

Portsmouth Metropolitan Housing Authority

Financial Statements

For the Year Ended June 30, 2009





Mary Taylor, CPA  
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, 2008 through June 30, 2009. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 2, 2010

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PORTMOUTH METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2009

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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, 2009, 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, 2009, 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 October 23, 2009, 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.

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Salvatore Consiglio, CPA, Inc.  
October 23, 2009

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2009

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 \$23,296,296 and \$23,822,169 for 2009 and 2008 respectively. The Authority –wide statements reflect a decrease in total assets of \$525,873 (or 2.2%) during 2009. This decrease is reflective of the year's activities.
- Revenue decreased by \$506,454 during 2009, and was \$8,644,743 and \$9,151,197 for 2009 and 2008 respectively.
- Total expenses of all Authority programs decreased by \$472,115 (or 5%). Total expenses were \$8,871,076 and \$9,343,189 for 2009 and 2008 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  
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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  
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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  
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**Contract Administration Program (a business activity)** – The Authority is one of nine agencies in the state of Ohio to participate in a program which conducts Management and Occupancy Reviews of HUD Multifamily sites in the state. The Authority earns a management fee plus incentives for administering approximately 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>2009</u>	<u>2008</u>	<u>Change</u>
Current Assets	\$ 5,255,537	\$ 4,997,569	\$ 257,968
Capital Assets	18,040,759	18,824,600	(783,841)
Total Assets	<u>\$ 23,296,296</u>	<u>\$ 23,822,169</u>	<u>\$ (525,873)</u>
Current Liabilities	\$ 567,663	\$ 652,711	\$ (85,048)
Long-Term Liabilities	892,077	1,106,569	(214,492)
Total Liabilities	<u>\$ 1,459,740</u>	<u>\$ 1,759,280</u>	<u>\$ (299,540)</u>
Investment in Capital Assets, net of Debt	\$ 17,168,214	\$ 17,774,050	(605,836)
Restricted Net Assets	336,223	301,097	35,126
Unrestricted Net Assets	4,332,119	3,987,742	344,377
Total Net Assets	<u>21,836,556</u>	<u>22,062,889</u>	<u>(226,333)</u>
Total Liabilities and Net Assets	<u>\$ 23,296,296</u>	<u>\$ 23,822,169</u>	<u>\$ (525,873)</u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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For more detailed information see the Statement of Net Assets.

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

- Current assets increased by \$257,968, while current liabilities decreased by \$85,048. Reflective of current year activities.
- The decrease in Capital assets of \$783,841 was due to \$961,458 in additions and \$1,745,299 in depreciation expense.
- The Net Assets section decrease of \$226,333 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>2009</u>	<u>2008</u>	<u>Change</u>
<b><u>Revenues</u></b>			
Tenant Revenues	\$ 1,496,965	\$ 1,476,243	\$ 20,722
Operating Subsidies	5,702,755	5,805,491	(102,736)
Capital Grants	949,972	1,343,049	(393,077)
Investment Income	79,729	181,438	(101,709)
Other Revenues	415,322	344,976	70,346
<b>Total Revenues</b>	<b><u>8,644,743</u></b>	<b><u>9,151,197</u></b>	<b><u>(506,454)</u></b>
<b><u>Expenses</u></b>			
Administrative	1,633,292	1,624,114	9,178
Tenant Services	385	100,541	(100,156)
Utilities	983,972	866,819	117,153
Maintenance	1,635,369	1,740,889	(105,520)
Protective Services	247,836	240,795	7,041
General and Interest Expenses	345,534	361,617	(16,083)
Housing Assistance Payments	2,279,389	2,271,021	8,368
Other Operating Expenses	0	363,368	(363,368)
Depreciation	1,745,299	1,774,025	(28,726)
<b>Total Expenses</b>	<b><u>8,871,076</u></b>	<b><u>9,343,189</u></b>	<b><u>(472,113)</u></b>
<b>Net Increases (Decreases)</b>	<b><u>\$ (226,333)</u></b>	<b><u>\$ (191,992)</u></b>	<b><u>\$ (34,341)</u></b>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Assets**

The Authority's total revenue decreased by \$506,454. This is a reflection of a decrease in Public Housing Operating Subsidy and Capital Fund Program activities during the year. There was also an increase in Tenant Revenue and a noticeable decrease in Investment Revenue due to lower interest rates. Expenses decreased by \$472,113 for 2009. The Authority was able to increase the Section 8 lease up to coincide with Section 8 funding. Once again, there was an increase in both employee health coverage and state Public Employees Retirement System contributions. The Authority has implemented an Early Retirement Incentive Plan through OPERS in which four employees have elected to participate which accounts for the increased expenses. The Tenant Services Department had two employees, one whom elected to participate in the Early Retirement Incentive Plan and one who took disability retirement. The Authority elected to eliminate the department and added those duties to other current employees. Other expenses show a deficit this year which reflects the receipt of insurance proceeds to cover work which was completed in the previous year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of year-end, the Authority had \$18,040,759 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions and depreciation) of \$783,841 from the end of last year.

**TABLE 3**

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

	<u>2009</u>	<u>2008</u>
Land	\$ 1,519,932	\$ 1,519,932
Buildings	52,590,343	51,296,009
Furniture, Equipment & Machinery - Dwelling	50,225	50,225
Furniture, Equipment & Machinery - Admin	858,825	871,979
Construction in Progress	17,668	401,312
Accumulated Depreciation	(36,996,234)	(35,314,857)
Total	<u>\$ 18,040,759</u>	<u>\$ 18,824,600</u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
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The following reconciliation summarizes the change in Capital Assets.

**TABLE 4  
CHANGE IN CAPITAL ASSETS**

Beginning Balance - June 30, 2008	\$	18,824,600
Current year Additions		961,458
Current year Depreciation Expense		<u>(1,745,299)</u>
Ending Balance - June 30, 2009	\$	<u><u>18,040,759</u></u>

Current year Additions are summarized as follows:

- Capital Improvements	\$	901,617
- Platform Litter		1,746
- 2 Maintenance Trucks		48,160
- Call System		2,200
- Landscaping		4,900
- Security System		<u>2,835</u>
Total 2009 Additions	\$	<u><u>961,458</u></u>

**Debt Outstanding**

As of year-end, the Authority had \$872,545 in debt (bonds, notes, etc.) outstanding compared to \$1,050,550 for prior year. This debt was incurred for the energy performance contract for the acquisition and installation of energy efficient building fixtures.

	<u>2009</u>	<u>2008</u>
Beginning Balance	\$ 1,050,550	\$ 1,219,267
Current Year Principal Payments	(178,004)	(168,717)
Rounding Adjustment	<u>(1)</u>	<u>-</u>
Ending Balance	<u><u>\$ 872,545</u></u>	<u><u>\$ 1,050,550</u></u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2009

UNAUDITED

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

- Federal funding cuts of the Department of Housing and Urban Development for both Public Housing and Housing Choice Voucher Programs.
- The elimination of the Drug Elimination Grant by the Department of Housing and Urban Development and the need to absorb those costs into the current Public Housing Operating budget to maintain our security programs in place.
- The increase in employee benefits, namely employee health insurance costs.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary rates on utility costs, supplies, salaries and other costs.
- Reduction in 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 currently 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 added 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 have upgraded elevators at three high rise buildings, replaced closet doors at one, and remodeled the entrance and lobby at another for handicapped accessibility. However, with our future funding being uncertain we have begun to follow the Capital Fund Program closely. Our future plans include concrete work, replacing/removing fencing, replacement of roofs, and tuck pointing the brick and foundations at two of our older developments. We will be doing this with our stimulus monies.

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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2009

UNAUDITED

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**Portsmouth Metropolitan Housing Authority**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2009**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 4,072,233
Restricted cash	491,572
Receivables, net	570,725
Inventories, net	40,969
Prepaid expenses and other assets	80,038
<b>Total current assets</b>	<b><u>5,255,537</u></b>

**Noncurrent assets**

Capital assets:	
Land	1,519,932
Building and equipment	53,499,393
Construction in Progress	17,668
Less accumulated depreciation	<u>(36,996,234)</u>
<b>Total noncurrent assets</b>	<b><u>18,040,759</u></b>
<b>Total assets</b>	<b><u><u>\$23,296,296</u></u></b>

**LIABILITIES**

**Current liabilities**

Accounts payable	\$ 38,393
Accrued liabilities	124,791
Intergovernmental payables	54,725
Tenant security deposits	144,083
Bonds, notes, and loans payable	187,802
Other current liabilities	17,869
<b>Total current liabilities</b>	<b><u>567,663</u></b>

**Noncurrent liabilities**

Bonds, notes, and loans payable	684,743
Accrued compensated absences non-current	196,068
Noncurrent liabilities - other	11,266
<b>Total noncurrent liabilities</b>	<b><u>892,077</u></b>
<b>Total liabilities</b>	<b><u><u>\$1,459,740</u></u></b>

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, 2009**

**NET ASSETS**

Invested in capital assets, net of related debt	\$ 17,168,214
Restricted Net Assets	336,223
Unrestricted net assets	4,332,119
<b>Total net assets</b>	<b><u>21,836,556</u></b>

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

**Portsmouth Metropolitan Housing Authority**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2009**

**OPERATING REVENUES**

Tenant Revenue	\$ 1,496,965
Government operating grants	5,702,755
Other revenue	413,863
<b>Total operating revenues</b>	<b><u>7,613,583</u></b>

**OPERATING EXPENSES**

Administrative	1,633,292
Tenant services	385
Utilities	983,972
Maintenance	1,635,369
Protective services	247,836
General	293,459
Housing assistance payment	2,279,389
Depreciation	1,745,299
<b>Total operating expenses</b>	<b><u>8,819,001</u></b>
<b>Operating income (loss)</b>	<b><u>(1,205,418)</u></b>

**NONOPERATING REVENUES (EXPENSES)**

Interest and investment revenue	79,729
Gain from sale of assets	1,459
Interest expense	(52,075)
<b>Total nonoperating revenues (expenses)</b>	<b><u>29,113</u></b>
Income (loss) before contributions and transfers	(1,176,305)
Capital grants	<u>949,972</u>
Change in net assets	(226,333)
Total net assets - beginning	<u>22,062,889</u>
<b>Total net assets - ending</b>	<b><u><u>\$21,836,556</u></u></b>

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

**Portsmouth Metropolitan Housing Authority**  
**Statement of Cash Flows**  
**Proprietary Funds - Enterprise Fund**  
**For the Year Ended June 30, 2009**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from grantor	\$5,870,681
Cash received from tenants	1,482,692
Cash received from other sources	408,292
Cash payment for housing assistance	(2,279,389)
Cash payment for administrative and operating expenses	<u>(4,946,922)</u>
<b>Net cash provided by operating activities</b>	<b><u>535,354</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	<u>68,261</u>
<b>Net cash used by investing activities</b>	<b><u>68,261</u></b>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Capital Grant funding received from HUD	949,972
Proceeds from sale of assets	1,459
Payment of long-term borrowings	(178,004)
Payment of interest expense	(52,075)
Property and equipment purchased	<u>(961,458)</u>
<b>Net cash used by financing activities</b>	<b><u>(240,106)</u></b>
Net Increase (Decrease) in Cash	363,509
Cash and cash equivalents – Beginning of Year	<u>4,200,296</u>
<b>Cash and cash equivalents – End of Year</b>	<b><u><u>\$4,563,805</u></u></b>

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, 2008**

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

Net Operating Income (Loss)	(\$1,205,418)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	1,745,299
- (Increases) Decreases in Accounts Receivable	132,832
- (Increases) Decreases in Prepaid Assets	(4,810)
- (Increases) Decreases in Inventory	(11,014)
- Increases (Decreases) in Accounts Payable	(69,202)
- Increases (Decreases) in Accrued Expenses Payable	10,882
- Increases (Decreases) in Intergovernmental Payable	(7,197)
- Increases (Decreases) in Other Current Liabilities	(39,079)
- Increases (Decreases) in Other Noncurrent Liabilities	(14,540)
- Increases (Decreases) in Accrued Compensated Absences	(12,149)
- Increases (Decreases) in Tenant Security Deposits	9,750
<b>Net cash provided by operating activities</b>	<b>\$535,354</b>

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, 2009

**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, 2009  
(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  
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**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, 2009  
(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, 2009  
(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, 2009, the carrying amount of the Authority's deposits totaled \$4,563,805 and its bank balance was \$4,647,221. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2009, \$3,447,221 was exposed to custodial risk as discussed below, while \$1,200,000 was covered by the Federal Depository Insurance Corporation.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(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, 2009, tenant account receivable is shown net of an allowance for doubtful accounts of \$24,700.

**NOTE 5: DEFINED BENEFIT PENSION PLAN**

All full-time employees of Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

Ohio Public Employees Retirement System administers 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.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

**NOTE 5: DEFINED BENEFIT PENSION PLAN** (Continued)

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The 2008 employer pension contribution rate for Authority was 14 percent of covered payroll. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority's contribution for the years ended June 30, 2009, 2008, and 2007 amounted to \$251,046, \$267,409, and \$248,875. These costs have been charged to the employee fringe benefit account.

**NOTE 6: POST-EMPLOYMENT BENEFITS**

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory Authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2009 employer contribution rate (identified above) that was used to fund health care was 5.0 percent of covered payroll, which amounted to \$89,659. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2007. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2007 was 6.5 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from .5% to 4% for the next 7 years. In subsequent years (8 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 364,076. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2007 was \$12.8 billion. The actuarially

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

**NOTE 6: POST-EMPLOYMENT BENEFITS** (Continued)

accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.8 billion and \$17.0 billion, respectively.

OPERS Retirement Board Implemented its Health Care Preservation Plan (HCPP). HCPP was adopted on September 9, 2004, and is effective on January 1, 2007. In addition, OPERS created a separate investment pool for health care assets. Members and employers contribution rates increases in January 1, 2006, 2007, and 2008 will allow 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, 2009 amounted to \$234,045 and the net book value is \$1,825,797.

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

	<b><u>Principal</u></b>	<b><u>Interest</u></b>
June 30, 2010	\$187,802	\$42,278
2011	198,139	31,941
2012	209,045	21,035
2013	220,551	9,529
2014	57,008	511
Total	<u>\$872,545</u>	<u>\$105,294</u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

**NOTE 8: CAPITAL ASSETS**

	<b>Balance 06/30/08</b>	<b>Adjust</b>	<b>Additions</b>	<b>Deletion</b>	<b>Balance 06/30/09</b>
<b>Capital Assets Not Depreciated:</b>					
Land	\$1,519,932	\$0	\$0	\$0	\$1,519,932
Construction in Progress	401,312	(401,312)	17,668	0	17,668
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,921,244</b>	<b>(401,312)</b>	<b>17,668</b>	<b>0</b>	<b>1,537,600</b>
<b>Capital Assets Being Depreciated:</b>					
Buildings	51,296,009	401,312	893,022	0	52,590,343
Furnt, Mach. & Equip - Admin	871,979	0	50,768	(63,922)	858,825
Furnt, Mach. & Equip - Dwelling	50,225	0	0	0	50,225
<b>Total Capital Assets Being Depreciated</b>	<b>52,218,213</b>	<b>401,312</b>	<b>943,790</b>	<b>(63,922)</b>	<b>53,499,393</b>
<b>Accumulated Depreciated:</b>					
Buildings	(34,537,784)	0	(1,696,554)	0	(36,234,338)
Furnt, Mach. & Equip - Admin	(764,838)	0	(42,413)	63,922	(743,329)
Furnt, Mach. & Equip - Dwelling	(12,235)	0	(6,332)	0	(18,567)
<b>Total Accumulated Depreciated</b>	<b>(35,314,857)</b>	<b>0</b>	<b>(1,745,299)</b>	<b>63,922</b>	<b>(36,996,234)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>16,903,356</b>	<b>401,312</b>	<b>(801,509)</b>	<b>0</b>	<b>16,503,159</b>
<b>Total Capital Assets, Net</b>	<b>\$18,824,600</b>	<b>\$0</b>	<b>(\$783,841)</b>	<b>\$0</b>	<b>\$18,040,759</b>

**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.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2009  
 (CONTINUED)

**NOTE 9: COMPENSATED ABSENCES** (Continued)

The following is a summary of changes in compensated absences for the year ended June 30, 2009:

Description	Balance 6/30/08	Additions	Deletions	Balance 6/30/09	Due Within One Year
Compensated Absences	\$231,352	\$167,857	\$181,355	\$217,854	\$21,786
Total Primary Government	<u>\$231,352</u>	<u>\$167,857</u>	<u>\$181,355</u>	<u>\$217,854</u>	<u>\$21,786</u>

**NOTE 10: INTERPROGRAM RECEIVABLES AND PAYABLES**

At June 30, 2009 interprogram receivables and (payables) consisted of the following:

Public Housing	(\$475,346)
COCC	815,377
Voucher	(36,861)
Business Activities	(101,804)
Capital Fund	(412,366)
Energy Performance (Other Federal Program)	<u>211,000</u>
 TOTAL	 <u>\$0</u>

**NOTE 11: ECONOMIC DEPENDENCY**

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

**NOTE 12: RISK MANAGEMENT**

Significant losses are covered by commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage except for deductibles.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009  
(CONTINUED)

**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.

Portsmouth Metropolitan Housing Authority  
FDS Schedule Submitted to REAC  
Proprietary Fund Type - Enterprise Fund  
June 30, 2009

	Project Total	Other Federal Program 1	N/C S/R Section 8 Programs	Business Activities	Housing Choice Vouchers	COCC	ELIM	Total
111 Cash - Unrestricted	\$ 342,670	\$ 453,655	\$ 63,189	\$ -	\$ 35,320	\$ 827,399	\$ -	\$ 1,722,233
113 Cash - Other Restricted	\$ -	\$ -	\$ -	\$ -	\$ 347,489	\$ -	\$ -	\$ 347,489
114 Cash - Tenant Security Deposits	\$ 144,083	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,083
100 Total Cash	\$ 486,753	\$ 453,655	\$ 63,189	\$ -	\$ 382,809	\$ 827,399	\$ -	\$ 2,213,805
122 Accounts Receivable - HUD Other Projects	\$ 412,366	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 412,366
125 Accounts Receivable - Miscellaneous	\$ -	\$ 91,077	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,077
126 Accounts Receivable - Tenants	\$ 68,137	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,137
126.1 Allowance for Doubtful Accounts -Tenants	\$ (24,700)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (24,700)
129 Accrued Interest Receivable	\$ 17,405	\$ 309	\$ -	\$ -	\$ 3,773	\$ 2,358	\$ -	\$ 23,845
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$ 473,208	\$ 91,386	\$ -	\$ -	\$ 3,773	\$ 2,358	\$ -	\$ 570,725
131 Investments - Unrestricted	\$ 1,450,000	\$ 250,000	\$ -	\$ -	\$ 400,000	\$ 250,000	\$ -	\$ 2,350,000
142 Prepaid Expenses and Other Assets	\$ 70,713	\$ 1,601	\$ -	\$ -	\$ 4,002	\$ 3,722	\$ -	\$ 80,038
143 Inventories	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,969	\$ -	\$ 40,969
144 Inter Program Due From	\$ -	\$ -	\$ -	\$ 211,000	\$ -	\$ 814,647	\$ (1,025,647)	\$ -
150 Total Current Assets	\$ 2,480,674	\$ 796,642	\$ 63,189	\$ 211,000	\$ 790,584	\$ 1,939,095	\$ (1,025,647)	\$ 5,255,537
161 Land	\$ 1,492,161	\$ 27,771	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,519,932
162 Buildings	\$ 48,484,275	\$ -	\$ -	\$ 3,510,676	\$ -	\$ 595,391	\$ -	\$ 52,590,342
163 Furniture, Equipment & Machinery - Dwellings	\$ 50,225	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,225
164 Furniture, Equipment & Machinery - Administration	\$ 480,443	\$ 58,270	\$ -	\$ -	\$ 44,689	\$ 275,424	\$ -	\$ 858,826
166 Accumulated Depreciation	\$ (34,674,317)	\$ (50,896)	\$ -	\$ (1,684,879)	\$ (39,231)	\$ (546,911)	\$ -	\$ (36,996,234)
167 Construction in Progress	\$ 17,668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,668
160 Total Capital Assets, Net of Accumulated Depreciation	\$ 15,850,455	\$ 35,145	\$ -	\$ 1,825,797	\$ 5,458	\$ 323,904	\$ -	\$ 18,040,759
190 Total Assets	\$ 18,331,129	\$ 831,787	\$ 63,189	\$ 2,036,797	\$ 796,042	\$ 2,262,999	\$ (1,025,647)	\$ 23,296,296

Portsmouth Metropolitan Housing Authority  
FDS Schedule Submitted to REAC  
Proprietary Fund Type - Enterprise Fund  
June 30, 2009

	Project Total	Other Federal Program 1	N/C S/R Section 8 Programs	Business Activities	Housing Choice Vouchers	COCC	ELIM	Total
312 Accounts Payable <= 90 Days	\$ 17,502	\$ -	\$ -	\$ -	\$ 3,046	\$ 17,845	\$ -	\$ 38,393
321 Accrued Wage/Payroll Taxes Payable	\$ 66,150	\$ 5,020			\$ 7,452	\$ 24,383	\$ -	\$ 103,005
322 Accrued Compensated Absences - Current Portion	\$ 12,358	\$ 221	\$ -	\$ -	\$ 2,619	\$ 6,588	\$ -	\$ 21,786
333 Accounts Payable - Other Government	\$ 54,725	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,725
341 Tenant Security Deposits	\$ 144,083	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,083
342 Deferred Revenues	\$ 201	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 201
344 Current Portion of Long-term Debt - Operating Borrowings	\$ -	\$ -	\$ -	\$ 187,802	\$ -	\$ -	\$ -	\$ 187,802
345 Other Current Liabilities	\$ 17,668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,668
347 Inter Program - Due To	\$ 886,981	\$ 101,804	\$ -	\$ -	\$ 36,862		\$ (1,025,647)	\$ -
310 Total Current Liabilities	\$ 1,199,668	\$ 107,045	\$ -	\$ 187,802	\$ 49,979	\$ 48,816	\$ (1,025,647)	\$ 567,663
352 Long-term Debt, Net of Current - Operating Borrowings	\$ -	\$ -	\$ -	\$ 684,743	\$ -	\$ -	\$ -	\$ 684,743
353 Non-current Liabilities - Other	\$ -	\$ -	\$ -	\$ -	\$ 11,266	\$ -	\$ -	\$ 11,266
354 Accrued Compensated Absences - Non Current	\$ 111,216	\$ 1,986	\$ -	\$ -	\$ 23,574	\$ 59,292	\$ -	\$ 196,068
350 Total Non-Current Liabilities	\$ 111,216	\$ 1,986	\$ -	\$ 684,743	\$ 34,840	\$ 59,292	\$ -	\$ 892,077
300 Total Liabilities	\$ 1,310,884	\$ 109,031	\$ -	\$ 872,545	\$ 84,819	\$ 108,108	\$ (1,025,647)	\$ 1,459,740
508.1 Invested In Capital Assets, Net of Related Debt	\$ 15,850,455	\$ 35,145	\$ -	\$ 953,252	\$ 5,458	\$ 323,904	\$ -	\$ 17,168,214
511.1 Restricted Net Assets	\$ -	\$ -	\$ -	\$ -	\$ 336,223	\$ -	\$ -	\$ 336,223
512.1 Unrestricted Net Assets	\$ 1,169,790	\$ 687,611	\$ 63,189	\$ 211,000	\$ 369,542	\$ 1,830,987	\$ -	\$ 4,332,119
513 Total Equity/Net Assets	\$ 17,020,245	\$ 722,756	\$ 63,189	\$ 1,164,252	\$ 711,223	\$ 2,154,891	\$ -	\$ 21,836,556
600 Total Liabilities and Equity/Net Assets	\$ 18,331,129	\$ 831,787	\$ 63,189	\$ 2,036,797	\$ 796,042	\$ 2,262,999	\$ (1,025,647)	\$ 23,296,296

Portsmouth Metropolitan Housing Authority  
FDS Schedule Submitted to REAC  
Proprietary Fund Type - Enterprise Fund  
June 30, 2009

	Project Total	Other Federal Program 1	N/C S/R Section 8 Programs	Business Activities	Housing Choice Vouchers	COCC	ELIM	Total
70300 Net Tenant Rental Revenue	\$ 1,462,556	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,462,556
70400 Tenant Revenue - Other	\$ 34,409	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,409
70500 Total Tenant Revenue	\$ 1,496,965	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,496,965
70600 HUD PHA Operating Grants	\$ 2,965,218	\$ -	\$ -	\$ -	\$ 2,617,046	\$ 120,491	\$ -	\$ 5,702,755
70610 Capital Grants	\$ 949,972	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 949,972
70710 Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 492,163	\$ (492,163)	\$ -
70720 Asset Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106,320	\$ (106,320)	\$ -
70730 Book Keeping Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,190	\$ (77,190)	\$ -
70740 Front Line Service Fee	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70750 Other Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 124,405	\$ (124,405)	\$ -
70700 Total Fee Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 800,078	\$ (800,078)	\$ -
71100 Investment Income - Unrestricted	\$ 36,740	\$ 12,435	\$ -	\$ -	\$ 16,236	\$ 14,318	\$ -	\$ 79,729
71200 Mortgage Interest Income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
71500 Other Revenue	\$ 43,234	\$ 347,372	\$ -	\$ -	\$ 20,098	\$ 3,159	\$ -	\$ 413,863
71600 Gain or Loss on Sale of Capital Assets	\$ 1,459	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,459
72000 Investment Income - Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70000 Total Revenue	\$ 5,493,588	\$ 359,807	\$ -	\$ -	\$ 2,653,380	\$ 938,046	\$ (800,078)	\$ 8,644,743
91100 Administrative Salaries	\$ 276,023	\$ 90,906	\$ -	\$ -	\$ 119,106	\$ 375,207	\$ -	\$ 861,242
91200 Auditing Fees	\$ 6,934	\$ 1,469	\$ -	\$ -	\$ 5,010	\$ 1,745	\$ -	\$ 15,158
91300 Management Fee	\$ 492,164	\$ 61,624	\$ -	\$ -	\$ 62,781	\$ -	\$ (616,567)	\$ 2
91310 Book-keeping Fee	\$ 77,191	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (77,191)	\$ -
91400 Advertising and Marketing	\$ 997	\$ -	\$ -	\$ -	\$ 2,229	\$ 6,963	\$ -	\$ 10,189
91500 Employee Benefit contributions - Administrative	\$ 146,369	\$ 46,278	\$ -	\$ -	\$ 105,058	\$ 184,331	\$ -	\$ 482,036
91600 Office Expenses	\$ 48,196	\$ 2,348	\$ -	\$ -	\$ 15,978	\$ 35,824	\$ -	\$ 102,346
91700 Legal Expense	\$ 24,060	\$ -	\$ -	\$ -	\$ 2,507	\$ 1,595	\$ -	\$ 28,162
91800 Travel	\$ 7,775	\$ 793	\$ -	\$ -	\$ 63	\$ 5,947	\$ -	\$ 14,578
91810 Allocated Overhead	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
91900 Other	\$ 37,706	\$ 6,754	\$ -	\$ -	\$ 51,168	\$ 23,951	\$ -	\$ 119,579
91000 Total Operating - Administrative	\$ 1,117,415	\$ 210,172	\$ -	\$ -	\$ 363,900	\$ 635,563	\$ (693,758)	\$ 1,633,292

Portsmouth Metropolitan Housing Authority  
FDS Schedule Submitted to REAC  
Proprietary Fund Type - Enterprise Fund  
June 30, 2009

	Project Total	Other Federal Program 1	N/C S/R Section 8 Programs	Business Activities	Housing Choice Vouchers	COCC	ELIM	Total
92000 Asset Management Fee	\$ 106,320	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (106,320)	\$ -
92100 Tenant Services - Salaries	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
92200 Relocation Costs	\$ 385	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 385
92500 Total Tenant Services	\$ 385	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 385
93100 Water	\$ 103,608	\$ 6	\$ -	\$ -	\$ 33	\$ 167	\$ -	\$ 103,814
93200 Electricity	\$ 445,378	\$ 270	\$ -	\$ -	\$ 1,622	\$ 6,261	\$ -	\$ 453,531
93300 Gas	\$ 282,514	\$ 27	\$ -	\$ -	\$ 163	\$ 2,710	\$ -	\$ 285,414
93600 Sewer	\$ 140,985	\$ 6	\$ -	\$ -	\$ 37	\$ 185	\$ -	\$ 141,213
93000 Total Utilities	\$ 972,485	\$ 309	\$ -	\$ -	\$ 1,855	\$ 9,323	\$ -	\$ 983,972
94100 Ordinary Maintenance and Operations - Labor	\$ 805,100	\$ -	\$ -	\$ -	\$ -	\$ 49,604	\$ -	\$ 854,704
94200 Ordinary Maintenance and Operations - Materials and Other	\$ 173,295	\$ -	\$ -	\$ -	\$ -	\$ 4,232	\$ -	\$ 177,527
94300 Ordinary Maintenance and Operations Contracts	\$ 207,896	\$ 130	\$ -	\$ -	\$ 100	\$ 2,359	\$ -	\$ 210,485
94500 Employee Benefit Contributions - Ordinary Maintenance	\$ 430,874	\$ -	\$ -	\$ -	\$ -	\$ 28,029	\$ -	\$ 458,903
94000 Total Maintenance	\$ 1,617,165	\$ 130	\$ -	\$ -	\$ 100	\$ 84,224	\$ -	\$ 1,701,619
95100 Protective Services - Labor	\$ 73,912	\$ -	\$ -	\$ -	\$ 2,520	\$ 7,559	\$ -	\$ 83,991
95200 Protective Services - Other Contract Costs	\$ 102,425	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 102,425
95300 Protective Services - Other	\$ 2,365	\$ -	\$ -	\$ -	\$ 829	\$ 12,606	\$ -	\$ 15,800
95500 Employee Benefit Contributions - Protective Services	\$ 39,127	\$ -	\$ -	\$ -	\$ 2,222	\$ 4,271	\$ -	\$ 45,620
95000 Total Protective Services	\$ 217,829	\$ -	\$ -	\$ -	\$ 5,571	\$ 24,436	\$ -	\$ 247,836

Portsmouth Metropolitan Housing Authority  
FDS Schedule Submitted to REAC  
Proprietary Fund Type - Enterprise Fund  
June 30, 2009

	Project Total	Other Federal Program 1	N/C S/R Section 8 Programs	Business Activities	Housing Choice Vouchers	COCC	ELIM	Total
96110 Property Insurance	\$ 165,211	\$ 3,746	\$ -	\$ -	\$ 9,364	\$ 8,960	\$ -	\$ 187,281
96130 Workmen's Compensation	\$ 9,392	\$ 689	\$ -	\$ -	\$ 979	\$ 2,653	\$ -	\$ 13,713
96100 Total insurance Premiums	\$ 174,603	\$ 4,435	\$ -	\$ -	\$ 10,343	\$ 11,613	\$ -	\$ 200,994
96200 Other General Expenses	\$ 17,697	\$ -	\$ -	\$ -	\$ -	\$ 181	\$ -	\$ 17,878
96210 Compensated Absences	\$ (24,277)	\$ (359)	\$ -	\$ -	\$ (3,516)	\$ 14,652	\$ -	\$ (13,500)
96300 Payments in Lieu of Taxes	\$ 54,725	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,725
96400 Bad debt - Tenant Rents	\$ (9,075)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (9,075)
96800 Severance Expense	\$ 34,563	\$ -	\$ -	\$ -	\$ 7,874	\$ -	\$ -	\$ 42,437
96000 Total Other General Expenses	\$ 73,633	\$ (359)	\$ -	\$ -	\$ 4,358	\$ 14,833	\$ -	\$ 92,465
96710 Interest of Mortgage (or Bonds) Payable	\$ -	\$ -	\$ -	\$ 52,075	\$ -	\$ -	\$ -	\$ 52,075
96700 Total Interest Expense and Amortization Cost	\$ -	\$ -	\$ -	\$ 52,075	\$ -	\$ -	\$ -	\$ 52,075
96900 Total Operating Expenses	\$ 4,279,835	\$ 214,687	\$ -	\$ 52,075	\$ 386,127	\$ 779,992	\$ (800,078)	\$ 4,912,638
97000 Excess of Operating Revenue over Operating Expenses	\$ 1,213,753	\$ 145,120	\$ -	\$ (52,075)	\$ 2,267,253	\$ 158,054	\$ -	\$ 3,732,105
97100 Extraordinary Maintenance	\$ 15,466	\$ -	\$ -	\$ -	\$ -	\$ 2,346	\$ -	\$ 17,812
97200 Casualty Losses - Non-capitalized	\$ (141,009)	\$ -	\$ -	\$ -	\$ -	\$ 56,947	\$ -	\$ (84,062)
97300 Housing Assistance Payments	\$ -	\$ -	\$ -	\$ -	\$ 2,279,389	\$ -	\$ -	\$ 2,279,389
97400 Depreciation Expense	\$ 1,450,536	\$ 6,482	\$ -	\$ 234,045	\$ 5,387	\$ 48,849	\$ -	\$ 1,745,299
90000 Total Expenses	\$ 5,604,828	\$ 221,169	\$ -	\$ 286,120	\$ 2,670,903	\$ 888,134	\$ (800,078)	\$ 8,871,076
10010 Operating Transfer In	\$ 140,273	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140,273
10020 Operating transfer Out	\$ (140,273)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (140,273)
10100 Total Other financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (111,240)	\$ 138,638	\$ -	\$ (286,120)	\$ (17,523)	\$ 49,912	\$ -	\$ (226,333)
11030 Beginning Equity	\$ 17,131,485	\$ 584,118	\$ 63,189	\$ 1,450,372	\$ 728,746	\$ 2,104,979	\$ -	\$ 22,062,889
Ending Equity	\$ 17,020,245	\$ 722,756	\$ 63,189	\$ 1,164,252	\$ 711,223	\$ 2,154,891	\$ -	\$ 21,836,556

Portsmouth Metropolitan Housing Authority  
FDS Schedule Submitted to REAC  
Proprietary Fund Type - Enterprise Fund  
June 30, 2009

	Project Total	Other Federal Program 1	N/C S/R Section 8 Programs	Business Activities	Housing Choice Vouchers	COCC	ELIM	Total
11020 Required Annual Debt Principal Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11170 Administrative Fee Equity	\$ -	\$ -	\$ -	\$ -	\$ 375,000	\$ -	\$ -	\$ 375,000
11180 Housing Assistance Payments Equity	\$ -	\$ -	\$ -	\$ -	\$ 336,223	\$ -	\$ -	\$ 336,223
11190 Unit Months Available	10,548	\$ -	\$ -	\$ -	7,392	\$ -	\$ -	17,940
11210 Number of Unit Months Leased	10,280	\$ -	\$ -	\$ -	7,111	\$ -	\$ -	17,391
11270 Excess Cash	\$ 55,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,666
11610 Land Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11620 Building Purchases	\$ 893,024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 893,024
11630 Furniture & Equipment - Dwelling Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11640 Furniture & Equipment - Administrative Purchases	\$ 50,770	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,770
11650 Leasehold Improvements Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11660 Infrastructure Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13510 CFFP Debt Service Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13901 Replacement Housing Factor Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Portsmouth Metropolitan Housing Authority  
Schedule of Federal Award Expenditures  
For the Year Ended June 30, 2009

<b>FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850	\$2,803,029
Public Housing Capital Fund Program	14.872	1,232,652
Housing Choice Voucher Program	14.871	<u>2,617,046</u>
Total Expenditure of Federal Award		<u><u>\$6,652,727</u></u>



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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, 2009, which collectively comprise the Portsmouth Metropolitan Housing Authority, Ohio, basic financial statements and have issued my report thereon dated October 23, 2009. 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the authority's financial statements that is more than inconsequential will not be prevented or detected by the authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the authority' internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be 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 October 23, 2009.

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

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Salvatore Consiglio, CPA, Inc.  
October 23, 2009



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

Board of Directors  
Portsmouth Metropolitan Housing Authority

**Compliance**

I have audited the compliance of the Portsmouth Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Portsmouth Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Portsmouth Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Portsmouth Metropolitan Housing Authority, Ohio's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Portsmouth Metropolitan Housing Authority, Ohio's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Portsmouth Metropolitan Housing Authority, Ohio's compliance with those requirements.

In my opinion, Portsmouth Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the result of my audit procedures disclosed one instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2009-PMHA-1 and 2009-PMHA-2.

## **Internal Control Over Compliance**

The management of Portsmouth Metropolitan Housing Authority, Ohio is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Portsmouth Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Portsmouth Metropolitan Housing Authority, Ohio's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Portsmouth Metropolitan Housing Authority, Ohio response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Portsmouth Metropolitan Housing Authority, Ohio response and, accordingly, I express no opinion on it.

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.

Portsmouth Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
June 30, 2009

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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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?	Yes
Major Programs (list):	CFDA 14.871 Housing Choice Voucher
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b>
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There are no Findings or questioned costs for the year ended June 30, 2009.

Portsmouth Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
June 30, 2009

**3. FINDINGS REALTED TO FEDERAL AWARDS**

**REPORTABLE NONCOMPLIANCE**

FINDING NUMBER	2009-PMHA-1
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**Compliance Finding – Waiting List**

**U.S. Department of HUD  
Housing Choice Voucher Program (CFDS # 14.871)**

Section 4.11 of the Housing Choice Voucher Program Guidebook states: “The PHA must select participants from the waiting list in accordance with HUD regulations and requirements and in compliance with admission policies in the PHA’s administrative plan. The PHA’s admission policy must describe the PHA’s system of preferences that is used to select applicants from the waiting list, including any residency or other local preference..... Admission to the program cannot be based on where the family lived before admission to the program or on where the family will live with assistance under the program. One exception is that a PHA may give a selection preference to families who live in public housing or other federally assisted housing, or may adopt a local residency preference.”

Ohio Revised Code Section 3735.42 states: “Except as provided in any contract for financial assistance with the federal government in the selection of tenants for housing projects, a metropolitan housing authority shall give preference, as among applicants equally in need and eligible for occupancy of the dwelling and at the rent involved, to families of veterans and persons serving in the active military or naval service of the United States, including families of deceased veterans or deceased persons who were so serving at the time of death.”

Audit procedures over Portsmouth MHA waiting list revealed that the PHA does not have any preferences. Applicants were placed on the waiting list based on date and time applications were received. Therefore, the PHA’s administrative plan is not in compliance with the Ohio Revised Code section 3735.42 given preferences to families of veterans and persons serving in the active military or naval service of the United States.

In addition, audit procedures also revealed that one applicant was denied assistance because the applicant was not a resident of Scioto or Lawrence Counties. Since the PHA did not have a resident preference, the applicant was wrongfully denied assistance.

Portsmouth Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
June 30, 2009

Recommendation:

Portsmouth Metropolitan Housing Assistance must revise its waiting list preferences to comply with section 3735.42 of the Ohio Revised Code to include a veteran preference.

In addition, if it is the Board Policy to give preference to local residents, then the PHA's administrative plan should be revised to include a local residency preference. The PHA should contact the individual that was denied admission to the program for not being a resident of Scioto or Lawrence Counties and offer a voucher.

Corrective Action Plan:

PMHA will revise its Administrative Plan to include the preferences for residency and veterans.

Contact Person: Section 8 Director  
Resolution Date: 06/30/2010

FINDING NUMBER	2009-PMHA-2
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**Compliance Finding – Reporting**

**U.S. Department of HUD  
Low Rent Public Housing (CFDA # 14.850)  
Housing Choice Voucher Program (CFDS # 14.871)**

24 CFR section 135.3(a) and 135.90 requires that for each public and Indian housing grant that involves development, operating, or modernization assistance, the prime recipient must submit Form HUD 60002.

The result of audit procedure revealed that Portsmouth Metropolitan Housing Authority (PMHA) did not file the required form. Therefore, PMHA is not in compliance with the above regulation.

Recommendation:

The PHA must file the required report.

Corrective Action Plan:

The required form will be filed when due in the future. The Executive Director will be responsible to oversee compliance with this requirement.

Contact Person: Executive Director  
Resolution Date: Resolved

Portsmouth Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
June 30, 2009

The audit report for the fiscal year ending June 30, 2008 contained no audit finding.



**Mary Taylor, CPA**  
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 16, 2010**