

Portsmouth Metropolitan Housing Authority

Financial Statements

For the Year Ended June 30, 2005





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Portsmouth Metropolitan Housing Authority  
410 Court Street  
Portsmouth, Ohio 45662-3949

We have reviewed the *Independent Auditor's Report* of the Portsmouth Metropolitan Housing Authority, Scioto County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY  
Auditor of State

April 13, 2006

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PORTMOUTH METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2005

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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, 2005, 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, 2005, 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 December 16, 2005, 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 additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.

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

Salvatore Consiglio, CPA, Inc.

December 16, 2005

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2005

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 \$26,418,651 and \$25,687,280 for 2004 and 2005 respectively. The Authority –wide statements reflect a decrease in total assets of \$731,371 (or 3%) during 2005. This decrease is reflective of the year's activities.
- Revenue increased by \$719,350 during 2005, and was \$7,260,445 for 2004 and \$7,979,795 for 2005 respectively.
- Total expenses of all Authority programs decreased by \$219,557 (or 3%). Total expenses were \$8,655,224 and \$8,435,667 for 2004 and 2005 respectively.

**USING THIS ANNUAL REPORT**

The following graphic outlines the format of this report:

MD&A ~ Management Discussion and Analysis ~
Basic Financial Statements ~ Authority-wide Financial Statements ~ ~ Notes to Financial Statements ~
Other Required Supplementary Information ~ Required Supplementary Information (other than MD&A) ~



PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2005

Unaudited

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

**Authority-Wide Financial Statements**

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

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

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

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

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

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

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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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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  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2005

Unaudited

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

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

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

**AUTHORITY-WIDE STATEMENT**

**Statement of Net Assets**

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

**TABLE 1  
STATEMENT OF NET ASSETS**

	<u>2005</u>	<u>Restated 2004</u>	<u>Change</u>
Current Assets	\$ 4,616,342	\$ 4,404,452	\$ 211,890
Net fixed Assets	21,070,938	22,014,199	(943,261)
TOTAL ASSETS	<u>\$ 25,687,280</u>	<u>\$ 26,418,651</u>	<u>\$ (731,371)</u>
Current Liabilities	\$ 887,959	\$ 916,819	\$ (28,860)
Long-term Liabilities	1,598,839	1,842,922	(244,083)
TOTAL LIABILITIES	<u>\$ 2,486,798</u>	<u>\$ 2,759,741</u>	<u>\$ (272,943)</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 19,429,672	\$ 19,801,675	\$ (372,003)
Unrestricted	3,770,810	3,857,235	(86,425)
TOTAL NET ASSETS	<u>\$ 23,200,482</u>	<u>\$ 23,658,910</u>	<u>\$ (458,428)</u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2005

Unaudited

For more detailed information see the Statement of Net Assets. The 2004 Net Assets were restated to eliminate interprogram due to / from.

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

- Current assets increased by \$211,890, while current liabilities decreased by \$117,354 in relation.
- The decrease in Capital assets is due to depreciation expense.
- The Net Assets section decrease of \$369,934 can be attributed to the Net Loss in Operations being funded by the Equity.

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

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

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

	<u>2005</u>	<u>2004</u>	<u>Change</u>
REVENUES			
Total Tenant Revenue	\$ 1,258,947	\$ 1,288,833	\$ (29,886)
Operating Grants	5,348,584	5,479,010	(130,426)
Capital Grants	1,056,165	238,881	817,284
Investment Income	92,581	30,394	62,187
Other Revenue	223,518	223,327	191
TOTAL REVENUE	<u>7,979,795</u>	<u>7,260,445</u>	<u>719,350</u>
EXPENSES			
Administrative	1,299,020	1,271,470	27,550
Tenant Services	112,926	100,547	12,379
Utilities	754,317	780,355	(26,038)
Maintenance	1,495,270	1,509,915	(14,645)
Protective Services	206,521	227,020	(20,499)
General and Interest Expense	350,424	360,844	(10,420)
Housing Assistance Payments	2,033,411	2,250,209	(216,798)
Other Expenses	841	1,259	(418)
Depreciation	2,182,937	2,153,605	29,332
TOTAL EXPENSES	<u>8,435,667</u>	<u>8,655,224</u>	<u>(219,557)</u>
NET INCREASE (DECREASE)	<u>\$ (455,872)</u>	<u>\$ (1,394,779)</u>	<u>\$ 938,907</u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2005

Unaudited

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

The Authority's total revenue increased by \$719,350. This is a reflection of a decrease in Public Housing Operating Subsidy and an increase in Capital Fund Program activities during the year. Expenses decreased by \$219,557 for 2005. The Authority enacted a cost cutting budget for the year due to the reduction of Operating Subsidy for Public Housing even though we had an increase of activities in the Capital Fund Program.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of year-end, the Authority had \$21,070,938 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$943,261 from the end of last year.

**TABLE 3**

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

	<u>2005</u>	<u>2004</u>	<u>Change</u>
Land	\$ 1,519,931	\$ 1,519,932	\$ (1)
Buildings	48,628,819	47,423,293	1,205,526
Furniture, Equipment & Machinery:			
- Dwelling	5,904	5,904	-
- Administration	770,350	753,821	16,529
Total Fixed Assets	50,925,004	49,702,950	1,222,054
Accumulated Depreciation	(29,854,066)	(27,688,751)	(2,165,315)
Net Fixed Assets	<u>\$ 21,070,938</u>	<u>\$ 22,014,199</u>	<u>\$ (943,261)</u>

The following reconciliation summarizes the change in Capital Assets.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2005

Unaudited

**TABLE 4**

**CHANGE IN CAPITAL ASSETS**

Beginning Balance		\$ 22,014,199
Additions		1,239,676
Depreciation		<u>(2,182,937)</u>
Ending Balance		<u><u>\$ 21,070,938</u></u>

Current year additions were:

- Retaining wall at 2537 Ritchie for \$6,975
- Roof repair at Alexandria for \$1,980
- Gas line repair at Wayne Hills for \$4,689
- Hot water tank replacement at Alexandria for \$11,630
- Repair / replacement of parking lots (scattered) for \$16,975
- Repair / replacement of sidewalks and concrete for \$20,430
- Printer purchase for \$610
- 2005 Silverado Pick Up truck purchase for \$25,865
- Imagistics copier purchase for \$4,081
- Computer purchase for \$1,812
- Laptop Computer purchase for \$1,784
- Capital Fund grant expenditures for dwelling structures of \$1,142,845

**Debt Outstanding**

As of year-end, the Authority had \$1,641,266 in debt (bonds, notes, etc.) outstanding compared to \$2,212,524 for prior year. This debt was incurred for the energy performance contract for the acquisition and installation of energy efficient building fixtures.

**Table 5 - Condensed Statement of Changes in Debt Outstanding**

Beginning Balance - June 30, 2004		\$ 2,212,524
Current Year Principal Payments		<u>(571,258)</u>
Ending Balance - June 30, 2005		<u><u>\$ 1,641,266</u></u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2005

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.

**The Future of PMHA**

We feel the future is secure for PMHA. In the last twelve to eighteen months we have been working closely with our field office to identify any deficiency, through a remote review, our Rental Housing Integrity Program review, and a review of our Family Self Sufficiency Program. We have updated or created numerous policies and procedures to ensure compliance and consistency. We have combined procurement for all programs.

We are currently exploring ways to increase internal control. We are actively pursuing information on the changes being made to both the Section 8 Housing Choice Voucher Program and Public Housing funding systems and will begin to incorporate Site-Based Budgeting and Reporting over the next twenty-four months.

We have increased our security at all developments with additional lighting and/or cameras. Now that we have developed our Security Program, we are addressing issues concerning the physical condition of our housing stock. We addressed several of these items in this budget year, for example, the repairing or replacing of porches and concrete, renovating one of our scattered sites units, replacing dumpsters, and improving drainage. In the next budget year we will be appraising our scattered sites units along with identifying needed improvements.

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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2005

Unaudited

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**Portsmouth Metropolitan Housing Authority**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2005**

***ASSETS***

**Current assets**

Cash and cash equivalents	\$4,360,544
Receivables, net	133,751
Inventories, net	25,217
Prepaid expenses and other assets	96,830
<b>Total current assets</b>	<b><u>4,616,342</u></b>

**Noncurrent assets**

Land	1,519,931
Building and equipment	49,405,073
Less accumulated depreciation	<u>(29,854,066)</u>
<b>Total noncurrent assets</b>	<b><u>21,070,938</u></b>
<b>Total assets</b>	<b><u><u>\$25,687,280</u></u></b>

***LIABILITIES***

**Current liabilities**

Accounts payable	\$45,848
Accrued liabilities	119,312
Intergovernmental payables	305,165
Tenant security deposits	130,118
Deferred Revenue	25,433
Bonds, notes, and loans payable	262,083
<b>Total current liabilities</b>	<b><u>887,959</u></b>

**Noncurrent liabilities**

Bonds, notes, and loans payable	1,379,183
Accrued compensated absences non-current	183,448
Noncurrent liabilities - other	<u>36,208</u>
<b>Total noncurrent liabilities</b>	<b><u>1,598,839</u></b>
<b>Total liabilities</b>	<b><u><u>\$2,486,798</u></u></b>

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

**Portsmouth Metropolitan Housing Authority**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2005**

***NET ASSETS***

Invested in capital assets, net of related debt	\$19,429,672
Unrestricted net assets	<u>3,770,810</u>
<b>Total net assets</b>	<b><u><u>\$23,200,482</u></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, 2005**

***OPERATING REVENUES***

Tenant Revenue	\$1,258,947
Government operating grants	5,348,584
Other revenue	222,243
<b>Total operating revenues</b>	<b><u>6,829,774</u></b>

***OPERATING EXPENSES***

Administrative	1,299,020
Tenant services	112,926
Utilities	754,317
Maintenance	1,495,270
Protective services	206,521
General	243,627
Housing assistance payment	2,033,411
Other operating expenses	841
Depreciation	2,182,937
<b>Total operating expenses</b>	<b><u>8,328,870</u></b>
<b>Operating income (loss)</b>	<b><u>(1,499,096)</u></b>

***NONOPERATING REVENUES (EXPENSES)***

Interest and investment revenue	92,581
Miscellaneous revenue	1,275
Interest expense	(106,797)
<b>Total nonoperating revenues (expenses)</b>	<b><u>(12,941)</u></b>
Income (loss) before contributions and transfers	(1,512,037)

Capital grants	1,056,165
Change in net assets	(455,872)
Prior Period Adjustment	(2,556)
Total net assets - beginning	23,658,910
<b>Total net assets - ending</b>	<b><u><u>\$23,200,482</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, 2005

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from grantor	\$5,531,558
Cash received from tenants	1,243,955
Cash received from other sources	229,778
Cash payment for housing assistance	(2,033,411)
Cash payment for administrative and operating expenses	<u>(3,793,198)</u>
Net cash provided by operating activities	<u>1,178,682</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	<u>92,583</u>
Net cash used by investing activities	<u>92,583</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Capital Grant funding received from HUD	1,056,165
Proceeds from Sale of Capital Assets	1,275
Payment of long-term borrowings	(571,258)
Payment of interest from borrowings	(106,797)
Property and equipment purchased	<u>(1,239,678)</u>
Net cash used by financing activities	<u>(860,293)</u>
Net Increase (Decrease) in Cash	410,972
Cash and cash equivalents – Beginning of Year	<u>3,949,572</u>
Cash and cash equivalents – End of Year	<u><u>\$4,360,544</u></u>

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

Combined Statement of Cash Flows - Continued  
Proprietary Funds - Enterprise Fund  
For the Year Ended June 30, 2005

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

Net Income (Loss)	(\$1,499,096)
Adjustments to Reconcile Net Income to net Cash Provided by Operating Activities:	
Depreciation	2,182,937
Decrease in accounts receivable	179,661
Decrease in accrued interest receivable	(24,661)
Decrease in prepaid expenses	42,849
Decrease (Increase) in Inventory	(1,323)
Decrease in Accounts Payable	254,059
Increase in accrued expenses	35,399
Increase in other liabilities	3,843
Increase in tenant security deposit	<u>5,014</u>
Net Cash provided by operating activities	<u><u>\$1,178,682</u></u>

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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

**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, 2005  
(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. Public Housing Drug Elimination Program**

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

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

**A. Basis of Accounting**

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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(CONTINUED)

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

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

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

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

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  
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FOR THE YEAR ENDED JUNE 30, 2005  
(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, 2005  
(CONTINUED)

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

**G. Budgets and Budgetary Accounting**

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

**NOTE 3: DEPOSIT AND INVESTMENTS**

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

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

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

**The three credit risk categories are:**

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

As of June 30, 2005, the carrying amounts of the Authority's deposits were \$4,360,544 and the bank balances were \$4,444,426. All funds are covered by the federal depository insurance or by collateral held by the Authority's agent in the Authority's name.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(CONTINUED)

**NOTE 4: TENANT ACCOUNT RECEIVABLES**

As of June 30, 2005, tenant account receivable is shown net of an allowance for doubtful accounts of \$24,352.

**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.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2005 employer pension contribution rate for Authority was 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority's contribution for the years ended June 30, 2005, 2004, and 2003 amounted to \$224,159, \$219,341, and \$195,977. These costs have been charged to the employee fringe benefit account.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(CONTINUED)

**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 2005 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2005 was 4.0 percent of covered payroll, which amounted to \$66,172. 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, 2004. 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 2004 was 8.0 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 1% to 6% for the next 8 years. In subsequent years (9 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 376,109. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2004 was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.5 billion and \$18.7 billion, respectively.

**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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(CONTINUED)

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

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, 2005 amounted to \$234,045 and accumulated depreciation is \$748,699.

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

	<u>Principal</u>	<u>Interest</u>
June 30, 2006	\$262,083	\$79,991
2007	159,916	70,164
2008	168,718	61,362
2009	178,004	52,076
2010	187,802	42,278
Thereafter 2011 - 2015	684,743	63,017
Total	<u>\$1,641,266</u>	<u>\$368,888</u>

**NOTE 8: CAPITAL ASSETS**

The following is a summary of Capital assets:

Land	\$1,519,931
Buildings	48,628,819
Furniture, Machinery and Equipment	776,254
Total Capital assets	<u>50,925,004</u>
Accumulated Depreciation	<u>(29,854,066)</u>
Net Capital assets	<u>\$21,070,938</u>

The following is a summary of changes:

	<u>Balance</u> <u>07/01/04</u>	<u>Additions</u>	<u>Deletion</u>	<u>Balance</u> <u>06/30/05</u>
Land	\$1,519,932	\$0	\$1	\$1,519,931
Buildings	47,423,293	1,205,526	-0-	48,628,819
Furnt, Mach. And Equip.	759,725	34,152	17,623	776,254
Total Capital assets	<u>\$49,702,950</u>	<u>\$1,239,678</u>	<u>\$17,624</u>	<u>50,925,004</u>

The depreciation expense for the year ended June 30, 2005 was \$2,182,937.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(CONTINUED)

**NOTE 9: COMPENSATED ABSENCES**

The Authority uses the vesting method for the recording of compensated absences whereas benefits are accrued as of the balance sheet date for which payment is probable.

Compensated absences are those absences for which employees will be paid, such as sick and vacation leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to benefits.

**NOTE 10: INTERPROGRAM RECEIVABLES AND PAYABLES**

At June 30, 2005 interprogram receivables and (payables) consisted of the following:

Public Housing	(\$246,569
Voucher	(1,170)
Business Activities	(61)
Capital Fund	19,936
Section 8 N/C	(130)
Energy Performance (Other Federal Program)	227,994
TOTAL	\$ -0-

**NOTE 11: PRIOR PERIOD ADJUSTMENT**

Beginning retained earnings for 2005 was adjusted to reflect adjustment made by HUD of \$2,556 to the Housing Choice Voucher Program for prior year administration fees earned.

**NOTE 12: 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.

POSTSMOUTH METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(CONTINUED)

**NOTE 13: RISK MANAGEMENT**

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

**NOTE 10: 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, 2005

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Other Federal Program 1	Total
111	Cash – Unrestricted	\$32,577	\$50,899	\$615,440	\$47,924	\$0	\$0	\$746,840
113	Cash - Other Restricted	\$0	\$0	\$13,539	\$20,046	\$0	\$0	\$33,585
114	Cash - Tenant Security Deposits	\$0	\$0	\$5,119	\$0	\$0	\$0	\$5,119
100	Total Cash	\$32,577	\$50,899	\$634,098	\$67,970	\$0	\$0	\$785,544
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$0	\$7,568	\$0	\$7,568
125	Accounts Receivable – Miscellaneous	\$59,683	\$0	\$550	\$0	\$0	\$0	\$60,233
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$0	\$50,552	\$0	\$0	\$0	\$50,552
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	(\$26,200)	\$0	\$0	\$0	(\$26,200)
129	Accrued Interest Receivable	\$1,250	\$0	\$36,020	\$4,328	\$0	\$0	\$41,598
120	Total Receivables, net of allowances for doubtful accounts	\$60,933	\$0	\$60,922	\$4,328	\$7,568	\$0	\$133,751
131	Investments – Unrestricted	\$200,000	\$0	\$2,775,000	\$600,000	\$0	\$0	\$3,575,000
142	Prepaid Expenses and Other Assets	\$1,937	\$484	\$90,052	\$4,357	\$0	\$0	\$96,830
143	Inventories	\$0	\$0	\$25,217	\$0	\$0	\$0	\$25,217
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$0	\$0	\$0	\$0	\$19,936	\$227,994	\$247,930
150	Total Current Assets	\$295,447	\$51,383	\$3,585,289	\$676,655	\$27,504	\$227,994	\$4,864,272
161	Land	\$27,771	\$0	\$1,492,160	\$0	\$0	\$0	\$1,519,931
162	Buildings	\$0	\$0	\$43,339,715	\$0	\$1,778,428	\$3,510,676	\$48,628,819
163	Furniture, Equipment & Machinery – Dwellings	\$0	\$0	\$5,904	\$0	\$0	\$0	\$5,904
164	Furniture, Equipment & Machinery – Administration	\$37,778	\$0	\$676,081	\$35,125	\$21,366	\$0	\$770,350
166	Accumulated Depreciation	(\$27,808)	\$0	(\$28,967,144)	(\$26,879)	(\$83,536)	(\$748,699)	(\$29,854,066)
160	Total Capital assets, Net of Accumulated Depreciation	\$37,741	\$0	\$16,546,716	\$8,246	\$1,716,258	\$2,761,977	\$21,070,938
190	Total Assets	\$333,188	\$51,383	\$20,132,005	\$684,901	\$1,743,762	\$2,989,971	\$25,935,210



Portsmouth Metropolitan Housing Authority  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
June 30, 2005

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Other Federal Program 1	Total
312	Accounts Payable <= 90 Days	\$0	\$0	\$45,848	\$0	\$0	\$0	\$45,848
321	Accrued Wage/Payroll Taxes Payable	\$3,735	\$833	\$84,794	\$7,496	\$2,071	\$0	\$98,929
322	Accrued Compensated Absences - Current Portion	\$352	\$294	\$17,090	\$2,647	\$0	\$0	\$20,383
331	Accounts Payable - HUD PHA Programs	\$0	\$998	\$0	\$254,214	\$0	\$0	\$255,212
333	Accounts Payable - Other Government	\$0	\$0	\$49,953	\$0	\$0	\$0	\$49,953
341	Tenant Security Deposits	\$0	\$0	\$130,118	\$0	\$0	\$0	\$130,118
342	Deferred Revenue	\$0	\$0	\$0	\$0	\$25,433	\$0	\$25,433
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$0	\$262,083	\$262,083
347	Interprogram Due To	\$61	\$130	\$246,569	\$1,170	\$0	\$0	\$247,930
310	Total Current Liabilities	\$4,148	\$2,255	\$574,372	\$265,527	\$27,504	\$262,083	\$1,135,889
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$0	\$1,379,183	\$1,379,183
354	Accrued Compensated Absences - Non Current	\$3,165	\$2,647	\$153,809	\$23,827	\$0	\$0	\$183,448
353	Noncurrent Liabilities - Other	\$0	\$0	\$16,162	\$20,046	\$0	\$0	\$36,208
350	Total Noncurrent Liabilities	\$3,165	\$2,647	\$169,971	\$43,873	\$0	\$1,379,183	\$1,598,839
300	Total Liabilities	\$7,313	\$4,902	\$744,343	\$309,400	\$27,504	\$1,641,266	\$2,734,728
508.1	Invested in Capital Assets, Net of Related Debt	\$37,741	\$0	\$16,546,716	\$8,246	\$1,716,258	\$1,120,711	\$19,429,672
512.1	Unrestricted Net Assets	\$288,134	\$46,481	\$2,840,946	\$367,255	\$0	\$227,994	\$3,770,810
513	Total Equity/Net Assets	\$325,875	\$46,481	\$19,387,662	\$375,501	\$1,716,258	\$1,348,705	\$23,200,482
600	Total Liabilities and Equity/Net Assets	\$333,188	\$51,383	\$20,132,005	\$684,901	\$1,743,762	\$2,989,971	\$25,935,210
703	Net Tenant Rental Revenue	\$0	\$0	\$1,225,760	\$0	\$0	\$0	\$1,225,760

Portsmouth Metropolitan Housing Authority  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
June 30, 2005

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Other Federal Program 1	Total
704	Tenant Revenue - Other	\$0	\$0	\$33,187	\$0	\$0	\$0	\$33,187
705	Total Tenant Revenue	\$0	\$0	\$1,258,947	\$0	\$0	\$0	\$1,258,947
706	HUD PHA Operating Grants	\$0	\$243,515	\$2,488,354	\$2,078,390	\$538,325	\$0	\$5,348,584
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$1,056,165	\$0	\$1,056,165
711	Investment Income - Unrestricted	\$5,442	\$0	\$74,563	\$12,576	\$0	\$0	\$92,581
715	Other Revenue	\$202,747	\$0	\$18,386	\$1,110	\$0	\$0	\$222,243
716	Gain/Loss on Sale of Capital assets	\$0	\$0	\$1,275	\$0	\$0	\$0	\$1,275
700	Total Revenue	\$208,189	\$243,515	\$3,841,525	\$2,092,076	\$1,594,490	\$0	\$7,979,795
911	Administrative Salaries	\$73,164	\$14,382	\$443,172	\$129,439	\$64,193	\$0	\$724,350
912	Auditing Fees	\$573	\$344	\$7,454	\$3,096	\$0	\$0	\$11,467
914	Compensated Absences	\$954	\$382	\$10,959	\$3,436	\$0	\$0	\$15,731
915	Employee Benefit Contributions - Administrative	\$29,018	\$7,070	\$195,087	\$62,354	\$17,871	\$0	\$311,400
916	Other Operating - Administrative	\$5,739	\$4,113	\$162,888	\$62,014	\$1,318	\$0	\$236,072
921	Tenant Services - Salaries	\$0	\$0	\$76,175	\$0	\$0	\$0	\$76,175
923	Employee Benefit Contributions - Tenant Services	\$0	\$0	\$36,579	\$0	\$0	\$0	\$36,579
924	Tenant Services - Other	\$0	\$0	\$172	\$0	\$0	\$0	\$172
931	Water	\$10	\$6	\$93,688	\$51	\$0	\$0	\$93,755
932	Electricity	\$221	\$133	\$278,489	\$1,194	\$0	\$0	\$280,037
933	Gas	\$20	\$12	\$254,216	\$109	\$0	\$0	\$254,357
938	Other Utilities Expense	\$12	\$7	\$126,087	\$62	\$0	\$0	\$126,168
941	Ordinary Maintenance and Operations - Labor	\$0	\$0	\$796,357	\$0	\$0	\$0	\$796,357
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$0	\$149,533	\$0	\$6,969	\$0	\$156,502
943	Ordinary Maintenance and Operations - Contract Costs	\$113	\$0	\$187,558	\$0	\$0	\$0	\$187,671
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$0	\$353,595	\$0	\$0	\$0	\$353,595
951	Protective Services - Labor	\$0	\$0	\$60,989	\$2,358	\$0	\$0	\$63,347
952	Protective Services - Other Contract Costs	\$0	\$0	\$101,319	\$0	\$0	\$0	\$101,319

Portsmouth Metropolitan Housing Authority  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
June 30, 2005

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Other Federal Program 1	Total
953	Protective Services - Other	\$0	\$0	\$16,196	\$0	\$0	\$0	\$16,196
955	Employee Benefit Contributions - Protective Services	\$0	\$0	\$24,386	\$1,273	\$0	\$0	\$25,659
961	Insurance Premiums	\$2,737	\$684	\$127,289	\$6,159	\$0	\$0	\$136,869
962	Other General Expenses	\$0	\$0	\$21,475	\$0	\$0	\$0	\$21,475
963	Payments in Lieu of Taxes	\$0	\$0	\$49,953	\$0	\$0	\$0	\$49,953
964	Bad Debt - Tenant Rents	\$0	\$0	\$21,262	\$0	\$0	\$0	\$21,262
967	Interest Expense	\$0	\$0	\$0	\$0	\$0	\$106,797	\$106,797
968	Severance Expense	\$256	\$122	\$13,109	\$581	\$0	\$0	\$14,068
969	Total Operating Expenses	\$112,817	\$27,255	\$3,607,987	\$272,126	\$90,351	\$106,797	\$4,217,333
970	Excess Operating Revenue over Operating Expenses	\$95,372	\$216,260	\$233,538	\$1,819,950	\$1,504,139	(\$106,797)	\$3,762,462
971	Extraordinary Maintenance	\$0	\$0	\$1,145	\$0	\$0	\$0	\$1,145
972	Casualty Losses - Non-Capitalized	\$0	\$0	\$841	\$0	\$0	\$0	\$841
973	Housing Assistance Payments	\$0	\$214,217	\$0	\$1,819,194	\$0	\$0	\$2,033,411
974	Depreciation Expense	\$9,161	\$0	\$1,862,805	\$2,598	\$74,328	\$234,045	\$2,182,937
900	Total Expenses	\$121,978	\$241,472	\$5,472,778	\$2,093,918	\$164,679	\$340,842	\$8,435,667
1001	Operating Transfers In	\$0	\$0	\$39,138	\$0	\$0	\$748,309	\$787,447
1002	Operating Transfers Out	(\$39,138)	\$0	(\$300,335)	\$0	(\$447,974)	\$0	(\$787,447)
1010	Total Other Financing Sources (Uses)	(\$39,138)	\$0	(\$261,197)	\$0	(\$447,974)	\$748,309	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$47,073	\$2,043	(\$1,892,450)	(\$1,842)	\$981,837	\$407,467	(\$455,872)
1103	Beginning Equity	\$278,802	\$44,438	\$20,319,660	\$379,899	\$1,694,873	\$941,238	\$23,658,910
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$960,452	(\$2,556)	(\$960,452)	\$0	(\$ 2,556)

Portsmouth Metropolitan Housing Authority  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
June 30, 2005

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Other Federal Program 1	Total
	Ending Equity	\$325,875	\$46,481	\$19,387,662	\$375,501	\$1,716,258	\$1,348,705	\$23,200,482
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$571,258	\$571,258
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$2,417,154	\$0	\$0	\$2,417,154
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$122,256	\$0	\$338,764	\$0	\$0	\$461,020
1116	Total Annual Contributions Available	\$0	\$122,256	\$0	\$2,755,918	\$0	\$0	\$2,878,174
1120	Unit Months Available	0	1,428	10,524	7,392	0	0	19,344
1121	Number of Unit Months Leased	0	1,399	10,246	6,676	0	0	18,321

Portsmouth Metropolitan Housing Authority  
Schedule of Federal Award Expenditures  
For the Year Ended June 30, 2005

<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	\$2,488,354
Public Housing Capital Fund Program	14.872	1,594,490
Housing Choice Voucher Program	14.871	2,078,390
Section 8 New Construction	14.182	<u>243,515</u>
Total Expenditure of Federal Award		<u><u>\$6,404,749</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 Portsmouth Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2005, and have issued my report thereon dated December 16, 2005. 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.

**Internal Control over Financial Reporting**

In planning and performing my audit, I considered Portsmouth Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Portsmouth Metropolitan Housing Authority, Ohio's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely 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 these specified parties.



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Salvatore Consiglio, CPA, Inc.

December 16, 2005



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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, 2005. 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, 2005.



## **Internal Control Over Compliance**

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

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I considered to be material weaknesses. However, I have noted other matters involving the internal control over compliance, which I have reported to management of Portsmouth Metropolitan Housing Authority, Ohio's in a separate letter dated December 16, 2005.

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.

December 16, 2005

Portsmouth Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 June 30, 2005

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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Type of Financial Statement Opinion	Unqualified
Was there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Was there any material internal control weakness conditions reported for major federal programs?	No
Was there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA #14.850, 14.872- Low Rent Public Housing & Capital Fund
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Audit?	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, 2005.

Portsmouth Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
June 30, 2005

**3. FINDINGS REALTED TO FEDERAL AWARDS**

There are no Findings or questioned costs for the year ended June 30, 2005.

Portsmouth Metropolitan Housing Authority  
 Schedule of Prior Audit Findings  
 June 30, 2005

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
FED-2003-10	HUD Remote Review	No	Not Corrected. One of the finding and an observation noted in the remote review still remain open. The Authority is working with HUD field office to resolve the finding.



**Auditor of State  
Betty Montgomery**

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**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY**

**SCIOTO COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 4, 2006**