

Portsmouth Metropolitan Housing Authority

Financial Statements

For the Year Ended June 30, 2006



Mary Taylor, CPA
Auditor of State

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

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, 2005 through June 30, 2006. 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

April 17, 2007

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PORTMOUTH METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2006

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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, 2006, 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, 2006, 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 January 17, 2007, 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") and the PHA's statements and certification of actual modernization costs are presented for purposes additional analysis as required by the Department of Housing and Urban Development and are not a required part of the Basic Financial Statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.



Salvatore Consiglio, CPA, Inc.

January 17, 2007

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2006

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 \$25,687,280 and \$24,617,146 for 2005 and 2006 respectively. The Authority –wide statements reflect a decrease in total assets of \$1,070,134 (or 4%) during 2006. This decrease is reflective of the year's activities.
- Revenue decreased by \$276,175 during 2006, and was \$7,979,795 and \$7,703,620 for 2005 and 2006 respectively.
- Total expenses of all Authority programs increased by \$145,247 (or less than 2%). Total expenses were \$8,435,667 and \$8,580,914 for 2005 and 2006 respectively.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2006

Unaudited

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

Authority-Wide Financial Statements

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

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

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

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

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

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

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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2006

Unaudited

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

The Department of Housing and Urban Development requires the funds be maintained by the Authority.

The Authority's Programs

Conventional Public Housing (PH) – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority subsidizes rent to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on size and age of your units.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2006

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>2006</u>	<u>2005</u>	<u>Change</u>
Current Assets	\$ 5,072,593	\$ 4,616,342	\$ 456,251
Net fixed Assets	19,544,553	21,070,938	(1,526,385)
TOTAL ASSETS	<u>\$ 24,617,146</u>	<u>\$ 25,687,280</u>	<u>\$ (1,070,134)</u>
Current Liabilities	\$ 579,202	\$ 887,959	\$ (308,757)
Long-term Liabilities	1,460,542	1,598,839	(138,297)
TOTAL LIABILITIES	<u>\$ 2,039,744</u>	<u>\$ 2,486,798</u>	<u>\$ (447,054)</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 18,165,370	\$ 19,429,672	\$ (1,264,302)
Unrestricted	4,412,032	3,770,810	641,222
TOTAL NET ASSETS	<u>\$ 22,577,402</u>	<u>\$ 23,200,482</u>	<u>\$ (623,080)</u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2006

Unaudited

For more detailed information see the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

- Current assets increased by \$456,251, while current liabilities decreased by \$308,757 in relation.
- The decrease in Capital assets is due to depreciation expense.
- The Net Assets section decrease of \$623,080 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>2006</u>	<u>2005</u>	<u>Change</u>
REVENUES			
Total Tenant Revenue	\$ 1,387,774	\$ 1,258,947	\$ 128,827
Operating Grants	5,522,183	5,348,584	173,599
Capital Grants	360,036	1,056,165	(696,129)
Investment Income	194,352	92,581	101,771
Other Revenue	239,275	223,518	15,757
TOTAL REVENUE	<u>7,703,620</u>	<u>7,979,795</u>	<u>(276,175)</u>
EXPENSES			
Administrative	1,462,591	1,299,020	163,571
Tenant Services	113,674	112,926	748
Utilities	875,461	754,317	121,144
Maintenance	1,516,392	1,495,270	21,122
Protective Services	233,119	206,521	26,598
General and Interest Expense	327,467	350,424	(22,957)
Housing Assistance Payments	2,078,255	2,033,411	44,844
Other Expenses	4,637	841	3,796
Depreciation	1,969,318	2,182,937	(213,619)
TOTAL EXPENSES	<u>8,580,914</u>	<u>8,435,667</u>	<u>145,247</u>
NET INCREASE (DECREASE)	<u>\$ (877,294)</u>	<u>\$ (455,872)</u>	<u>\$ (421,422)</u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2006

Unaudited

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

The Authority's total revenue decreased by \$276,175. This is a reflection of a decrease in Capital Fund Program activities during the year. Expenses increased by \$145,247 for 2006. The Authority lifted a hiring freeze and filled two employment positions. Also, there was an increase in both employee health coverage and state Public Employees Retirement System contributions. This along with the increase in utility costs accounts for the increased expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had \$19,544,553 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions and depreciation) of \$1,526,386 from the end of last year.

TABLE 3

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

	<u>2006</u>	<u>2005</u>	<u>Change</u>
Land	\$ 1,519,932	\$ 1,519,932	\$ -
Buildings	49,056,631	48,628,819	427,812
Furniture, Equipment & Machinery:			
- Dwelling	5,904	5,904	-
- Administration	772,983	770,350	2,633
Total Fixed Assets	51,355,450	50,925,005	430,445
Accumulated Depreciation	(31,810,897)	(29,854,066)	(1,956,831)
Net Fixed Assets	<u>\$ 19,544,553</u>	<u>\$ 21,070,939</u>	<u>\$ (1,526,386)</u>

The following reconciliation summarizes the change in Capital Assets.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2006

Unaudited

TABLE 4

CHANGE IN CAPITAL ASSETS

Beginning Balance	\$	21,070,938
Additions		443,009
Disposals		(12,563)
Depreciation		(1,956,831)
		(1,956,831)
Ending Balance	\$	19,544,553

Current year additions were:

- Retaining Wall @ Ritchie Street \$9,600
- Hot Water Heater @ Hudson House \$6,805
- Handicapped Accessible Doors @ Hudson House \$2,040
- Repair Sanitary Lines @ Lett Terrace/Miller Manor \$27,766
- Repair Parking Lots @ Hudson House \$15,931
- Repair/replacement Gable Ends @ Farley Square \$5,634
- Purchase of Utility Trailer for \$1,125
- Purchase of fireproof filing cabinet for \$1,299
- Purchase of 3 cameras @ 2,876 each for a total of \$8,628
- Purchase of 3 gas alert mirco kits for \$3,245
- Purchase of a laser level for \$900
- Capital Fund grant expenditures for dwelling structures of \$360,036

Current year disposals were:

- Resolution #27 of 2005 Lawn Tractor @ \$3,099
- Resolution #27 of 2005 Printer @ \$580
- Resolution #35 of 2005 Typewriter @ \$1,077
- Resolution #40 of 2005 Computer @ \$1,463
- Resolution #40 of 2005 Computer @ \$2,949
- Resolution #9 of 2006 Computer @ \$1,445
- Resolution #9 of 2006 Computer @ \$1,950

Debt Outstanding

As of year-end, the Authority had \$1,379,183 in debt (bonds, notes, etc.) outstanding compared to \$1,641,266 for prior year. This debt was incurred for the energy performance contract for the acquisition and installation of energy efficient building fixtures.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2006

Unaudited

Table 5 - Condensed Statement of Changes in Debt Outstanding

Beginning Balance - June 30, 2005	\$ 1,641,266
Current Year Principal Payments	<u>(262,083)</u>
Ending Balance - June 30, 2006	<u>\$ 1,379,183</u>

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 twenty-four months we have been working closely with our field office to identify any deficiency, through a remote review, our Rental Housing Integrity Program review, a Rims Review, a consolidated 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.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2006

Unaudited

We have increased our security at all developments with additional lighting and/or cameras. And will be adding additional cameras at both the city and county developments. Now that we have developed our Security Program, we are addressing issues concerning the physical condition of our housing stock. We began several of these items in this budget year, for example our window replacement project at all sites and replacing doors and their hardware at one of our hi-rise buildings. We have replaced gable ends on all fourteen buildings at one site with vinyl siding. We have corrected problems with some of the sanitary lines at one of our family sites. We have begun developing a plan to address parking lots and sidewalks. However, with our future funding being uncertain we will begin following the Capital Fund Program closely. Our future plans include replacing sewer lines, replacing furnaces, adding air conditioning and converting four apartments to handicapped accessible units.

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.

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Portsmouth Metropolitan Housing Authority
Statement of Net Assets
Proprietary Funds
June 30, 2006

ASSETS

Current assets

Cash and cash equivalents	\$4,685,124
Receivables, net	316,282
Inventories, net	33,431
Prepaid expenses and other assets	37,756
Total current assets	<u>5,072,593</u>

Noncurrent assets

Capital assets:	
Land	1,519,932
Building and equipment	49,835,518
Less accumulated depreciation	<u>(31,810,897)</u>
Total noncurrent assets	<u>19,544,553</u>
Total assets	<u><u>\$24,617,146</u></u>

LIABILITIES

Current liabilities

Accounts payable	\$86,892
Accrued liabilities	119,069
Intergovernmental payables	54,794
Tenant security deposits	134,192
Bonds, notes, and loans payable	159,916
Other current liabilities	24,339
Total current liabilities	<u>579,202</u>

Noncurrent liabilities

Bonds, notes, and loans payable	1,219,267
Accrued compensated absences non-current	215,066
Noncurrent liabilities - other	26,209
Total noncurrent liabilities	<u>1,460,542</u>
Total liabilities	<u><u>\$2,039,744</u></u>

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

Portsmouth Metropolitan Housing Authority
Statement of Net Assets - Continued
Proprietary Funds
June 30, 2006

NET ASSETS

Invested in capital assets, net of related debt	\$18,165,370
Unrestricted net assets	<u>4,412,032</u>
Total net assets	<u><u>\$22,577,402</u></u>

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

Portsmouth Metropolitan Housing Authority
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

OPERATING REVENUES

Tenant Revenue	\$1,387,774
Government operating grants	5,522,183
Other revenue	239,275
Total operating revenues	<u>7,149,232</u>

OPERATING EXPENSES

Administrative	1,462,591
Tenant services	113,674
Utilities	875,461
Maintenance	1,516,392
Protective services	233,119
General	247,477
Housing assistance payment	2,078,255
Other operating expenses	4,559
Depreciation	1,969,318
Total operating expenses	<u>8,500,846</u>
Operating income (loss)	<u>(1,351,614)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	194,352
Loss on disposal of assets	(78)
Interest expense	(79,990)
Total nonoperating revenues (expenses)	<u>114,284</u>
Income (loss) before contributions and transfers	<u>(1,237,330)</u>

Capital grants	360,036
Change in net assets	(877,294)
Total net assets - beginning	23,200,482
Prior period adjustment	254,214
Total net assets - ending	<u><u>\$22,577,402</u></u>

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

Portsmouth Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Funds - Enterprise Fund
For the Year Ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from grantor	\$5,710,609
Cash received from tenants	1,392,605
Cash received from other sources	239,275
Cash payment for housing assistance	(1,998,265)
Cash payment for administrative and operating expenses	<u>(4,760,236)</u>
Net cash provided by operating activities	<u>583,988</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	<u>165,638</u>
Net cash used by investing activities	<u>165,638</u>
 CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital Grant funding received from HUD	360,036
Payment of long-term borrowings	(262,083)
Payment of interest expense	(79,990)
Property and equipment purchased	<u>(443,009)</u>
Net cash used by financing activities	<u>(425,046)</u>
Net Increase (Decrease) in Cash	324,580
Cash and cash equivalents – Beginning of Year	<u>4,360,544</u>
Cash and cash equivalents – End of Year	<u>\$4,685,124</u>

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

Portsmouth Metropolitan Housing Authority
Statement of Cash Flows - Continued
Proprietary Funds - Enterprise Fund
For the Year Ended June 30, 2006

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Operating Income (Loss)	(\$1,351,614)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	1,969,318
- (Increases) Decreases in Accounts Receivable	(153,819)
- (Increases) Decreases in Prepaid Assets	59,074
- (Increases) Decreases in Inventory	(8,214)
- Increases (Decreases) in Accounts Payable	41,044
- Increases (Decreases) in Accrued Expenses Payable	8,823
- Increases (Decreases) in Intergovernmental Payable	3,843
- Increases (Decreases) in Deferred Revenue	(25,433)
- Increases (Decreases) in Other Current Liabilities	24,339
- Increases (Decreases) in Other Noncurrent Liabilities	(9,999)
- Increases (Decreases) in Accrued Compensated Absences	22,552
- Increases (Decreases) in Tenant Security Deposits	4,074
	\$583,988
Net cash provided by operating activities	\$583,988

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, 2006

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, 2006
(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, 2006
(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
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(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, 2006
(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 MCTA 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 MCTA or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2006, the Authority was not exposed to custodial risk as discussed below because all of the funds on deposit were covered by federal depository insurance or by collateral held by the Authority's agent. Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

NOTE 4: TENANT ACCOUNT RECEIVABLES

As of June 30, 2006, tenant account receivable is shown net of an allowance for doubtful accounts of \$6,963.

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 were required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the employer pension contribution rate was 13.55 percent. Effective January 1, 2006 the rates increase to 9 percent for members and 13.7 for employers. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority's contribution for the years ended June 30, 2006, 2005, and 2004 amounted to \$236,099, \$224,159, and \$219,341. 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, 2006
(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 2006 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2006 was 4.0 percent of covered payroll, which amounted to \$69,310. 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, 2006
(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, 2006 amounted to \$234,045 and accumulated depreciation is \$982,744.

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

	<u>Principal</u>	<u>Interest</u>
June 30, 2007	\$159,916	\$70,164
2008	168,718	61,362
2009	178,004	52,076
2010	187,802	42,278
2011	198,139	31,941
Thereafter 2012 - 2016	486,604	31,076
Total	\$1,379,183	\$288,897

NOTE 8: CAPITAL ASSETS

	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Deletion</u>	<u>Balance</u> <u>06/30/06</u>
Capital Assets Not Depreciated:				
Land	\$1,519,932	\$0	\$0	\$1,519,932
Construction in Progress	0	278,118	0	278,118
Total Capital Assets Not Being Depreciated	1,519,932	278,118	0	1,798,050
Capital Assets Being Depreciated:				
Buildings	48,628,819	149,694	0	48,778,513
Furnt, Mach. & Equip - Admin	770,350	15,197	12,564	772,983
Furnt, Mach. & Equip - Dwelling	5,904	0	0	5,904
Total Capital Assets Being Depreciated	49,405,073	164,891	12,564	49,557,400

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

NOTE 8: CAPITAL ASSETS (Continued)

Accumulated Depreciated:				
Buildings	29,183,160	1,922,197	0	31,105,357
Furnt, Mach. & Equip - Admin	665,002	47,120	12,486	699,636
Furnt, Mach. & Equip - Dwelling	5,904	0	0	5,904
	<hr/>			
Total Accumulated Depreciated	29,854,066	1,969,317	12,486	31,810,897
Total Capital Assets Being Depreciated, Net	19,551,007	(1,804,426)	(78)	17,746,503
	<hr/>			
Total Capital Assets, Net	\$21,070,939	(\$1,526,308)	(\$78)	\$19,544,553
	<hr/>			

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, 2006 interprogram receivables and (payables) consisted of the following:

Public Housing	(\$226,117)
Voucher	(949)
Business Activities	(118)
Capital Fund	(120,863)
Section 8 N/C	(94)
Energy Performance (Other Federal Program)	348,141
	<hr/>
TOTAL	<u>\$ -0-</u>

POSTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

NOTE 11: PRIOR PERIOD ADJUSTMENT

Beginning retained earnings for 2006 was adjusted to write-off a payable to HUD of \$254,214. This adjustment was necessary to reflect HUD changes in how it funds the Housing Choice Voucher Program.

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.

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, 2006

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 I	Total
111	Cash - Unrestricted	\$77,063	\$63,249	\$341,619	\$117,792	\$0	\$0	\$599,723
113	Cash - Other Restricted	\$0	\$0	\$12,182	\$14,027	\$0	\$0	\$26,209
114	Cash - Tenant Security Deposits	\$0	\$0	\$9,192	\$0	\$0	\$0	\$9,192
100	Total Cash	\$77,063	\$63,249	\$362,993	\$131,819	\$0	\$0	\$635,124
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$0	\$179,178	\$0	\$179,178
125	Accounts Receivable - Miscellaneous	\$59,829	\$0	\$0	\$0	\$0	\$0	\$59,829
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$0	\$17,963	\$0	\$0	\$0	\$17,963
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	(\$11,000)	\$0	\$0	\$0	(\$11,000)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
129	Accrued Interest Receivable	\$1,650	\$0	\$62,325	\$6,337	\$0	\$0	\$70,312
120	Total Receivables, net of allowances for doubtful accounts	\$61,479	\$0	\$69,288	\$6,337	\$179,178	\$0	\$316,282
131	Investments - Unrestricted	\$250,000	\$0	\$3,075,000	\$725,000	\$0	\$0	\$4,050,000
142	Prepaid Expenses and Other Assets	\$755	\$170	\$35,114	\$1,717	\$0	\$0	\$37,756
143	Inventories	\$0	\$0	\$33,431	\$0	\$0	\$0	\$33,431
144	Interprogram Due From	\$0	\$0	\$0	\$0	\$0	\$348,141	\$348,141
150	Total Current Assets	\$389,297	\$63,419	\$3,575,826	\$864,873	\$179,178	\$348,141	\$5,420,734
161	Land	\$27,771	\$0	\$1,492,161	\$0	\$0	\$0	\$1,519,932
162	Buildings	\$0	\$0	\$43,407,490	\$0	\$1,860,347	\$3,510,676	\$48,778,513
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$5,904	\$0	\$0	\$0	\$5,904
164	Furniture, Equipment & Machinery - Administration	\$37,778	\$0	\$678,714	\$35,125	\$21,366	\$0	\$772,983
165	Leasehold Improvements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
166	Accumulated Depreciation	(\$35,367)	\$0	(\$30,552,261)	(\$29,166)	(\$211,359)	(\$982,744)	(\$31,810,897)
167	Construction in progress	\$0	\$0	\$0	\$0	\$278,118	\$0	\$278,118
160	Total Fixed Assets, Net of Accumulated Depreciation	\$30,182	\$0	\$15,032,008	\$5,959	\$1,948,472	\$2,527,932	\$19,544,553
190	Total Assets	\$419,479	\$63,419	\$18,607,834	\$870,832	\$2,127,650	\$2,876,073	\$24,965,287

Portsmouth Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2006

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	\$55,295	\$0	\$31,597	\$0	\$86,892
321	Accrued Wage/Payroll Taxes Payable	\$5,158	\$807	\$91,251	\$8,157	\$2,379	\$0	\$107,752
322	Accrued Compensated Absences - Current Portion	\$210	\$152	\$9,413	\$1,542	\$0	\$0	\$11,317
331	Accounts Payable - HUD PHA Programs	\$0	\$4,998	\$0	\$0	\$0	\$0	\$4,998
333	Accounts Payable - Other Government	\$0	\$0	\$49,796	\$0	\$0	\$0	\$49,796
341	Tenant Security Deposits	\$0	\$0	\$134,192	\$0	\$0	\$0	\$134,192
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$0	\$159,916	\$159,916
345	Other Current Liabilities	\$0	\$0	\$0	\$0	\$24,339	\$0	\$24,339
347	Interprogram Due To	\$118	\$94	\$226,117	\$949	\$120,863	\$0	\$348,141
310	Total Current Liabilities	\$5,486	\$6,051	\$566,064	\$10,648	\$179,178	\$159,916	\$927,343
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$0	\$0	\$0	\$1,219,267	\$1,219,267
354	Accrued Compensated Absences - Non Current	\$3,998	\$2,898	\$178,873	\$29,297	\$0	\$0	\$215,066
353	Noncurrent Liabilities - Other	\$0	\$0	\$12,182	\$14,027	\$0	\$0	\$26,209
350	Total Noncurrent Liabilities	\$3,998	\$2,898	\$191,055	\$43,324	\$0	\$1,219,267	\$1,460,542
300	Total Liabilities	\$9,484	\$8,949	\$757,119	\$53,972	\$179,178	\$1,379,183	\$2,387,885
508.1	Invested in Capital Assets, Net of Related Debt	\$30,182	\$0	\$15,032,008	\$5,959	\$1,948,472	\$1,148,749	\$18,165,370
512.1	Unrestricted Net Assets	\$379,813	\$54,470	\$2,818,707	\$810,901	\$0	\$348,141	\$4,412,032
513	Total Equity/Net Assets	\$409,995	\$54,470	\$17,850,715	\$816,860	\$1,948,472	\$1,496,890	\$22,577,402
600	Total Liabilities and Equity/Net Assets	\$419,479	\$63,419	\$18,607,834	\$870,832	\$2,127,650	\$2,876,073	\$24,965,287
703	Net Tenant Rental Revenue	\$0	\$0	\$1,343,877	\$0	\$0	\$0	\$1,343,877
704	Tenant Revenue - Other	\$0	\$0	\$43,897	\$0	\$0	\$0	\$43,897
705	Total Tenant Revenue	\$0	\$0	\$1,387,774	\$0	\$0	\$0	\$1,387,774

Portsmouth Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2006

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
706	HUD PHA Operating Grants	\$0	\$242,668	\$2,516,149	\$2,300,114	\$463,252	\$0	\$5,522,183
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$360,036	\$0	\$360,036
711	Investment Income - Unrestricted	\$12,465	\$2,445	\$146,959	\$32,483	\$0	\$0	\$194,352
715	Other Revenue	\$212,909	\$0	\$25,067	\$1,299	\$0	\$0	\$239,275
716	Gain/Loss on Sale of Fixed Assets	\$0	\$0	(\$78)	\$0	\$0	\$0	(\$78)
700	Total Revenue	\$225,374	\$245,113	\$4,075,871	\$2,333,896	\$823,288	\$0	\$7,703,542
911	Administrative Salaries	\$77,820	\$13,322	\$533,003	\$134,705	\$58,719	\$0	\$817,569
912	Auditing Fees	\$606	\$327	\$7,877	\$3,308	\$0	\$0	\$12,118
914	Compensated Absences	\$691	\$403	\$17,388	\$4,071	\$0	\$0	\$22,553
915	Employee Benefit Contributions - Administrative	\$37,524	\$6,264	\$258,907	\$60,800	\$17,759	\$0	\$381,254
916	Other Operating - Administrative	\$13,683	\$3,716	\$151,743	\$58,932	\$1,023	\$0	\$229,097
921	Tenant Services - Salaries	\$0	\$0	\$76,764	\$0	\$0	\$0	\$76,764
922	Relocation Costs	\$0	\$0	\$0	\$0	\$1,923	\$0	\$1,923
923	Employee Benefit Contributions - Tenant Services	\$0	\$0	\$34,987	\$0	\$0	\$0	\$34,987
931	Water	\$5	\$3	\$97,199	\$27	\$0	\$0	\$97,234
932	Electricity	\$238	\$129	\$310,341	\$129	\$0	\$0	\$310,837
933	Gas	\$19	\$10	\$340,458	\$1,301	\$0	\$0	\$341,788
938	Other Utilities Expense	\$6	\$3	\$125,583	\$10	\$0	\$0	\$125,602
941	Ordinary Maintenance and Operations - Labor	\$0	\$0	\$777,466	\$0	\$0	\$0	\$777,466
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$0	\$164,918	\$0	\$0	\$0	\$164,918
943	Ordinary Maintenance and Operations - Contract Costs	\$355	\$0	\$184,802	\$0	\$0	\$0	\$185,157
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$0	\$370,867	\$0	\$0	\$0	\$370,867
951	Protective Services - Labor	\$0	\$0	\$73,268	\$6,312	\$0	\$0	\$79,580
952	Protective Services - Other Contract Costs	\$0	\$0	\$97,355	\$0	\$0	\$0	\$97,355
953	Protective Services - Other	\$0	\$0	\$18,663	\$0	\$0	\$0	\$18,663
955	Employee Benefit Contributions - Protective Services	\$0	\$0	\$34,987	\$2,534	\$0	\$0	\$37,521
961	Insurance Premiums	\$2,748	\$618	\$127,768	\$6,251	\$0	\$0	\$137,385

Portsmouth Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2006

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
962	Other General Expenses	\$0	\$0	\$17,518	\$158	\$0	\$0	\$17,676
963	Payments in Lieu of Taxes	\$0	\$0	\$49,795	\$0	\$0	\$0	\$49,795
964	Bad Debt - Tenant Rents	\$0	\$0	\$42,621	\$0	\$0	\$0	\$42,621
967	Interest Expense	\$0	\$0	\$0	\$0	\$0	\$79,990	\$79,990
969	Total Operating Expenses	\$133,695	\$24,795	\$3,914,278	\$278,538	\$79,424	\$79,990	\$4,510,720
970	Excess Operating Revenue over Operating Expenses	\$91,679	\$220,318	\$161,593	\$2,055,358	\$743,864	(\$79,990)	\$3,192,822
971	Extraordinary Maintenance	\$0	\$0	\$17,984	\$0	\$0	\$0	\$17,984
972	Casualty Losses - Non-Capitalized	\$0	\$0	\$4,559	\$0	\$0	\$0	\$4,559
973	Housing Assistance Payments	\$0	\$212,329	\$0	\$1,865,926	\$0	\$0	\$2,078,255
974	Depreciation Expense	\$7,559	\$0	\$1,597,604	\$2,287	\$127,823	\$234,045	\$1,969,318
900	Total Expenses	\$141,254	\$237,124	\$5,534,425	\$2,146,751	\$207,247	\$314,035	\$8,580,836
1001	Operating Transfers In	\$0	\$0	\$271,834	\$0	\$0	\$462,220	\$734,054
1002	Operating Transfers Out	\$0	\$0	(\$350,227)	\$0	(\$383,827)	\$0	(\$734,054)
1010	Total Other Financing Sources (Uses)	\$0	\$0	(\$78,393)	\$0	(\$383,827)	\$462,220	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$84,120	\$7,989	(\$1,536,947)	\$187,145	\$232,214	\$148,185	(\$877,294)
1103	Beginning Equity	\$325,875	\$46,481	\$19,387,662	\$375,501	\$1,716,258	\$1,348,705	\$23,200,482
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0	\$254,214	\$0	\$0	\$254,214
	Ending Equity	\$409,995	\$54,470	\$17,850,715	\$816,860	\$1,948,472	\$1,496,890	\$22,577,402

Portsmouth Metropolitan Housing Authority
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2006

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
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$280,878	\$0	\$2,300,114	\$0	\$0	\$2,580,992
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	\$39,208	\$0	\$0	\$0	\$0	\$39,208
1116	Total Annual Contributions Available	\$0	\$320,086	\$0	\$2,300,114	\$0	\$0	\$2,620,200
1120	Unit Months Available	0	1,428	10,536	7,392	0	0	19,356
1121	Number of Unit Months Leased	0	1,421	10,315	6,683	0	0	18,419

Portsmouth Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
June 30, 2006

Capital Fund Program Number OH16P01050102

1. The Program Costs are as follows:

Funds Approved	\$1,651,920
Funds Expended	<u>1,651,920</u>
Excess (Deficiency) of Funds Approved	<u>\$ -0-</u>
Funds Advanced	\$1,651,920
Funds Expended	<u>1,651,920</u>
Excess (Deficiency) of Funds Advanced	<u>\$ -0-</u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on March 21, 2006.
4. The final costs on the certification agree to the Authority's records.

Portsmouth Metropolitan Housing Authority
 Schedule of Federal Award Expenditures
 For the Year Ended June 30, 2006

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850	\$2,516,149
Public Housing Capital Fund Program	14.872	823,288
Housing Choice Voucher Program	14.871	2,300,114
Section 8 New Construction	14.182	<u>242,668</u>
Total Expenditure of Federal Award		<u>\$5,882,219</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, 2006, and have issued my report thereon dated January 17, 2007. 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.



Salvatore Consiglio, CPA, Inc.

January 17, 2007



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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, 2006. 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, 2006.

Internal Control Over Compliance

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

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

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



Salvatore Consiglio, CPA, Inc.

January 17, 2007

Portsmouth Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 June 30, 2006

1. SUMMARY OF AUDITOR'S RESULTS
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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 #14.871- Housing Choice Voucher
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Audit?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
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There are no Findings or questioned costs for the year ended June 30, 2006.

3. FINDINGS RELATED TO FEDERAL AWARDS
--

There are no Findings or questioned costs for the year ended June 30, 2006.

Portsmouth Metropolitan Housing Authority
 Schedule of Prior Audit Findings
 June 30, 2006

The following is the status of prior year audit findings:

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
FED-2003-10	HUD Remote Review	No	Not Corrected. One of the finding noted in the remote review still remain open. The Authority is continuing to work with HUD field office to resolve the 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
MAY 10, 2007**