changes in its fund balance for the year then ended, on the basis of accounting described in Note 3.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 1999, on our consideration of the Portsmouth Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Independent Auditors' Report
(Continued)

Our audit was performed for the purpose of forming an opinion on the financial statements of the Portsmouth Metropolitan Housing Authority, taken as a whole. The accompanying schedule of expenditures of federal awards on page 17 and the supplemental information on pages 15 and 16 are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the provisions of the *Public and Indian Housing Compliance Supplement* dated May 29, 1996, and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Year 2000 disclosures on page 16 are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and preparation of the supplementary information. However, we did not audit the information and express no opinion on it. In addition, we do not provide assurance that the Portsmouth Metropolitan Housing Authority is or will become Year 2000 compliant, or that parties with which the Authority does business are or will become Year 2000 compliant.



September 10, 1999

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Balance Sheet

June 30, 1999

| Assets | PHA Owned Housing | Section 8 Housing | Total (Memorandum Only) |
|---|----------------------------------|------------------------------|--|
| Cash and cash equivalents | \$ 730,276 | \$ 474,202 | \$ 1,204,478 |
| Accounts receivable - tenants | 6,775 | - | 6,775 |
| Accounts receivable - HUD | - | 108,399 | 108,399 |
| Accounts receivable - other | 170,974 | - | 170,974 |
| Investments | 1,063,289 | - | 1,063,289 |
| Debt service funds | 5,079 | - | 5,079 |
| Annual contributions receivable | 234,262 | - | 234,262 |
| Prepaid expenses | 82,223 | 2,859 | 85,082 |
| Land, structures and equipment | 47,393,619 | 25,117 | 47,418,736 |
| Total assets | \$ 49,686,497 | \$ 610,577 | \$ 50,297,074 |
| Liabilities and Fund Balance | | | |
| Liabilities: | | | |
| Accounts payable | \$ 107,615 | \$ 377,743 | \$ 485,358 |
| Accrued payables | 1,439,247 | 176 | 1,439,423 |
| Deferred credits | 2,176 | - | 2,176 |
| Notes payable | 5,459,472 | - | 5,459,472 |
| Total liabilities | 7,008,510 | 377,919 | 7,386,429 |
| Fund balance | 42,677,987 | 232,658 | 42,910,645 |
| Total liabilities and fund balance | \$ 49,686,497 | \$ 610,577 | \$ 50,297,074 |

See accompanying notes to financial statements.

HELLER, BLOSKY & DABAGIAN, P.C.
Certified Public Accountants & Housing Consultants

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balances - PHA Owned Housing

Year ended June 30, 1999

| | |
|---|---------------|
| <hr/> | |
| Revenues: | |
| Dwelling rentals | \$ 1,177,391 |
| Excess utilities | 9,459 |
| Intergovernmental revenue - HUD operating subsidy | 1,837,626 |
| Intergovernmental revenue - HUD modernization grants | 997,142 |
| Intergovernmental revenue - HUD drug elimination grants | 321,753 |
| Interest income | 59,047 |
| Other income | 26,464 |
| <hr/> | |
| Total revenues | 4,428,882 |
| <hr/> | |
| Expenditures: | |
| Administration | 573,445 |
| Tenant services | 89,236 |
| Utilities | 743,478 |
| Maintenance and operations | 896,339 |
| General expense | 440,634 |
| Nonroutine maintenance | 19,164 |
| Interest expense | 93,622 |
| Loss on disposition of equipment | 46,825 |
| Prior year adjustments | (53) |
| <hr/> | |
| Total expenditures | 2,902,690 |
| <hr/> | |
| Excess of revenues over expenditures | 1,526,192 |
| Fund balance, beginning of year | 41,045,676 |
| HUD annual contribution | 233,559 |
| Prior year adjustments | (127,440) |
| <hr/> | |
| Fund balance, end of year | \$ 42,677,987 |
| <hr/> | |

See accompanying notes to financial statements.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balances - Section 8 Housing Assistance Payments Program

Year ended June 30, 1999

| | |
|--------------------------------------|--------------|
| <hr/> | |
| Revenues: | |
| Intergovernmental revenues - HUD | \$ 2,377,092 |
| Interest income | 11,337 |
| Other income | 1,851 |
| <hr/> | |
| Total revenues | 2,390,280 |
| <hr/> | |
| Expenditures: | |
| Administrative | 265,542 |
| Housing assistance payments | 2,087,898 |
| <hr/> | |
| Total expenditures | 2,353,440 |
| <hr/> | |
| Excess of revenues over expenditures | 36,840 |
| Fund balance, beginning of year | 216,905 |
| Prior year adjustments | (21,087) |
| <hr/> | |
| Fund balance, end of year | \$ 232,658 |
| <hr/> | |

See accompanying notes to financial statements.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Analysis of Surplus

Year ended June 30, 1999

| | <u>Annual Contribution Contract</u> | |
|---|-------------------------------------|------------------------|
| | Public Housing | Section 8 |
| Unreserved Surplus | | |
| Balance at June 30, 1998 | \$ (28,389,341) | \$ (38,384,242) |
| HUD adjustments | | 992,692 |
| Prior year audit adjustments | (472,110) | (512,188) |
| Net loss: | | |
| PHA owned housing | (1,630,329) | |
| Provision for operating reserve | (295,248) | |
| Provision for reduction of reserves | | (6,668) |
| Balance at June 30, 1999 | \$ (30,787,028) | \$ (37,910,406) |
| Cumulative HUD Contributions and Donations | | |
| Balance at June 30, 1998 | \$ 67,801,306 | \$ 34,448,288 |
| HUD adjustments | | |
| Prior year audit adjustments | 344,670 | |
| Annual contributions: | | |
| PHA owned housing | 233,559 | |
| Housing assistance payments program | | 2,377,092 |
| Modernization grants | 1,318,895 | |
| Operating subsidies | 1,837,626 | |
| Balance at June 30, 1999 | \$ 71,536,056 | \$ 36,825,380 |
| Reserved Surplus - Operating Reserve | | |
| Balance at June 30, 1998 | \$ 1,633,711 | \$ 180,124 |
| HUD adjustments | | (9,305) |
| Prior year audit adjustments | | |
| Provision for operating reserve | 295,248 | 36,722 |
| Balance at June 30, 1999 | \$ 1,928,959 | \$ 207,541 |
| Housing Assistance Payments Program - ACC Reserve - Unfunded | | |
| Balance at June 30, 1998 | \$ - | \$ 3,972,735 |
| HUD adjustments | | (3,455,918) |
| Prior year audit adjustments | | 491,101 |
| Provision for project account | | 102,225 |
| Balance at June 30, 1999 | \$ - | \$ 1,110,143 |
| Total fund balance at June 30, 1999 | \$ 42,677,987 | \$ 232,658 |

See accompanying notes to financial statements.

HELLER, BLOSKY & DABAGIAN, P.C.
Certified Public Accountants & Housing Consultants

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements

June 30, 1999

(1) Reporting Entity

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.

(2) Description of Programs

(a) Public Housing Program

The public housing program is designed to provide low-cost housing within the City of Portsmouth. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating and debt service expenses of the program. Federal Drug Elimination and Youth Sports grants and state Gateway grants are also administered through the public housing program.

(b) Development Programs

New housing projects (included in the financial statements under the public housing program) are erected through development programs. Projects are financed through Project Notes and Bond Issues secured by pledges of annual contributions by HUD and the housing units. The debt is retired by annual contributions from HUD under the terms of the annual contributions contract.

(c) Modernization Programs

Substantially all additions to land, structures and equipment are accomplished through modernization programs (included in the financial statements under the public housing program). Modernization funds replace or materially upgrade deteriorated portions of existing Authority property.

(d) Housing Assistance Payments Program - Section 8

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income families under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements

June 30, 1999

(2) Description of Programs (Continued):

(e) Public Housing Drug Elimination

The Anti-Drug Abuse Act of 1988 authorized the Public Housing Drug Elimination Program (PHDEP). Under PHDEP, HUD awards grants to Housing Authorities (subject to appropriations) and resident management corporations for activities such as employment of security guard personnel, reimbursement of police, physical improvements to enhance security, employment of investigators, training of voluntary tenant patrols, drug prevention, intervention and treatment.

(3) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Authority's policy is to prepare its financial statements on the basis of accounting prescribed or permitted by the Department of Housing and Urban Development, which is based substantially on the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized when they become susceptible to accrual (measurable and available). Revenues are recognized for the major revenue categories as follows:

Intergovernmental revenues (annual contributions, operating subsidies, housing assistance contributions and grants) are recognized using the legal contractual requirements of programs as guidance.

Tenant rental income is recognized based on monthly billing to residents.

Service revenues are recognized as earned.

Interest revenues on cash and investments are recognized as earned.

Under the modified accrual basis of accounting, expenditures (operating, capital and debt service) are generally recognized when the related fund liability is incurred. Exceptions to this general rule include:

Prepaid expenditures (inventory) which are considered expenditures when used.

Debt service (principal and interest) which is considered an expenditure when due.

Accumulated compensated absences, which are considered expenditures when paid or taken.

(b) Cash and Cash Equivalents

Cash and cash equivalents consist of funds deposited in checking and savings accounts. Cash equivalents are stated at cost, which approximates market value.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements

June 30, 1999

(3) Summary of Significant Accounting Policies (Continued):

(c) Investments

Investments consist of certificate of deposits and money market accounts. Investments are stated at cost, which approximates market value.

(d) Land, Structures and Equipment

Expenditures for land, structures and equipment (primarily made through development and modernization programs) are capitalized at cost.

(e) Depreciation

In accordance with the accounting requirements of HUD, no provision for depreciation has been made for land, structures and equipment.

(f) Annual Contributions Receivable

Annual contributions receivables are comprised principally of receivables from HUD for future interest and principal payments on notes payable and fixed liabilities outstanding at June 30, 1999.

(g) Annual Subsidies

The Authority receives an annual subsidy from HUD for operating deficits, subject to limitations prescribed by HUD, and an annual debt service contribution to meet required principal and interest payments on project notes. Residual receipts are applied to operating reserves. Subsidies and contributions from HUD are recorded upon notification of approval and are accounted for as cumulative contributions of surplus.

(h) Notes Payable and Fixed Liabilities

Notes payable and fixed liabilities are loans made to the Authority, guaranteed by the federal government, to finance development and modernization costs. Principal and interest on these loans may be paid through annual contributions for debt service from HUD, or become forgiven and recorded as cumulative contributions of grants.

(i) Prior Year Adjustments

All reference to prior year adjustments are made strictly in accordance with the Department of Housing and Urban Development's definition of this phrase. The prior period adjustments were made to properly state the surplus accounts based on the Authority's year-end balance sheet.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements

June 30, 1999

(3) Summary of Significant Accounting Policies (Continued):

(j) Tax Liability

The Authority is by law exempt from all Federal, state and local taxes and assessments. The Authority has elected to pay a "Payment in Lieu of Taxes (PILOT)" based principally on a percentage of tenant dwelling income received in the HUD-assisted programs.

(k) Use of Estimates

The preparation of financial statements in conformity with an other comprehensive basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(l) Total Columns on Combined Statements

Total columns on the combined statements are captioned Memorandum Only to indicated that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles; neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data. Combined total information for the year ended June 30, 1999, is presented as a basis for comparison and is not intended to present all information necessary for such information to be in conformity with generally accepted accounting principles.

(4) Cash and Investments

The Governmental Accounting Standards Board has established three (3) risk categories for deposits. Category 1 includes deposits insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 includes uncollateralized deposits. This includes any bank balance that is collateralized with securities held by the pledging institution or its trust department or agent but not in the Authority's name.

All deposits are carried at cost. As of June 30, 1999, the bank balances of the Authority's cash and investments was \$2,267,767. Of the bank balances, \$300,000 was insured by FDIC insurance. The remaining balance of \$1,967,767 was classified as Category 1 for deposits.

The Government Accounting Standards Board has established three (3) risk categories for investments. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or by its agent in the Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparts trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterpart or by its trust department or agent, but not in the Authority's name.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements

June 30, 1999

(4) Cash and Investments (Continued):

HUD Handbook 7475.1, Chapter 4, section 1, authorized the PHA to make investments in direct obligations of the Federal Government, obligation of Federal Government Agencies, securities of Government-sponsored Agencies and demand and savings deposits and certificates of deposits.

The Authority had only money market deposits and certificates of deposit on hand and classified as investments. As of June 30, 1999, the balance was \$1,063,289.

(5) Inventory

Inventory is valued at the lower of cost or market. The cost of inventory is recorded as an expenditure at the time individual items are consumed (consumption method).

(6) Land, Structures and Equipment

Development accounts accumulate costs as expended. When projects are completed and closed out the costs are transferred to the land, structure and equipment account. For financial statement purposes, the accumulated costs of uncompleted projects are combined with the land, structures and equipment account. This combination of costs for the fiscal year ended June 30, 1999, is as follows:

| | Balance 6/30/98 | Additions | Retirements | Balance 6/30/99 |
|---------------------------|--------------------|-------------|-------------|--------------------|
| L, S & E - Public Housing | \$46,305,659 | \$1,134,785 | \$ 46,825 | \$47,393,619 |
| L, S & E - Section 8 | 36,781 | 12,118 | 23,782 | 25,117 |
| Total | \$46,342,440 | \$1,146,903 | \$ 70,607 | \$47,418,736 |

(7) Pension Plan

All Portsmouth Metropolitan Housing Authority's full-time employees participate in the Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee retirement system operated by the State of Ohio. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43125-4642 or by calling (614) 466-2085.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements

June 30, 1999

(7) Pension Plan (Continued):

All employees are required to be members of PERS. Those individuals working less than 20 hours per week or students working less than 1,500 hours per calendar year have an option to exclude themselves from membership. Employees may retire at or after age 60 with 5 years of credited service. They are entitled to a retirement benefit, payable monthly for life, equal to 2.1% of their final average salary for each year of credited service. Final average salary is the employee's average salary over the highest three (3) years of earnings. Benefits fully vest upon reaching 5 years of service. Employees may retire at any age with 30 years of service, at age 60 with a minimum of 5 years of credited service, and at age 55 with a minimum of 25 years of service. Those individuals retiring with less than 30 years of service or less than age 65 receive reduced retirement benefits. Benefits are established by state statute.

Covered employees are required by state statute to contribute 8.5% of their salary to the plan. The total 1999 employer contribution rate for local government units was 13.55% of which 9.35% is used to fund pension obligations. The difference between the total employer rate and the portion used to fund pension obligations is the amount used to fund the health care program for those retired. For the year ended June 30, 1999, the employer portion of the retirement contribution amounted to \$170,690 and contributions to the retirement system are within the limitations imposed by HUD. The Authority's contributions to the PERS of Ohio for fiscal years ending June 30, 1998 and 1997, were \$163,963 and \$159,594 respectively.

The pension benefit obligation is the actuarial present value of credited projected benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of the employee's service to date. The measure is intended to help users assess PERS' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. This calculation does not reflect the method used by Ohio PERS to determine funding requirements. Ohio PERS determines its actuarial liability based on the entry age normal method of funding.

PERS provides post-retirement health care coverage to age and service those retired with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. As noted above, the ORC provides statutory authority for employer contributions. A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care; at December 31, 1998, that portion was 4.20%.

PERS' funding policy provides for periodic employer contributions at actuarially determined rates, expressed as a percentage of annual covered payroll, which, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method.

The number of active participants is approximately 371,563. Actuarial contribution requirements are determined for the retirement plan as a whole, not for the individual employers. Net assets available for payment of benefits at December 31, 1998, was \$10,011,840,228.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements

June 30, 1999

(8) Notes Payable and Fixed Liabilities

A summary of notes payable and fixed liabilities is as follows:

| | Interest Rate | Due Date | Balance 6/30/98 | New Issues | Retirements | Balance 6/30/99 |
|---------------------|---------------|----------|---------------------|-------------|------------------|---------------------|
| Notes Payable - HUD | various | various | \$ 3,700,000 | \$ - | \$ - | \$ 3,700,000 |
| Bonds payable | 3.375% | 05/01/05 | 355,000 | - | 45,000 | 310,000 |
| Bonds payable | 5.250% | 07/01/09 | 1,095,022 | - | 67,780 | 1,027,242 |
| Bonds payable | 5.250% | 07/01/09 | 450,090 | - | 27,860 | 422,230 |
| Total | | | \$ 5,600,112 | \$ - | \$140,640 | \$ 5,459,472 |

The bonds were issued to raise funds for five housing developments owned by the Authority. The principal and interest payments on the bonds are covered by contributions from HUD, made directly to the fiscal agents on behalf of the Authority. Aggregate principal payments for the next five years ending June 30 are as follows:

| | |
|---------------------|--------------------|
| 2000 | \$ 151,091 |
| 2001 | 150,551 |
| 2002 | 161,498 |
| 2003 | 172,444 |
| 2004 and Thereafter | <u>1,123,888</u> |
| | <u>\$1,759,472</u> |

The Portsmouth Metropolitan Housing Authority has signed a debt forgiveness agreement with HUD, which provides for the following:

HUD will forgive all HUD held notes, which were to be repaid using fixed annual contributions. HUD will also forgive the accrued interest on these notes. The forgiven debt will be treated as HUD contributions on the Housing Authority's books.

(9) Insurance

The Authority is exposed to all common perils associated with the ownership and rental of real estate properties. A risk management program has been established to minimize loss occurrence and to transfer risk through various levels of insurance. Property, casualty, employee dishonesty and public official's liability forms are used to cover the respective perils. Insurance for these perils is underwritten by a housing authority insurance pool: Housing Authority Risk Retention Pool (SHARP). Commercial carriers insure all other common perils such as business auto, flood, computer, construction bonds and other miscellaneous policies.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements

June 30, 1999

(10) Contingencies

Under the terms of federal and state grants, periodic audits are required and certain expenditures may be questioned as not appropriate under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Authority's management believes disallowances, if any, will be immaterial.

(11) Economic Dependency

The Authority is economically dependent on receiving operating subsidies from the U.S. Department of Housing and Urban Development (HUD).

(12) Compensated Absences

Compensated absences are vacation, sick leave and other leave benefits accrued by employees. Under the accounting principles prescribed by the Department of Housing and Urban Development the Authority may elect not to accrue these benefits. Accordingly, the Authority does not accrue compensated absences.

(13) Advertising Costs

Advertising costs are generally charged to operations in the year incurred and totaled \$105, for the year ended June 30, 1999.

Supplemental Information

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Certification of Actual Modernization Costs

June 30, 1999

| | Comprehensive Grant - 704 |
|---|------------------------------|
| Funds approved | \$ 1,341,992 |
| Funds expended | 1,341,992 |
| Donations | - |
| Excess of (deficiency) of funds approved | \$ - |
| | |
| Funds Advanced | \$ 1,341,992 |
| Funds Expended | 1,341,992 |
| Donations | - |
| Excess of (deficiency) of funds advanced | \$ - |

1. The total amount of costs as shown on the Actual Modernization Cost Certificate is in agreement with the Authority's cost ledgers for all included projects.
2. All modernization work in connection with the periods has been completed.
3. The entire Actual Modernization Cost or liabilities incurred by the Authority have been fully paid.

See Independent Auditors' Report.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Required Supplementary Information

June 30, 1999

Year 2000 Issue

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the Authority's operations. The Authority has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 Issue and that are necessary to conducting the Authority's operations. Based on this inventory, the Authority is in the remediation phase for all systems which are mission-critical (that is, critical to conducting operations). The Authority is expensing all costs associated with these system changes as the costs are incurred.

Because of the unprecedented nature of the Year 2000 Issue, its effects and success of related remediation efforts will not be fully determinable until year 2000 and thereafter. The Authority has sent out and received back inquiries from parties with whom the Authority does business regarding their Year 2000 readiness. Management, however, cannot assure that the Authority is or will be Year 2000 ready, that remediation efforts will be successful in whole or in part, or the parties with whom the Authority does business will be Year 2000 ready.

See Independent Auditors' Report.

-16-

HELLER, BLOSKY & DABAGIAN, P.C.
Certified Public Accountants & Housing Consultants

Single Audit Requirements

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 1999

| <u>Federal grantor/Pass-through grantor/Program title</u> | <u>Federal CFDA #</u> | <u>Revenue Recognized</u> | <u>Expenditures</u> |
|---|---------------------------|-------------------------------|---------------------|
| U.S. Department of Housing and Urban Development | | | |
| Public and Indian Housing | | | |
| Annual Contributions | 14.850 | \$ 234,262 | \$ 234,262 |
| Operating Subsidy | 14.850 | 1,837,626 | 1,837,626 |
| Comprehensive Grant Programs | 14.852 | 997,142 | 997,142 |
| Drug Elimination Program | 14.854 | 321,753 | 321,753 |
| <u>Total Public and Indian Housing</u> | | <u>3,390,783</u> | <u>3,390,783</u> |
| Section 8 Tenant Based Cluster | | | |
| Section 8 Rental Certificate Program | 14.857 | 1,043,853 | 1,043,853 |
| Section 8 Rental Voucher Program | 14.855 | 745,061 | 745,061 |
| Section 8 Moderate Rehabilitation | 14.856 | 1,805 | 1,805 |
| Section 8 New Construction Program | 14.856 | 586,372 | 586,372 |
| <u>Total Section 8 Tenant Based Cluster</u> | | <u>2,377,091</u> | <u>2,377,091</u> |
| <u>Total U.S. Department of Housing and Urban Development</u> | | <u>\$ 5,767,874</u> | <u>\$ 5,767,874</u> |

See Independent Auditors' Report and
Notes to Schedule of Expenditures of Federal Awards.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

Fiscal Year Ended June 30, 1999

(1) Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.

Annual Contributions are not directly received by the Authority. The expenditures are passed through the U.S. Department of Housing and Urban Development to the trustee to retire debt.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Schedule of Findings
OMB Circular A-133, Section 505

Fiscal Year Ended June 30, 1999

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Reportable condition(s) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes no

Reportable condition(s) identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Major programs:

- CFDA No. 14.850 - Public Housing Annual Contribution
- CFDA No. 14.850 - Public Housing Operating Subsidy
- CFDA No. 14.852 - Comprehensive Grant Program
- CFDA No. 14.857 - Section 8 Existing Program
- CFDA No. 14.855 - Section 8 Voucher Program
- CFDA No. 14.856 - Section 8 Mod Rehab

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Schedule of Findings
OMB Circular A-133, Section 505

Fiscal Year Ended June 30, 1999

Dollar threshold used to distinguish
between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

None

HELLER, BLOSKY & DABAGIAN, P.C.

Certified Public Accountants & Housing Consultants

Plymouth Greene Office Campus
1000 Germantown Pike • Suite H-1
Plymouth Meeting, PA 19462

(800) 535-2623

(610) 272-4700

(610) 272-6785 FAX

Independent Auditors' 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
Portsmouth, Ohio

We have audited the financial statements of the Portsmouth Metropolitan Housing Authority as of and for the year ended June 30, 1999, and have issued our report thereon dated September 10, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the *Public and Indian Housing Compliance Supplement* dated May 29, 1996.

Compliance

As part of obtaining reasonable assurance about whether the Portsmouth Metropolitan Housing Authority's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

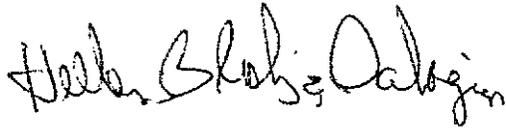
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Portsmouth Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which we have reported to management of the Portsmouth Metropolitan Housing Authority in a separate letter dated September 10, 1999.

HB
& D

**Independent Auditors' Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
(Continued)**

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



September 10, 1999

HELLER, BLOSKY & DABAGIAN, P.C.

Certified Public Accountants & Housing Consultants

Plymouth Greene Office Campus
1000 Germantown Pike • Suite H-1
Plymouth Meeting, PA 19462
(800) 535-2623
(610) 272-4700
(610) 272-6785 FAX

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A - 133

Board of Directors
Portsmouth Metropolitan Housing Authority
Portsmouth, Ohio

Compliance

We have audited the compliance of the Portsmouth Metropolitan Housing Authority 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, 1999. The Authority's major federal programs are identified in the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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*, and the provisions of the *Public and Indian Housing Compliance Supplement* dated May 29, 1996. Those standards and OMB Circular A-133 require that we 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's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Portsmouth Metropolitan Housing Authority 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, 1999.

**Independent Auditors' Report on Compliance with Requirements Applicable
to Each Major Federal Program and Internal Control Over Compliance in Accordance
with OMB Circular A - 133**

(Continued)

Internal Control Over Compliance

The management of the Portsmouth Metropolitan Housing Authority 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 our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance which we have reported to management of the Portsmouth Metropolitan Housing Authority in a separate letter dated September 10, 1999.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



September 10, 1999

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Distribution List

For the Year Ended June 30, 1999

Distribution List:

Federal Agencies

U.S. Department of Housing and Urban Development
Cincinnati Area Office
525 Vine Street, Suite 700
Cincinnati, Ohio 45202-3188

(Four copies)

Single Audit Clearinghouse
1201 East 10th Street
Jeffersonville, Indiana 47132

(One copy and one original Data Collection form)

State Agencies

Auditor of State
Quality Assurance
35 North 4th Street, 1st Floor
Columbus, Ohio 43215

(Ten copies)



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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.

By: Susan Babbitt

Date: MARCH 7, 2000