

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Financial Statements

As of and for the years ended June 30, 2001 and 2000

(With Independent Auditor's Report thereon)



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Commissioners
Portsmouth Metropolitan Housing Authority

We have reviewed the Independent Auditor's Report of the Portsmouth Metropolitan Housing Authority, Scioto County, prepared by HJ Financial Group, LLC for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

March 25, 2002

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PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

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June 30, 2001

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Portsmouth Metropolitan Housing Authority:

We have audited the general purpose financial statements of the Portsmouth Metropolitan Housing Authority as of and for the year ended June 30, 2001. These general purpose financial statements are the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Portsmouth Metropolitan Housing Authority as of June 30, 2001, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2001 on our consideration of the Portsmouth Metropolitan Housing Authority's internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts, and grants. 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 results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Portsmouth Metropolitan Housing Authority taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Portsmouth Metropolitan Housing Authority taken as a whole. The accompanying Certifications of Actual Comprehensive Grant Program Costs, Actual Drug Elimination Program Costs and Financial Data Schedule is also presented for the purpose of additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

HJ FINANCIAL GROUP, L.L.C.

September 20, 2001
Toms River, New Jersey

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Combined Balance Sheet - All Enterprise Funds

June 30, 2001

ASSETS

Current assets:

Cash	\$ 3,263,309
Accounts receivable - HUD other projects	30,507
Accounts receivable - miscellaneous	6,974
Tenant receivables	2,902
Accrued interest	27,782
Prepaid expenses	62,839
Inventory	<u>19,222</u>

Total current assets 3,413,535

Fixed assets:

Land	1,444,367
Buildings	42,017,760
Furniture, equipment and machinery	<u>707,455</u>
	44,169,582
Less: accumulated depreciation	(21,841,340)

Net fixed assets 22,328,242

Restricted cash 2,213,002

\$ 27,954,779

LIABILITIES AND EQUITY

Current liabilities:

Accrued wages and payroll taxes	\$ 57,153
Accrued compensated absences	157,662
Accrued interest	151,313
Accounts payable - PHA programs	168,211
Accounts payable - other government	23,506
Tenant security deposits	101,442
Deferred revenues	177,070
Current portion of capital lease	349,486
Accrued liabilities - other	<u>67,952</u>

Total current liabilities 1,253,795

Capital lease, excluding current portion 3,198,113

Equity:

Contributed capital	19,400,205
Retained earnings	<u>4,102,666</u>

Total equity 23,502,871

\$ 27,954,779

See accompanying notes to financial statements.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Combined Statement of Revenues, Expenditures, and Changes in
Retained Earnings - All Enterprise Funds

For the Year Ended June 30, 2001

Operating income:	
Dwelling rental	\$ 1,138,785
HUD grants	5,902,338
Other income	<u>83,429</u>
Total operating income	<u>7,124,552</u>
Operating expenses:	
Administration	1,219,263
Tenant services	98,699
Utilities	899,005
Ordinary maintenance and operations	1,174,456
General expense	130,579
Extraordinary maintenance	15,129
Housing assistance payments	1,734,025
Depreciation	<u>1,692,847</u>
Total operating expenses	<u>6,964,003</u>
Net operating income	<u>160,549</u>
Non-operating revenues (expenses)	
Interest on investments	144,755
Casualty losses	<u>(8,259)</u>
Net non-operating revenues	<u>136,496</u>
Net income	297,045
Add: Depreciation on fixed assets acquired by capital grants that reduce contributed capital	1,591,602
Retained earnings, beginning of year	<u>2,214,019</u>
Retained earnings, end of year	\$ <u><u>4,102,666</u></u>

See accompanying notes to financial statements.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Combined Statement of Cash Flows - All Enterprise Funds

For the Year Ended June 30, 2001

Cash Flows from Operating Activities:	
Cash received from tenants and grantors	\$ 7,066,275
Cash paid to suppliers and employees	(5,287,800)
Interest received	<u>134,131</u>
Net cash provided by operating activities	<u>1,912,606</u>
Cash Flows from Investing Activities:	
Restricted cash	(2,213,002)
Property and equipment purchases	(<u>2,777,564</u>)
Net cash used by investing activities	(<u>4,990,566</u>)
Cash Flows from Financing Activities:	
Long-term borrowings	<u>3,547,599</u>
Net cash provided by financing activities	<u>3,547,599</u>
Net increase in cash	469,639
Cash and cash equivalents, beginning of year	<u>2,793,670</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,263,309</u></u>

See accompanying notes to financial statements.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Combined Statement of Cash Flows - All Enterprise Funds (continued)

For the Year Ended June 30, 2001

Reconciliation of net income to cash provided	
by operating activities:	
Net income	\$ 297,045
Items which did not use cash:	
Depreciation	1,692,847
Bad debts	11,721
Loss on disposal of assets	2,085
Working capital changes which provided	
(used) cash:	
Accounts receivable	(36,313)
Accrued interest	(7,753)
Deferred revenue	25,082
Prepaid expenses	608
Inventory	(1,924)
Accounts payable	2,544
Accrued expenses	(77,100)
Tenant security deposits	<u>3,764</u>
Net cash provided by operating activities	<u>\$ 1,912,606</u>
Schedule of non-cash investing and financing activities:	
Capitalized interest expense	<u>\$ 151,313</u>
Capitalized interest income	<u>\$ 116,889</u>

See accompanying notes to financial statements.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements

June 30, 2001

1. 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.

Reporting Entity

As required by generally accepted accounting principles, the general purpose 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 general purpose 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 in note 2 to assist the reader in interpreting the general purpose financial statements. These programs constitute all programs subsidized by HUD and operated by the Authority.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements (continued)

June 30, 2001

Description of programs

a. Public Housing Program

The public housing program is designed to provide low-cost housing within the City of Portsmouth Metropolitan. 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 Assistance Payments Program - Section 8

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

d. Comprehensive Grant Program

The purpose of the Comprehensive Grant Program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements (continued)

June 30, 2001

Description of programs (continued)

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.

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, 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, Comprehensive Grants 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.
- Section 8 Fund - This fund accounts for the rental assistance program more fully described under the "Housing Assistance Payments Program," in note 1.
- Business Activities Fund - This fund accounts for fees earned rendering contract administration services to outside agencies.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements (continued)

June 30, 2001

2. Summary of Significant Accounting Policies (continued)

a. Basis of Accounting (continued)

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 which 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.

b. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

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.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements (continued)

June 30, 2001

2. Summary of Significant Accounting Policies (continued)

e. Fixed Assets

Fixed assets are stated at cost. 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.

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 generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Public Housing Program prepares its budget annually. The Board of Commissioners adopts the budget through passage of a budget resolution and submits it to HUD at least ninety days prior to the beginning of the fiscal year.

The Section 8 Program prepares annual budgets for each of the Housing Program Types using HUD form 52673 - Estimate of Total Required Contributions. The budgets are adopted by the Board of Commissioners via a budget resolution.

3. Cash and cash equivalents

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

At year end the carrying amount of the Authority's deposits was \$5,476,311 and the bank balances approximated \$5,533,219. All funds are covered by the federal depository insurance or by collateral held by the Authority's agent in the Authority's name.

As of June 30, 2001 all investments consisted of time deposits and certificates of deposit which are reflected in cash and cash equivalents at June 30, 2001.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements (continued)

June 30, 2001

4. Tenant Account Receivables

Tenant account receivables are shown net of an allowance for doubtful accounts of \$4,200.

5. Pension Plan

The Authority and its employees are members of the State of Ohio Public Employees Retirement System (P.E.R.S.). As a member of P.E.R.S., employees are required to contribute 8.5% of earnable salary. Employers are required to make contributions to the system in the amount of 13.55% of reportable payroll. The Authority's contribution for the year ended June 30, 2001 amounted to \$49,678 which has been charged to the employee fringe benefit account.

6. 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 \$3,547,599 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 amounted to \$17,406.

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

June 30, 2002	\$ 513,748
2003	684,997
2004	684,997
2005	684,997
2006	684,997
Thereafter	<u>1,377,535</u>
Total minimum lease payments	4,631,271
Amounts representing interest	<u>1,083,672</u>
Present value of lease payments	3,547,599
Less: current portion	<u>349,486</u>
Capital lease, excluding current portion	\$ <u><u>3,198,113</u></u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements (continued)

June 30, 2001

7. 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.

8. Deferred Revenues

Deferred revenues consist of HUD operating subsidies and tenant rents received in advance.

9. Contributed Capital

The changes in contributed capital during the year ended June 30, 2001 were as follows:

Contributed capital as of June 30, 2000	\$ 20,991,807
Depreciation on fixed assets acquired through capital grants from HUD	(<u>1,591,602</u>)
Contributed capital as of June 30, 2001	\$ <u>19,400,205</u>

10. Economic Dependency

Both the PHA Owned Housing Program and the Section 8 Program are economically dependent on annual contributions and grants from HUD. Both programs operate at a loss prior to receiving the contributions and grants.

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.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Notes to Financial Statements (continued)

June 30, 2001

12. Interfund Receivables and Payables

At June 30, 2001 interfund receivables and (payables) consisted of the following:

	Public Housing	Section 8	Business Activities	Totals
June 30, 2001	\$ <u>147</u>	(<u>972</u>)	<u>825</u>	<u>-</u>

13. Segment Information

The Authority maintains three enterprise funds; Public Housing, Section 8 and Business Activities. Segment information for the year ended June 30, 2001 was as follows:

	Public Housing	Section 8	Business Activities	Totals
Operating revenues	\$ 1,150,988	135	71,091	1,222,214
Depreciation	1,674,310	1,131	17,406	1,692,847
Operating income	128,594	13,655	18,300	160,549
Operating grants	3,895,172	2,007,166	-	5,902,338
Net income	251,581	27,164	18,300	297,045
Property, plant and equipment additions / (deletions)	1,423,378 (32,668)	2,270 -	1,503,229 -	2,928,877 (32,668)
Net working capital	2,389,939	252,213	(482,412)	2,159,740
Total assets	23,664,899	598,524	3,720,314	27,983,737
Material long-term liabilities	-	-	3,198,113	3,198,113
Total equity	23,229,519	255,052	18,300	23,502,871

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Commissioners
Portsmouth Metropolitan Housing Authority:

We have audited the financial statements of Portsmouth Metropolitan Housing Authority as of and for the year ended June 30, 2001, and have issued our report thereon dated September 20, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the Public and Indian Housing Compliance Supplement dated May 29, 1996.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Portsmouth Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be

detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.

This report is intended for the information of the audit committee, management and the U.S. Department of Housing and Urban Development and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

HJ FINANCIAL GROUP, LLC

September 20, 2001
Toms River, New Jersey

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

The Board of Commissioners
Portsmouth Metropolitan Housing Authority:

Compliance

We have audited the compliance of Portsmouth Metropolitan Housing Authority, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. Portsmouth Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's results 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's management. Our responsibility is to express an opinion on Portsmouth Metropolitan Housing Authority's compliance based on our audit.

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

In our opinion, Portsmouth Metropolitan Housing Authority, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

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

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

This report is intended for the information of the audit committee, management and the U.S. Department of Housing and Urban Development and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

HJ FINANCIAL GROUP, LLC

September 20, 2001
Toms River, New Jersey

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2001

<u>Federal Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:		
Public and Indian Housing		
Operating Subsidy	14.850	\$ 2,196,685
Comprehensive Grant Programs	14.859	1,028,210
Drug Elimination Programs	14.854	169,994
Public Housing Capital Fund	14.872	100,283
CDBG - Economic Development Initiative	14.246	400,000
Lower Income Housing Assistance Payments		
Section 8 Choice Voucher Program	14.871	1,810,984
Section 8 New Construction	14.182	<u>196,182</u>
		\$ <u>5,902,338</u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Notes to Schedule of Federal Awards

June 30, 2001

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Portsmouth Metropolitan Housing Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Schedule of Findings and Questioned Costs

June 30, 2001

I. Summary of Auditor's Results

Financial Statement Section

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unqualified |
| 2. Internal control over financial reporting | |
| a. Material Weakness(es) identified? | No |
| b. Were reportable conditions identified not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to the financial statements? | No |

Federal Awards Section

- | | |
|--|---------------|
| 1. Dollar threshold used to distinguish
Between type A and type B programs: | \$300,000 |
| 2. Auditee qualified as low-risk Auditee? | No |
| 3. Type of auditor's report on compliance
for major programs: | Unqualified |
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Were reportable conditions identified
not considered to be material weaknesses? | None reported |
| c. Any audit findings disclosed that are required
to be reported in accordance with OMB Circular
A-133 (section .510(a)) | No |
| 5. Identification of major programs: | |

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.850	Public Housing Operating Subsidy
14.859	Comprehensive Grant Program
14.871	Section 8 Choice Voucher Program
14.246	CDBG - Economic Development Initiative

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Schedule of Findings and Questioned Costs (continued)

June 30, 2001

II. Summary of Financial Statement Findings

There are no financial statement findings reported.

III. Summary of Findings Related to Federal Awards

There are no findings related to federal awards reported.

SUPPLEMENTARY INFORMATION

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Certification of Actual Comprehensive Grant Program Costs
Project Number OH16P010707

June 30, 2001

The actual costs of the Comprehensive Grant Program Costs, Project Number OH16P010707 are as follows:

<u>Individual Project</u>	<u>Grant Funds Approved</u>	<u>Actual Costs</u>	<u>Funds Advanced</u>	<u>Excess / (Deficiency) of Funds</u>
OH16P010707	<u>\$ 1,226,172</u>	<u>1,226,172</u>	<u>1,226,172</u>	<u>-</u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Certification of Actual Drug Elimination Grant Program Costs
Project Number OH16DEP0100199

June 30, 2001

The actual costs of the Drug Elimination Grant Program, Project Number OH16DEP0100199 are as follows:

<u>Individual Project</u>	<u>Grant Funds Approved</u>	<u>Actual Costs</u>	<u>Funds Advanced</u>	<u>Excess / (Deficiency) of Funds</u>
OH16DEP0100199	\$ <u>194,867</u>	<u>194,867</u>	<u>194,867</u>	<u>-</u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Certification of CDBG - EDI Grant Program Costs
Project Number B-99-SP-OH-0249

June 30, 2001

The actual costs of the CDBG - EDI Grant Program, Project Number B-99-SP-OH-0249 are as follows:

<u>Individual Project</u>	<u>Grant Funds Approved</u>	<u>Actual Costs</u>	<u>Funds Advanced</u>	<u>Excess / (Deficiency) of Funds</u>
B-99-SP-OH-0249	<u>\$ 400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY													
Financial Data Schedule (FDS) - All Enterprise Funds													
June 30, 2001													
Line Item #	Account Description	Low Rent 14.850	Community Development Block Grant	Comprehensive Grant Program 14.859	Drug Elimination Program 14.854	Public Housing Capital Fund Program	Section 8 Housing Choice Vouchers 14.857	Section 8 Rental Certificate Program	Section 8 Rental Voucher Program 14.855	Section 8 New Construction Program 14.856	Business Activities	TOTAL	
	ASSETS:												
	CURRENT ASSETS:												
	Cash:												
111	Cash - unrestricted	2,487,975					464,109		-	128,416	14,190	3,094,690	
112	Cash - restricted - modernization and development										2,213,002	2,213,002	
113	Cash - other restricted	66,947					18					66,965	
114	Cash - tenant security deposits	101,654										101,654	
100	Total cash	2,656,576	-	-	-	-	464,127	-	-	128,416	2,227,192	5,476,311	
	Accounts and notes receivables:												
121	Accounts receivable - PHA projects	-										-	
122	Accounts receivable - HUD other projects			997	27,815	1,695						30,507	
124	Accounts receivable - other government											-	
125	Accounts receivable - miscellaneous	500									6,474	6,974	
126	Accounts receivable- tenants - dwelling rents	7,102										7,102	
126.1	Allowance for doubtful accounts - dwelling rents	(4,200)										(4,200)	
126.2	Allowance for doubtful accounts - other											-	
127	Notes and mortgages receivable- current											-	
128	Fraud recovery											-	
128.1	Allowance for doubtful accounts - fraud	-										-	
129	Accrued interest receivable	27,782										27,782	
120	Total receivables, net of allowances for doubtful accounts	31,184	-	997	27,815	1,695	-	-	-	-	6,474	68,165	
	Current investments												
131	Investments - unrestricted	-										-	
132	Investments - restricted											-	
142	Prepaid expenses and other assets	59,697					2,985			157		62,839	
143	Inventories	19,222										19,222	
143.1	Allowance for obsolete inventories											-	
144	Interprogram - due from	28,133									825	28,958	
146	Amounts to be provided											-	
150	TOTAL CURRENT ASSETS	2,794,812	-	997	27,815	1,695	467,112	-	-	128,573	2,234,491	5,655,495	
	NONCURRENT ASSETS:												
	Fixed assets:												
161	Land	1,427,333		17,034								1,444,367	
162	Buildings	38,427,838	400,000	1,635,318		69,094					1,485,510	42,017,760	
163	Furniture, equipment & machinery - dwellings	5,904										5,904	
164	Furniture, equipment & machinery - administration	574,000		67,668	7,331	5,556	29,277					683,832	
165	Leasehold improvements										17,719	17,719	
166	Accumulated depreciation	(21,737,870)	(13,333)	(45,004)	(657)	(632)	(26,438)				(17,406)	(21,841,340)	
160	Total fixed assets, net of accumulated depreciation	18,697,205	386,667	1,675,016	6,674	74,018	2,839	-	-	-	1,485,823	22,328,242	
	Other non-current assets:												
171	Notes and mortgages receivable - non-current											-	
172	Notes and mortgages receivable-non-current - past due											-	
174	Other assets											-	
175	Undistributed debits											-	
176	Investment in joint ventures											-	
180	TOTAL NONCURRENT ASSETS	18,697,205	386,667	1,675,016	6,674	74,018	2,839	-	-	-	1,485,823	22,328,242	
190	TOTAL ASSETS	21,492,017	386,667	1,676,013	34,489	75,713	469,951	-	-	128,573	3,720,314	27,983,737	

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY													
Financial Data Schedule (FDS) - All Enterprise Funds													
June 30, 2001													
Line Item #	Account Description	Low Rent 14.850	Community Development Block Grant	Comprehensive Grant Program 14.859	Drug Elimination Program 14.854	Public Housing Capital Fund Program	Section 8 Housing Choice Vouchers 14.857	Section 8 Rental Certificate Program	Section 8 Rental Voucher Program 14.855	Section 8 New Construction Program 14.856	Business Activities	TOTAL	
LIABILITIES AND EQUITY:													
Liabilities:													
Current Liabilities:													
311	Bank overdraft	-	-	-	-	-	-	-	-	-	-	-	-
312	Accounts payable < 90 days	-	-	-	-	-	-	-	-	-	-	-	-
313	Accounts payable > 90 days past due	-	-	-	-	-	-	-	-	-	-	-	-
321	Accrued wage/payroll taxes payable	50,229	-	-	827	1,695	3,326	-	-	175	901	57,153	-
322	Accrued compensated absences	130,154	-	-	-	-	24,042	-	-	1,265	2,201	157,662	-
324	Accrued contingency liability	-	-	-	-	-	-	-	-	-	-	-	-
325	Accrued interest payable	-	-	-	-	-	-	-	-	-	151,313	151,313	-
331	Accounts payable - HUD PHA programs	30,412	-	-	-	-	62,928	-	-	74,871	-	168,211	-
332	Accounts payable - PHA projects	-	-	-	-	-	-	-	-	-	-	-	-
333	Accounts payable - other government	23,506	-	-	-	-	-	-	-	-	-	23,506	-
341	Tenant security deposits	101,442	-	-	-	-	-	-	-	-	-	101,442	-
342	Deferred revenue	1,195	-	-	-	-	160,000	-	-	15,875	-	177,070	-
343	Current portion of L-T debt - capital projects	-	-	-	-	-	-	-	-	-	349,486	349,486	-
344	Current portion of L-T debt - operating borrowings	-	-	-	-	-	-	-	-	-	-	-	-
345	Other current liabilities	-	-	-	-	-	-	-	-	-	-	-	-
346	Accrued liabilities - other	67,934	-	-	-	-	18	-	-	-	-	67,952	-
347	Interprogram - due to	-	-	997	26,989	-	923	-	-	49	-	28,958	-
310	TOTAL CURRENT LIABILITIES	404,872	-	997	27,816	1,695	251,237	-	-	92,235	503,901	1,282,753	-
NONCURRENT LIABILITIES:													
351	Long-term debt, net of current - capital projects	-	-	-	-	-	-	-	-	-	3,198,113	3,198,113	-
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-	-	-	-	-	-	-	-
353	Non-current liabilities- other	-	-	-	-	-	-	-	-	-	-	-	-
350	TOTAL NONCURRENT LIABILITIES	-	-	-	-	-	-	-	-	-	3,198,113	3,198,113	-
300	TOTAL LIABILITIES	404,872	-	997	27,816	1,695	251,237	-	-	92,235	3,702,014	4,480,866	-
EQUITY:													
501	Investment in general fixed assets	-	-	-	-	-	-	-	-	-	-	-	-
Contributed Capital:													
502	Project notes (HUD)	-	-	-	-	-	-	-	-	-	-	-	-
503	Long-term debt - HUD guaranteed	-	-	-	-	-	-	-	-	-	-	-	-
504	Net HUD PHA contributions	18,611,173	-	789,032	-	-	-	-	-	-	-	19,400,205	-
505	Other HUD contributions	-	-	-	-	-	-	-	-	-	-	-	-
507	Other contributions	-	-	-	-	-	-	-	-	-	-	-	-
508	Total contributed capital	18,611,173	-	789,032	-	-	-	-	-	-	-	19,400,205	-
Reserved fund balance:													
509	Reserved for operating activities	-	-	-	-	-	-	-	-	-	-	-	-
510	Reserved for capital activities	-	-	-	-	-	-	-	-	-	-	-	-
511	Total reserved fund balance	-	-	-	-	-	-	-	-	-	-	-	-
512	Undesignated fund balance/retained earnings	2,475,972	386,667	885,984	6,673	74,018	218,714	-	-	36,338	18,300	4,102,666	-
513	TOTAL EQUITY	21,087,145	386,667	1,675,016	6,673	74,018	218,714	-	-	36,338	18,300	23,502,871	-
600	TOTAL LIABILITIES AND EQUITY	21,492,017	386,667	1,676,013	34,489	75,713	469,951	-	-	128,573	3,720,314	27,983,737	-
Proof of concept													

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Financial Data Schedule (FDS) - All Enterprise Funds

June 30, 2001

Line Item #	Account Description	Low Rent 14.850	Community Development Block Grant	Comprehensive Grant Program 14.859	Drug Elimination Grant Program 14.854	Public Housing Capital Fund Program	Section 8 Housing Choice Vouchers 14.857	Section 8 Rental Certificate Program	Section 8 Rental Voucher Program 14.855	Section 8 New Construction Program 14.856	Business Activities	TOTAL
	REVENUE:											
703	Net tenant rental revenue	1,113,247										1,113,247
704	Tenant revenue - other	25,538										25,538
705	Total tenant revenue	1,138,785										1,138,785
706	HUD PHA grants	2,196,685	400,000	1,028,210	169,994	100,283	1,810,984			196,182		5,902,338
708	Other government grants											
711	Investment income - unrestricted	131,246					9,638			3,871		144,755
712	Mortgage interest income											
714	Fraud recovery											
715	Other revenue	12,203					135				71,091	83,429
716	Gain or loss on sale of fixed assets	(2,085)										(2,085)
720	Investment income - restricted											
700	TOTAL REVENUE	3,476,834	400,000	1,028,210	169,994	100,283	1,820,757	-	-	200,053	71,091	7,267,222
	EXPENSES:											
	Administrative											
911	Administrative salaries	416,041		68,708	9,595	10,352	138,295			7,279	23,801	674,071
912	Auditing fees	9,824					4,000			211		14,035
913	Outside management fees											
914	Compensated absences	(22,191)					(1,494)			(79)	2,201	(21,563)
915	Employee benefit contributions- administrative	123,701		10,769	1,439	1,744	37,319			1,964	3,384	180,320
916	Other operating- administrative	145,080		6,086	151,629	2,197	59,159			2,476	5,773	372,400
	Tenant services											
921	Tenant services - salaries	72,274										72,274
922	Relocation costs			227								227
923	Employee benefit contributions- tenant services	22,203										22,203
924	Tenant services - other	3,995										3,995
	Utilities											
931	Water	126,028					26			1		126,055
932	Electricity	311,505					1,303			69		312,877
933	Gas	297,674					559			29		298,262
934	Fuel											
935	Labor											
937	Employee benefit contributions- utilities											
938	Other utilities expense	161,777					32			2		161,811
	Ordinary maintenance & operation											
941	Ordinary maintenance and operations - labor	578,972										578,972
942	Ordinary maintenance and operations - materials & other	137,013		11,694		11,340						160,047
943	Ordinary maintenance and operations - contract costs	264,159										264,159
945	Employee benefit contributions- ordinary maintenance	171,278										171,278

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Financial Data Schedule (FDS) - All Enterprise Funds

June 30, 2001

Line Item #	Account Description	Low Rent 14.850	Community Development Block Grant	Comprehensive Grant Program 14.859	Drug Elimination Grant Program 14.854	Public Housing Capital Fund Program	Section 8 Housing Choice Vouchers 14.857	Section 8 Rental Certificate Program	Section 8 Rental Voucher Program 14.855	Section 8 New Construction Program 14.856	Business Activities	TOTAL
	Protective services											-
951	Protective services - labor											-
952	Protective services- other contract costs											-
953	Protective services - other											-
955	Employee benefit contributions- protective services											-
	General expenses											-
961	Insurance premiums	80,174					4,552			240		84,966
962	Other general expenses	165		2,061								2,226
963	Payments in lieu of taxes	23,506										23,506
964	Bad debt - tenant rents	11,721										11,721
965	Bad debt- mortgages											-
966	Bad debt - other											-
967	Interest expense											-
968	Severance expense	5,387					2,420			127	226	8,160
969	TOTAL OPERATING EXPENSES	2,940,286	-	99,545	162,663	25,633	246,171	-	-	12,319	35,385	3,522,002
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	536,548	400,000	928,665	7,331	74,650	1,574,586	-	-	187,734	35,706	3,745,220
971	Extraordinary maintenance	15,129										15,129
972	Casualty losses - non capitalized	6,174										6,174
973	Housing assistance payments						1,550,753			183,272		1,734,025
974	Depreciation expense	1,617,006	13,333	42,681	658	632	1,131				17,406	1,692,847
975	Fraud losses											-
976	Capital outlays- governmental funds											-
977	Debt principal payment- governmental funds											-
978	Dwelling units rent expense											-
900	TOTAL EXPENSES	4,578,595	13,333	142,226	163,321	26,265	1,798,055	-	-	195,591	52,791	6,970,177
	OTHER FINANCING SOURCES (USES)											-
1001	Operating transfers in											-
1002	Operating transfers out											-
1003	Operating transfers from/to primary government											-
1004	Operating transfers from/to component unit											-
1005	Proceeds from notes, loans and bonds											-
1006	Proceeds from property sales											-
1010	TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	-	-	-	-	-
1000	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(1,101,761)	386,667	885,984	6,673	74,018	22,702	-	-	4,462	18,300	297,045

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

Financial Data Schedule (FDS) - All Enterprise Funds

June 30, 2001

Line Item #	Account Description	Low Rent 14.850	Community Development Block Grant	Comprehensive Grant Program 14.859	Drug Elimination Grant Program 14.854	Public Housing Capital Fund Program	Section 8 Housing Choice Vouchers 14.857	Section 8 Rental Certificate Program	Section 8 Rental Voucher Program 14.855	Section 8 New Construction Program 14.856	Business Activities	TOTAL
MEMO ACCOUNT INFORMATION:												
1101	Capital contributions											-
1102	Debt principal payments - enterprise funds											-
1103	Beginning equity	21,515,349	-	1,450,909	11,680		-	139,313	56,699	31,876		23,205,826
1104	Prior period adjustments and equity transfers	673,557		(661,877)	(11,680)		196,012	(139,313)	(56,699)			-
1105	Changes in compensated absence liability (in the GLTDAG)											-
1106	Changes in contingent liability balance (in the GLTDAG)											-
1107	Changes in unrecognized pension transition liability in the GLTDAG)											-
1108	Changes in special term/severance benefits liability (in the GLTDAG)											-
1109	Changes in allowance for doubtful accounts - dwelling rents											-
1110	Changes in allowance for doubtful accounts - other											-
1112	Depreciation "add back"	1,591,602		-	-							1,591,602
1113	Maximum annual contributions commitment (per ACC)						1,845,246			593,280		2,438,526
1114	Prorata maximum annual contributions applicable to a period of less than twelve months											-
1115	Contingency reserve, ACC program reserve						593,544			574,679		1,168,223
1116	TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	2,438,790	-	-	1,167,959	-	3,606,749
1120	Unit months available	10,524					7,392		-	1,428		19,344
1121	Number of unit months leased	10,317					6,708		-	1,415		18,440
	Equity Roll Forward Test											
	Calculation from R/E Statement	21,087,145	386,667	1,675,016	6,673	74,018	218,714	-	-	36,338	18,300	23,502,871
	B/S Line 513	21,087,145	386,667	1,675,016	6,673	74,018	218,714	-	-	36,338	18,300	23,502,871
		-	-	-	-	-	-	-	-	-	-	-



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
APRIL 2, 2002**