**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY**
**SCIOTO COUNTY**
**Single Audit**
**For the Year Ended June 30, 2012**

***Perry & Associates***
Certified Public Accountants, A.C.

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

We have reviewed the *Independent Accountants' Report* of the Portsmouth Metropolitan Housing Authority, Scioto County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2011 through June 30, 2012. 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.

Dave Yost
Auditor of State

February 13, 2013

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**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY**
**SCIOTO COUNTY**

**FOR THE YEAR ENDED JUNE 30, 2012**

## TABLE OF CONTENTS

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**INDEPENDENT ACCOUNTANTS' REPORT**

December 21, 2012

Portsmouth Metropolitan Housing Authority
Scioto County
410 Court Street
Portsmouth, Ohio 45662

To the Board of Directors:

We have audited the accompanying financial statements of the business-type activities of the **Portsmouth Metropolitan Housing Authority**, Scioto County, Ohio (the Authority), as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards.* Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Portsmouth Metropolitan Housing Authority as of June 30, 2012, and the respective changes in financial position and the cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 21, 2012, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Authority's basic financial statements taken as a whole. The actual modernization cost certificates presented on page 22 and the supplemental Financial Data Schedule presented on pages 23 through 26 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements. The schedule of expenditures of federal awards provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is management's responsibility, and was derived from and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the actual modernization cost certificates presented on page 22 or the supplemental financial data schedules presented on pages 23 through 26 to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on them.

Respectfully submitted,

Perry & Associates CPA's A.C.

**Perry & Associates**
Certified Public Accountants, A.C.

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY**
**SCIOTO COUNTY**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**For the Year Ended June 30, 2012**

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 year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements.

Financial Highlights

- Total assets were $23,637,924 and $24,298,954 for 2012 and 2011 respectively. The Authority-wide statements reflect a decrease in total assets of $661,030 (or 3%) during 2012. This decrease is reflective of the year's activities.
- Revenue decreased by $510,977 (or 5%) during 2012, and was $8,857,803 and $9,368,780 for 2012 and 2011 respectively.
- Total expenses of all Authority programs increased by $109,930 (or 1%). Total expenses were $9,349,662 and $9,239,732 for 2012 and 2011 respectively.

Using this Annual Report

The following graphic outlines the format of this report:

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

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 "Noncurrent".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to 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:

> **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), grantor, contributors, laws, regulations, etc.
>
> **Unrestricted Net Assets**: Consists of Net Assets that do not meet the definition of '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, and maintenance and depreciation; and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

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, investing 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 Authority to provide the housing at a rent that is based on 30% of adjusted gross household income.

Unaudited

## The Authority's Programs (Continued)

**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 Comprehensive Grant Program was revised for CFP, funds are still provided by formula allocation and based on size and age of your units.

**Contract Administration Program (a business activity)** – The Authority was one of nine agencies in the state of Ohio to participate in a program which conducted Management and Occupancy Reviews of HUD Multifamily sites in the state. The Authority earned a management fee plus incentives for administering approximately 63 contracts. This program ended during fiscal year 2012.

**Energy Performance Contract** – The Authority entered into a contract with HUD and Viron Energy Services. The contract allowed for the Authority to borrow money to make energy conservation measures within its Public Housing units, in turn, the Authority was allowed to "freeze" the current level of consumption for those units. The difference between the actual consumption and the frozen consumption is used to pay the debt. This program will run through October 25, 2012.

## Authority-Wide Statements

**Statement of Net Assets**

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

**TABLE 1**
**Statement of Net Assets**

| | 2012 | 2011 | Change |
|---|---|---|---|
| Current Assets | $ 6,638,678 | $ 5,917,980 | $ 720,698 |
| Capital Assets | 16,999,246 | 18,380,974 | (1,381,728) |
| Total Assets | $ 23,637,924 | $ 24,298,954 | $ (661,030) |
| | | | |
| Current Liabilities | $ 602,120 | $ 562,654 | $ 39,466 |
| Noncurrent Liabilities | 288,524 | 497,161 | (208,637) |
| Total Liabilities | $ 890,644 | $ 1,059,815 | $ (169,171) |
| | | | |
| Invested in Capital Assets, Net of Related Debt | $ 16,721,686 | $ 17,894,369 | $ (1,172,683) |
| Restricted Net Assets | 169,020 | 163,607 | 5,413 |
| Unrestricted Net Assets | 5,856,574 | 5,181,163 | 675,411 |
| Total Net Assets | $ 22,747,280 | $ 23,239,139 | $ (491,859) |
| Total Liabilities and Net Assets | $ 23,637,924 | $ 24,298,954 | $ (661,030) |

For more detailed information see the Statement of Net Assets.

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

- Current assets were increased by $720,698, while current liabilities increased by $39,466 in relation.
- The decrease in capital assets reflects the capital improvements and equipment purchases less depreciation expense.
- The Net Assets section reflects a decrease of $491,859 that can be attributed to the results from operations less current year depreciation expense.

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

| | 2012 | 2011 | Change |
|---|---|---|---|
| **Revenues** | | | |
| Tenant Revenue | $ 1,610,130 | $ 1,643,766 | $ (33,636) |
| Operating Subsidies | 6,611,851 | 5,841,849 | 770,002 |
| Capital Grants | 469,259 | 1,477,970 | (1,008,711) |
| Investment Income | 894 | 6,849 | (5,955) |
| Other Revenue | 165,669 | 398,346 | (232,677) |
| **Total Revenues** | 8,857,803 | 9,368,780 | (510,977) |
| **Expenses** | | | |
| Administrative | $ 1,679,670 | $ 1,462,260 | $ (217,410) |
| Tenant Services | 1,469 | - | 1,469 |
| Utilities | 1,039,513 | 1,026,720 | 12,793 |
| Maintenance | 1,685,393 | 1,661,503 | 23,890 |
| Protective Services | 214,928 | 238,840 | (23,912) |
| General and Interest Expense | 322,665 | 355,274 | (32,609) |
| Housing Assistance Payments | 2,485,423 | 2,401,290 | 84,133 |
| Other Operating Expenses | 53,523 | 104,766 | (51,243) |
| (Gain) or Loss from Sale of Assets | - | (9,485) | 9,485 |
| Depreciation | 1,867,078 | 1,998,564 | (131,486) |
| **Total Expenses** | 9,349,662 | 9,239,732 | 109,930 |
| **Net Increase (Decrease)** | $ (491,859) | $ 129,048 | $ (620,907) |

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

The Authority's total revenue has decreased by $510,977. This is a reflection of a decrease in Housing Choice Vouchers Subsidy, a decrease in Capital Fund Program activities during the year, and the completion of our contract with Columbus MHA for performance based contract administration. There was also a decrease in Tenant Revenue and a continuing decrease in Investment Revenue due to interest rates. Expenses increased by $109,930 for 2012. The Authority was able to increase the Section 8 lease up to coincide with Section 8 funding. There was an increase in utility expenses; specifically water, electricity, and sewer. Also, we experienced a significant increase in health care costs.

## Capital Assets and Debt Administration

### Capital Assets

As of year-end, the Authority had $16,999,246 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions and depreciation) of $1,381,728 from the end of last year.

**Table 3**
**Capital Assets at Year-End**
**(Net of Deprecation)**

| | 2012 | 2011 |
|---|---|---|
| Land | $ 1,519,932 | $ 1,519,932 |
| Buildings | 56,798,201 | 56,275,473 |
| Furniture, Machinery & Equipment - Dwelling | 55,447 | 48,913 |
| Furniture, Machinery & Equipment - Admin | 870,490 | 888,015 |
| Construction in Progress | 374,574 | 425,870 |
| Accumulated Depreciation | (42,619,398) | (40,777,229) |
| Total | $ 16,999,246 | $ 18,380,974 |

The following reconciliation summarizes the change in Capital Assets.

**Table 4**
**Change in Capital Assets**

| | |
|---|---|
| Beginning Balance - June 30, 2011 | $ 18,380,974 |
| Current year Additions | 485,350 |
| Current year Depreciation Expense | (1,867,078) |
| Ending Balance - June 30, 2012 | $ 16,999,246 |

| | |
|---|---|
| Current Year Additions are summarized as follows: | |
| Capital Improvements | $ 469,260 |
| 9 side by side refrigerators at $1,017.53 each | 9,158 |
| Lawn tractor, 52" | 4,759 |
| COCC Handicapped Entrance | 2,173 |
| Total 2012 Additions | $ 485,350 |

Debt Outstanding

As of year-end, the Authority had $277,560 in debt (bonds, notes, etc.) outstanding compared to $486,605 for the prior year. This debt was incurred for the energy performance contract for the acquisition and installation of energy efficient building fixtures.

| | 2012 | 2011 |
|---|---|---|
| Beginning Balance | $ 486,605 | $ 684,743 |
| Fiscal Year Principal Payments | (209,045) | (198,138) |
| Ending Balance | $ 277,560 | $ 486,605 |

## Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding cuts of the Department of Housing and Urban Development continue for both Public Housing and Section 8 Housing Choice Voucher Programs.
- The contract with Columbus MHA has expired for PBCA services.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary rates on utility costs, supplies, salaries and other costs.
- The reduced interest rates.

## The Future of PMHA

We feel the future is secure for PMHA even with the uncertainty of the industry and the economy. We have continued realignment of responsibilities for several positions within the authority with the emphasis on efficiency. We continue to increase our security at all developments with additional lighting and/or cameras. We are in the process of completing the addition of cameras at three of our high-rise developments. We also are continually looking for new and creative ways to work with local law enforcement to increase law enforcement presence in the sites without increasing the costs of our security program. An example of this is incorporating law enforcement officers in our National Night Out activities at all sites.

Besides continuing development of an increased Security Program, we are addressing issues concerning the physical condition of our housing stock. We are currently completing several of these items. For example, one of our high-rises, Alexandria House, is currently undergoing a major upgrade which includes new exterior doors, new heating and air-conditioning, and new domestic hot water system. Another project which is currently in-progress is a major re-hab to our family site, Wayne Hills. This development has 29 buildings that were built in the 1940's. Due to the amount of work involved, and the cost associated with it, this has been broken down into phases. Phase 1 is in-process currently and will re-hab 3 buildings. When the Alexandria House and Wayne Hills projects are completed it will not only enhance the appearance of the housing stock, but will also lengthen the life of the buildings. Lastly, we are continuing to review and update policies to enhance our safety and customer service efforts to our tenants.

Unaudited

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PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
Statement of Net Assets

As of June 30, 2012

| | | |
|---|---|---|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | $ | 5,963,651 |
| Restricted cash | | 338,925 |
| Receivables, net | | 222,737 |
| Inventories, net | | 36,348 |
| Prepaid expenses and other assets | | 77,017 |
| Total current assets | | 6,638,678 |
| Noncurrent assets | | |
| Capital Assets: | | |
| Land | | 1,519,932 |
| Building and equipment | | 57,724,138 |
| Construction in progress | | 374,574 |
| Less accumulated depreciation | | (42,619,398) |
| Total noncurrent assets | | 16,999,246 |
| Total assets | $ | 23,637,924 |
| LIABILITIES & NET ASSETS | | |
| Current liabilities | | |
| Accounts payable | $ | 78,854 |
| Accrued liabilities | | 41,324 |
| Accrued compensated absences, current portion | | 25,725 |
| Intergovernmental payables | | 57,821 |
| Tenant security deposits | | 151,798 |
| Capital lease payable, current portion | | 220,551 |
| Deferred revenue | | 7,940 |
| Other current liabilities | | 18,107 |
| Total current liabilities | | 602,120 |
| Noncurrent liabilities | | |
| Capital lease payable | | 57,009 |
| Accrued compensated absences | | 231,515 |
| Total noncurrent liabilities | | 288,524 |
| Total liabilities | | 890,644 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | | 16,721,686 |
| Restricted net assets | | 169,020 |
| Unrestricted net assets | | 5,856,574 |
| Total net assets | | 22,747,280 |
| Total liabilities and net assets | $ | 23,637,924 |

The accompanying notes are integral part of the financial statements

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Year Ended June 30, 2012

| | |
|---|---|
| OPERATING REVENUES | |
| Tenant revenue | $ 1,610,130 |
| Government operating grants | 6,611,851 |
| Other revenue | 165,669 |
| Total operating revenues | 8,387,650 |
| OPERATING EXPENSES | |
| Administrative | 1,679,670 |
| Tenant services | 1,469 |
| Utilities | 1,039,513 |
| Maintenance | 1,738,916 |
| Protective services | 214,928 |
| General | 301,631 |
| Housing assistance payments | 2,485,423 |
| Depreciation | 1,867,078 |
| Total operating expenses | 9,328,628 |
| Operating income(loss) | (940,978) |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest and investment revenue | 894 |
| Interest expense | (21,034) |
| Total nonoperating revenues (expenses) | (20,140) |
| Income (loss) before capital grants | (961,118) |
| Capital grants | 469,259 |
| Change in net assets | (491,859) |
| Total net assets - beginning | 23,239,139 |
| Total net assets - ending | $ 22,747,280 |

The accompanying notes are integral part of the financial statements

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
SCIOTO COUNTY
Statement of Cash Flows

For the Year Ended June 30, 2012

| | | |
|---|---|---|
| Cash Flows from Operating Activities | | |
| Cash Received from Grantors | $ | 6,611,851 |
| Cash Received from Tenants | | 1,610,446 |
| Cash Received from Other Sources | | 165,353 |
| Cash Payment for Housing Assistance | | (2,485,423) |
| Cash Payment for Administrative and Operating Expenses | | (4,992,378) |
| Net Cash Flows Provided/(Used) by Operating Activities | | 909,849 |
| Cash Flows from Investing Activities | | |
| Cash Received for Interest Income | | 894 |
| Net Cash Flows Provided by Investing Activities | | 894 |
| Cash Flows from Capital and Related Financing Activities | | |
| Capital Grant Funding Received from HUD | | 469,259 |
| Payments of Related Debt | | (209,045) |
| Payments for Interest Expense | | (21,034) |
| Property and Equipment Purchased | | (485,350) |
| Net Cash Flows Provided/(Used) by Capital and Related Financing | | (246,170) |
| Increase in Cash and Cash Equivalents | | 664,573 |
| Cash - Beginning of Period | | 5,638,003 |
| Cash - End of Period | $ | 6,302,576 |

| | | |
|---|---|---|
| Reconciliation of operating income to net cash provided by operating activities | | |
| Net operating income | $ | (940,978) |
| Adjustment to reconicle operating loss to net cash used by operating activities | | |
| - Depreciation | | 1,867,078 |
| - (Increase) decrease in receivables | | (59,250) |
| - (Increase) decrease in inventories | | 2,987 |
| - (Increase) decrease in prepaid expenses and other assets | | 138 |
| - (Decrease) increase in accounts payable | | 54,627 |
| - (Decrease) increase in accrued liabilities | | (24,308) |
| - (Decrease) increase in intergovernmental payables | | (7,182) |
| - (Decrease) increase in tenant security deposits | | 2,029 |
| - (Decrease) increase in deferred revenue | | (145) |
| - (Decrease) increase in other current liabilitites | | 1,615 |
| - (Decrease) increase in accrued compensated absences | | 13,238 |
| Net cash provided by operating activities | $ | 909,849 |

## 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.

### 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 contributions 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 was one of nine agencies that participated in a program which managed the reporting requirements for Multifamily Housing sites within 13 counties in southern Ohio. The Authority earned a management fee plus incentives for administering approximately 63 contracts. The Authority's participation in this program ended during fiscal year 2012.

**NOTE 1: REPORTING ENTITY (Continued)**

**Description of Programs (Continued)**

**E. Energy Performance Contract**

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

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

A. **Basis of Accounting**

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

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

- **PHA Owned Housing Fund**
  This accounts for all activities and projects of the Public Housing Program (described previously) including Public Housing and Capital Fund 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, whose equity was absorbed by the Housing Choice Voucher Program this fiscal year.

- **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 (expenses excluding depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

### 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 three years 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.

The estimated useful lives for each major class of depreciable capital assets are as follows:

| | |
|---|---|
| Building & improvements | 15-40 years |
| Furniture, fixtures, & equipment | 3-7 years |

### 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.

### 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 Authority 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 Authority treasury, in commercial accounts payable or withdrawn on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**NOTE 3: DEPOSIT AND INVESTMENTS (Continued)**

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

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

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

At fiscal year end June 30, 2012, the carrying amount of the Authority's deposits totaled $6,302,576. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure," as of June 30, 2012, $5,846,214 was exposed to custodial risk as discussed below, while $456,362 was covered by the Federal Depository Insurance Corporation.

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

Cash & cash equivalents at June 30, 2012, consisted of the following:

| | |
|---|---|
| Cash & Cash Equivalents - Unrestricted | $ 5,963,651 |
| Cash – Restricted | 338,925 |
| | $ 6,302,576 |

***Restricted Cash and Investments:***

| | |
|---|---|
| Tenant security deposits | $ 151,798 |
| Escrow | 18,107 |
| HCV equity | 169,020 |
| | $ 338,925 |

**NOTE 4: ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2012, consisted of the following:

| | |
|---|---|
| Tenants – (net of allowance $30,839) | $ 26,746 |
| HUD | 180,676 |
| Delinquent Tenant Accounts | 15,315 |
| | $ 222,737 |

The above receivable balance excludes $91,004 of interfund balances that have been eliminated as a result of consolidated financial statements at June 30, 2012.

## NOTE 5: DEFINED BENEFIT PENSION PLAN

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS 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-Direct Plan.

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012 and 2011 member and employer rates were consistent across all three plans. The 2012 and 2011 member contribution rates were 10 percent for members, and 14 percent for employers of covered payroll. The Authority's contribution for the years ended June 30, 2012, 2011, and 2010 amounted to $253,551, $248,179, and $243,888. These costs have been charged to the employee fringe benefit account. All required contributions for the three years have been paid.

## NOTE 6: POST-EMPLOYMENT BENEFITS

### A. Plan Description

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

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

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

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

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

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

### B. Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012 and 2011, the Authority contributed at a rate of 14 percent to covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2012 and 2011, the employer contribution allocated to health care plan was 5.50 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended June 30, 2012, 2011, and 2010, which were used to fund post-employment benefits, were $115,999, $97,499, and $100,728 respectively.

OPERS Retirement Board implemented its Health Care Preservation Plan (HCPP). HCPP was adopted on September 9, 2004, and was effective on January 1, 2007. In addition, OPERS created a separate investment pool for health care assets. Members and employers contribution rates increases in January 1, 2006, 2007, and 2008 will allow additional funds to be allocated to the health care plan.

## NOTE 7: CAPITAL LEASE

Energy performance contract lease payable to a finance company for the acquisition and installation of energy efficient building fixtures. Amounts advanced under the lease total $3,283,801 with repayments 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, 2012 amounted to $234,045 and the net book value is $1,123,662.

## NOTE 7: CAPITAL LEASE (Continued)

Change in capital lease debt and future minimum lease payments under capital leases over the next two years are as follows:

| | Balance 6/30/2011 | Retired | Balance 6/30/2012 | Due in One Year |
|---|---|---|---|---|
| Debt Amount | $ 486,605 | $ 209,045 | $ 277,560 | $ 220,551 |

| | Principal | Interest |
|---|---|---|
| 2013 | $ 220,551 | $ 9,529 |
| 2014 | 57,009 | 511 |
| Total | $ 277,560 | $ 10,040 |

## NOTE 8: CAPITAL ASSETS

The following is the change during the year ended June 30, 2012:

| | Balance 6/30/2011 | Adjust | Additions | Deletions | Balance 6/30/2012 |
|---|---|---|---|---|---|
| **Capital Assets Not Being Depreciated:** | | | | | |
| Land | $ 1,519,932 | $ - | $ - | $ - | $ 1,519,932 |
| Construction in Process | 425,870 | (425,870) | 374,574 | - | 374,574 |
| **Total Capital Assets Not Being Depreciated** | 1,945,802 | (425,870) | 374,574 | - | 1,894,506 |
| **Capital Assets Being Depreciated:** | | | | | |
| Buildings | 56,275,473 | 425,870 | 96,859 | - | 56,798,202 |
| Furn, Mach & Equip - Administration | 888,015 | - | 4,759 | (22,284) | 870,490 |
| Furn, Mach & Equip - Dwelling | 48,913 | - | 9,158 | (2,624) | 55,447 |
| **Total Capital Assets Being Depreciated** | 57,212,401 | 425,870 | 110,776 | (24,908) | 57,724,139 |
| **Accumulated Depreciation:** | | | | | |
| Buildings | (39,949,485) | - | (1,831,444) | - | (41,780,928) |
| Furn, Mach & Equip - Administration | (798,825) | - | (28,648) | 22,284 | (805,189) |
| Furn, Mach & Equip - Dwelling | (28,919) | - | (6,986) | 2,624 | (33,281) |
| **Total Accumulated Depreciation** | (40,777,229) | - | (1,867,078) | 24,908 | (42,619,399) |
| **Total Capital Assets Being Depreciated, Net of Accumulated Depreciation** | 16,435,172 | 425,870 | (1,756,302) | - | 15,104,740 |
| **Total Capital Assets, Net of Accumulated Depreciation** | $ 18,380,974 | $ - | $ (1,381,728) | $ - | $ 16,999,246 |

## 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 9: COMPENSATED ABSENCES (Continued)**

The following is a summary of changes in compensated absences for the year ended June 30, 2012.

| Description | Balance 6/30/2011 | Additions | Deletions | Balance 6/30/2012 | Due Within One Year |
|---|---|---|---|---|---|
| Compensated Absences | $ 244,002 | $ 205,326 | $ 192,088 | $ 257,240 | $ 25,725 |
| Total Primary Government | $ 244,002 | $ 205,326 | $ 192,088 | $ 257,240 | $ 25,725 |

**NOTE 10: 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 11: 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 12: CONTINGENCIES**

The Authority is involved in various legal proceedings and litigation arising in the normal course of business. Management does not believe that the settlement of any such claims or litigation will have a material adverse effect on the Authority's financial position or results of operations.

The Authority participates in federal grants that are subject to financial and compliance audits by grantor agencies or their representatives. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant.

The Authority believes that disallowed claims, if any, will not have a material effect on the financial condition.

Supplemental Information

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY**
**SCIOTO COUNTY**
**ACTUAL MODERNIZATION COST CERTIFICATES**
**FOR THE YEAR ENDED JUNE 30, 2012**

Modernization Project Number : OH-16-P010-501-09

| | |
|---|---|
| Original Funds Approved: | $ 1,383,525 |
| Funds Disbursed: | $ 1,383,525 |
| Funds Expended (Actual Modernization Cost): | $ 1,383,525 |
| Amount to be Recaptured: | Not Applicable |
| Excess of Funds Disbursed: | Not Applicable |

Portsmouth Metropolitan Housing Authority
Financial Data Schedule
June 30, 2012

| | Project Total | 14.871 Housing Choice Vouchers | 8 Other Federal Program 1 | 1 Business Activities | COCC | Subtotal | ELIM | Total |
|---|---|---|---|---|---|---|---|---|
| 111 Cash - Unrestricted | $2,132,504 | $400,318 | $0 | $975,453 | $2,455,376 | $5,963,651 | | $5,963,651 |
| 113 Cash - Other Restricted | | $169,020 | $0 | | | $169,020 | | $169,020 |
| 114 Cash - Tenant Security Deposits | $151,798 | | $0 | | | $151,798 | | $151,798 |
| 115 Cash - Restricted for Payment of Current Liabilities | | $18,107 | $0 | | | $18,107 | | $18,107 |
| 100 Total Cash | $2,284,302 | $587,445 | $0 | $975,453 | $2,455,376 | $6,302,576 | $0 | $6,302,576 |
| | | | | | | | | |
| 122 Accounts Receivable - HUD Other Projects | $180,676 | | $0 | | | $180,676 | | $180,676 |
| 126 Accounts Receivable - Tenants | $57,585 | | $0 | | | $57,585 | | $57,585 |
| 126.1 Allowance for Doubtful Accounts -Tenants | -$30,839 | | $0 | | | -$30,839 | | -$30,839 |
| 128 Fraud Recovery | $14,939 | $376 | $0 | | | $15,315 | | $15,315 |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | $222,361 | $376 | $0 | $0 | $0 | $222,737 | $0 | $222,737 |
| | | | | | | | | |
| 142 Prepaid Expenses and Other Assets | $71,890 | $571 | | $436 | $4,120 | $77,017 | | $77,017 |
| 143 Inventories | | | | | $36,348 | $36,348 | | $36,348 |
| 144 Inter Program Due From | $0 | | | $63,901 | $27,103 | $91,004 | -$91,004 | $0 |
| 150 Total Current Assets | $2,578,553 | $588,392 | $0 | $1,039,790 | $2,522,947 | $6,729,682 | -$91,004 | $6,638,678 |
| | | | | | | | | |
| 161 Land | $1,492,161 | | | $27,771 | | $1,519,932 | | $1,519,932 |
| 162 Buildings | $56,059,814 | | | | $738,387 | $56,798,201 | | $56,798,201 |
| 163 Furniture, Equipment & Machinery - Dwellings | $55,447 | | | | | $55,447 | | $55,447 |
| 164 Furniture, Equipment & Machinery - Administration | $498,420 | $44,074 | | $58,270 | $269,726 | $870,490 | | $870,490 |
| 166 Accumulated Depreciation | -$41,793,688 | -$44,074 | | -$57,315 | -$724,321 | -$42,619,398 | | -$42,619,398 |
| 167 Construction in Progress | $372,401 | | | | $2,173 | $374,574 | | $374,574 |
| 168 Infrastructure | | | | | | | | |
| 160 Total Capital Assets, Net of Accumulated Depreciation | $16,684,555 | $0 | $0 | $28,726 | $285,965 | $16,999,246 | $0 | $16,999,246 |
| | | | | | | | | |
| 180 Total Non-Current Assets | $16,684,555 | $0 | $0 | $28,726 | $285,965 | $16,999,246 | $0 | $16,999,246 |
| | | | | | | | | |
| 190 Total Assets | $19,263,108 | $588,392 | $0 | $1,068,516 | $2,808,912 | $23,728,928 | -$91,004 | $23,637,924 |
| | | | | | | | | |
| 312 Accounts Payable <= 90 Days | | | | | $78,854 | $78,854 | | $78,854 |
| 321 Accrued Wage/Payroll Taxes Payable | $26,197 | $2,856 | | | $11,249 | $40,302 | | $40,302 |
| 322 Accrued Compensated Absences - Current Portion | $16,106 | $2,819 | | | $6,800 | $25,725 | | $25,725 |
| 331 Accounts Payable - HUD PHA Programs | $1,022 | | | | | $1,022 | | $1,022 |
| 333 Accounts Payable - Other Government | $57,821 | | | | | $57,821 | | $57,821 |
| 341 Tenant Security Deposits | $151,798 | | | | | $151,798 | | $151,798 |
| 342 Deferred Revenues | $7,940 | | | | | $7,940 | | $7,940 |
| 343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds | $211,568 | | | | $8,983 | $220,551 | | $220,551 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 346 Accrued Liabilities - Other | | $18,107 | | | | $18,107 | | $18,107 |
| 347 Inter Program - Due To | $0 | $27,103 | | | $63,901 | $91,004 | -$91,004 | $0 |
| 310 Total Current Liabilities | $472,452 | $50,885 | $0 | $0 | $169,787 | $693,124 | -$91,004 | $602,120 |
| | | | | | | | | |
| 351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue | $54,687 | | | | $2,322 | $57,009 | | $57,009 |
| 354 Accrued Compensated Absences - Non Current | $144,945 | $25,373 | | | $61,197 | $231,515 | | $231,515 |
| 350 Total Non-Current Liabilities | $199,632 | $25,373 | $0 | $0 | $63,519 | $288,524 | $0 | $288,524 |
| | | | | | | | | |
| 300 Total Liabilities | $672,084 | $76,258 | $0 | $0 | $233,306 | $981,648 | -$91,004 | $890,644 |
| | | | | | | | | |
| 508.1 Invested In Capital Assets, Net of Related Debt | $16,418,300 | | | $28,726 | $274,660 | $16,721,686 | | $16,721,686 |
| 511.1 Restricted Net Assets | | $169,020 | | | | $169,020 | | $169,020 |
| 512.1 Unrestricted Net Assets | $2,172,724 | $343,114 | $0 | $1,039,790 | $2,300,946 | $5,856,574 | | $5,856,574 |
| 513 Total Equity/Net Assets | $18,591,024 | $512,134 | $0 | $1,068,516 | $2,575,606 | $22,747,280 | $0 | $22,747,280 |
| | | | | | | | | |
| 600 Total Liabilities and Equity/Net Assets | $19,263,108 | $588,392 | $0 | $1,068,516 | $2,808,912 | $23,728,928 | -$91,004 | $23,637,924 |
| 70300 Net Tenant Rental Revenue | $1,558,712 | | | | | $1,558,712 | | $1,558,712 |
| 70400 Tenant Revenue - Other | $51,418 | | | | | $51,418 | | $51,418 |
| 70500 Total Tenant Revenue | $1,610,130 | $0 | $0 | $0 | $0 | $1,610,130 | $0 | $1,610,130 |
| | | | | | | | | |
| 70600 HUD PHA Operating Grants | $3,820,835 | $2,791,016 | | | | $6,611,851 | | $6,611,851 |
| 70610 Capital Grants | $469,259 | | | | | $469,259 | | $469,259 |
| 70710 Management Fee | | | | | $798,652 | $798,652 | -$798,652 | $0 |
| 70720 Asset Management Fee | | | | | $106,320 | $106,320 | -$106,320 | $0 |
| 70730 Book Keeping Fee | | | | | $77,785 | $77,785 | -$77,785 | $0 |
| 70700 Total Fee Revenue | | | | | $982,757 | $982,757 | -$982,757 | $0 |
| | | | | | | | | |
| 71100 Investment Income - Unrestricted | | $403 | | | $265 | $668 | | $668 |
| 71400 Fraud Recovery | | $316 | | | | $316 | | $316 |
| 71500 Other Revenue | $22,299 | | | $139,070 | $3,984 | $165,353 | | $165,353 |
| 72000 Investment Income - Restricted | | $226 | | | | $226 | | $226 |
| 70000 Total Revenue | $5,922,523 | $2,791,961 | $0 | $139,070 | $987,006 | $9,840,560 | -$982,757 | $8,857,803 |
| | | | | | | | | |
| 91100 Administrative Salaries | $294,509 | $123,923 | | $12,983 | $473,703 | $905,118 | | $905,118 |
| 91200 Auditing Fees | $5,180 | $1,464 | | $2,555 | $6,229 | $15,428 | | $15,428 |
| 91300 Management Fee | $692,889 | $60,113 | | $45,650 | | $798,652 | -$798,652 | $0 |
| 91310 Book-keeping Fee | $77,785 | | | | | $77,785 | -$77,785 | $0 |
| 91400 Advertising and Marketing | $3,045 | | | | $1,523 | $4,568 | | $4,568 |
| 91500 Employee Benefit contributions - Administrative | $150,252 | $60,594 | | $7,745 | $243,516 | $462,107 | | $462,107 |
| 91600 Office Expenses | $45,479 | $18,227 | | -$212 | $50,866 | $114,360 | | $114,360 |
| 91700 Legal Expense | $15,469 | $6,195 | | | $4,048 | $25,712 | | $25,712 |
| 91800 Travel | $12,621 | $152 | | $342 | $2,385 | $15,500 | | $15,500 |
| 91900 Other | $32,067 | $48,414 | | $1,520 | $54,876 | $136,877 | | $136,877 |
| 91000 Total Operating - Administrative | $1,329,296 | $319,082 | $0 | $70,583 | $837,146 | $2,556,107 | -$876,437 | $1,679,670 |
| | | | | | | | | |
| 92000 Asset Management Fee | $106,320 | | | | | $106,320 | -$106,320 | $0 |
| 92400 Tenant Services - Other | $1,469 | | | | | $1,469 | | $1,469 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 92500 Total Tenant Services | $1,469 | $0 | $0 | $0 | $0 | $1,469 | $0 | $1,469 |
| | | | | | | | | |
| 93100 Water | $127,740 | $30 | | $6 | $209 | $127,985 | | $127,985 |
| 93200 Electricity | $552,537 | $1,432 | | $195 | $8,316 | $562,480 | | $562,480 |
| 93300 Gas | $159,820 | $105 | | $11 | $1,476 | $161,412 | | $161,412 |
| 93600 Sewer | $187,381 | $32 | | $6 | $217 | $187,636 | | $187,636 |
| 93000 Total Utilities | $1,027,478 | $1,599 | $0 | $218 | $10,218 | $1,039,513 | $0 | $1,039,513 |
| | | | | | | | | |
| 94100 Ordinary Maintenance and Operations - Labor | $820,385 | | | | $504 | $820,889 | | $820,889 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | $171,255 | | | | $4,192 | $175,447 | | $175,447 |
| 94300 Ordinary Maintenance and Operations Contracts | $268,385 | | | $10 | $339 | $268,734 | | $268,734 |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | $420,064 | | | | $259 | $420,323 | | $420,323 |
| 94000 Total Maintenance | $1,680,089 | $0 | $0 | $10 | $5,294 | $1,685,393 | $0 | $1,685,393 |
| | | | | | | | | |
| 95100 Protective Services - Labor | $58,477 | $3,994 | | | $30,726 | $93,197 | | $93,197 |
| 95300 Protective Services - Other | $64,572 | $3,475 | | | $5,294 | $73,341 | | $73,341 |
| 95500 Employee Benefit Contributions - Protective Services | $30,642 | $1,953 | | | $15,795 | $48,390 | | $48,390 |
| 95000 Total Protective Services | $153,691 | $9,422 | $0 | $0 | $51,815 | $214,928 | $0 | $214,928 |
| | | | | | | | | |
| 96110 Property Insurance | $165,470 | | | | | $165,470 | | $165,470 |
| 96120 Liability Insurance | $7,226 | | | | | $7,226 | | $7,226 |
| 96140 All Other Insurance | | $1,259 | | $1,276 | $9,747 | $12,282 | | $12,282 |
| 96100 Total insurance Premiums | $172,696 | $1,259 | $0 | $1,276 | $9,747 | $184,978 | $0 | $184,978 |
| | | | | | | | | |
| 96200 Other General Expenses | $5,136 | $2,844 | | | $14 | $7,994 | | $7,994 |
| 96210 Compensated Absences | $6,570 | $1,361 | | | $8,993 | $16,924 | | $16,924 |
| 96300 Payments in Lieu of Taxes | $57,821 | | | | | $57,821 | | $57,821 |
| 96400 Bad debt - Tenant Rents | $33,914 | | | | | $33,914 | | $33,914 |
| 96000 Total Other General Expenses | $103,441 | $4,205 | $0 | $0 | $9,007 | $116,653 | $0 | $116,653 |
| | | | | | | | | |
| 96720 Interest on Notes Payable (Short and Long Term) | $20,176 | | | | $858 | $21,034 | | $21,034 |
| 96730 Amortization of Bond Issue Costs | | | | | | | | |
| 96700 Total Interest Expense and Amortization Cost | $20,176 | $0 | $0 | $0 | $858 | $21,034 | $0 | $21,034 |
| | | | | | | | | |
| 96900 Total Operating Expenses | $4,594,656 | $335,567 | $0 | $72,087 | $924,085 | $5,926,395 | -$982,757 | $4,943,638 |
| | | | | | | | | |
| 97000 Excess of Operating Revenue over Operating Expenses | $1,327,867 | $2,456,394 | $0 | $66,983 | $62,921 | $3,914,165 | $0 | $3,914,165 |
| | | | | | | | | |
| 97100 Extraordinary Maintenance | $65,021 | | | | $11,141 | $76,162 | | $76,162 |
| 97200 Casualty Losses - Non-capitalized | -$22,592 | | | | -$47 | -$22,639 | | -$22,639 |
| 97300 Housing Assistance Payments | | $2,485,423 | | | | $2,485,423 | | $2,485,423 |
| 97350 HAP Portability-In | | | | | | | | |
| 97400 Depreciation Expense | $1,829,066 | $292 | | $478 | $37,242 | $1,867,078 | | $1,867,078 |
| 90000 Total Expenses | $6,466,151 | $2,821,282 | $0 | $72,565 | $972,421 | $10,332,419 | -$982,757 | $9,349,662 |
| | | | | | | | | |
| 10010 Operating Transfer In | $325,917 | | | | | $325,917 | | $325,917 |
| 10020 Operating transfer Out | -$325,917 | | | | $0 | -$325,917 | | -$325,917 |
| 10100 Total Other financing Sources (Uses) | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| | | | | | | | | |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | -$543,628 | -$29,321 | $0 | $66,505 | $14,585 | -$491,859 | $0 | -$491,859 |

Portsmouth Metropolitan Housing Authority
Financial Data Schedule
June 30, 2012

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 11020 Required Annual Debt Principal Payments | $10,143 | $0 | $0 | $0 | $469 | $10,612 | | $10,612 |
| 11030 Beginning Equity | $18,230,087 | $541,455 | $944,952 | $1,002,011 | $2,520,634 | $23,239,139 | | $23,239,139 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of Errors | $904,565 | | -$944,952 | | $40,387 | $0 | | $0 |
| 11170 Administrative Fee Equity | | $343,114 | | | | $343,114 | | $343,114 |
| 11180 Housing Assistance Payments Equity | | $169,020 | | | | $169,020 | | $169,020 |
| 11190 Unit Months Available | 10632 | 7392 | 0 | 0 | 0 | 18024 | 0 | 18024 |
| 11210 Number of Unit Months Leased | 10407 | 7011 | 0 | 0 | 0 | 17418 | 0 | 17418 |
| 11270 Excess Cash | $1,666,213 | | | | | $1,666,213 | | $1,666,213 |
| 11620 Building Purchases | $469,259 | | | | $0 | $469,259 | | $469,259 |

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY**
**SCIOTO COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED JUNE 30, 2012**

| FEDERAL GRANTOR/ PROGRAM TITLE | FEDERAL CFDA NUMBER | EXPENDITURES |
|---|---|---|
| **U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT** | | |
| *Direct Programs:* | | |
| **Public Housing Programs:** | | |
| Low Rent Public Housing Program | 14.850 | $ 3,316,279 |
| Public Housing Capital Fund Program | 14.872 | 973,815 |
| **Section 8 Housing Assistance Program:** | | |
| Housing Choice Vouchers | 14.871 | 2,791,016 |
| **TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT** | | 7,081,110 |
| **TOTAL EXPENDITURES OF FEDERAL AWARDS** | | $ 7,081,110 |

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY**
**SCIOTO COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE YEAR ENDED JUNE 30, 2012**

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

# *Perry & Associates*

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## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

December 21, 2012

Portsmouth Metropolitan Housing Authority
Scioto County
410 Court Street
Portsmouth, Ohio 45662

To the Board of Commissioners:

We have audited the financial statements of the business-type activities of the **Portsmouth Metropolitan Housing Authority**, Scioto County, Ohio (the Authority), as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

## Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management, members of the Board of Commissioners, federal awarding agencies and others within the Authority. It is not intended for anyone other than these specified parties.

Respectfully Submitted,

Perry & Associates CPA's A.C.

**Perry & Associates**
Certified Public Accountants, A.C.

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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

December 21, 2012

Portsmouth Metropolitan Housing Authority
Scioto County
410 Court Street
Portsmouth, Ohio 45662

To the Board of Directors:

**Compliance**

We have audited the compliance of the **Portsmouth Metropolitan Housing Authority**, Scioto County, Ohio (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Portsmouth Metropolitan Housing Authority's major federal program for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of audit findings identifies the Authority's major federal program. The Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Authority's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Authority's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with these requirements.

In our opinion, the Portsmouth Metropolitan Housing Authority complied, in all material respects, with the requirements referred that could directly and materially affect its major federal program for the year ended June 30, 2012.

**Internal Control Over Compliance**

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, members of the Board of Commissioners, federal awarding agencies and others within the Authority. It is not intended for anyone other than these specified parties.

Respectfully submitted,

Perry & Associates CPA's A.C.

**Perry & Associates**
Certified Public Accountants, A.C.

**PORTSMOUTH METROPOLITAN HOUSING AUTHORITY**
**SCIOTO COUNTY**
**FOR THE YEAR ENDED JUNE 30, 2012**

**SCHEDULE OF AUDIT FINDINGS**
**OMB CIRCULAR A -133 § .505**

## 1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---|---|---|
| *(d)(1)(i)* | **Type of Financial Statement Opinion** | Unqualified |
| *(d)(1)(ii)* | **Were there any material control weaknesses reported at the financial statement level (GAGAS)?** | No |
| *(d)(1)(ii)* | **Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?** | No |
| *(d)(1)(iii)* | **Was there any reported material noncompliance at the financial statement level (GAGAS)?** | No |
| *(d)(1)(iv)* | **Were there any material internal control weaknesses reported for major federal programs?** | No |
| *(d)(1)(iv)* | **Were there any other significant deficiencies in internal control reported for major federal programs?** | No |
| *(d)(1)(v)* | **Type of Major Programs' Compliance Opinion** | Unqualified |
| *(d)(1)(vi)* | **Are there any reportable findings under § .510?** | No |
| *(d)(1)(vii)* | **Major Programs (list):** | Low Rent Public Housing<br>CFDA # 14.850 |
| *(d)(1)(viii)* | **Dollar Threshold: Type A\B Programs** | Type A: > $ 300,000<br>Type B: all others |
| *(d)(1)(ix)* | **Low Risk Auditee?** | Yes |

## 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None

## 3. FINDINGS FOR FEDERAL AWARDS

None

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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**
**FEBRUARY 26, 2013**