PORTAGE METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2009

Board of Directors
Portage Metropolitan Housing Authority
2832 State Route 59
Ravenna, Ohio 44266

We have reviewed the *Independent Auditor's Report* of the Portage Metropolitan Housing Authority, Portage County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 14, 2010

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PORTAGE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2009

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Portage Metropolitan Housing Authority
Ravenna, Ohio

Regional Inspector General for Audit
U.S. Department of Housing and
Urban Development

We have audited the accompanying financial statements of the business-type activities of the Portage Metropolitan Housing Authority, Ohio as of and for the year ended December 31, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Portage Metropolitan Housing Authority, Ohio's management. Our responsibility is to express opinions 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 *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 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Portage Metropolitan Housing Authority, as of December 31, 2009, and the respective changes in financial position, and 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 a report dated May 5, 2010, on our consideration of the Portage Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting 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 the 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 assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Portage Metropolitan Housing Authority, Ohio's basic financial statements as a whole. The Statement of Modernization Costs - Completed is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and the Statement of Modernization Costs - Completed are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Authority has not presented the Financial Data Schedules (FDS) utilized by the Department of Housing and Urban Development for additional analysis, although not required to be part of the basic financial statements. The FDS are not available due to revisions in the reporting system that the Department is in the process of completing.

James G. Zupka

James G. Zupka, CPA, Inc.
Certified Public Accountants

May 5, 2010

This Management's Discussion and Analysis (MD&A) for the Portage Metropolitan Housing Authority (the Authority) is intended to assist the reader identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify changes in the Authority's financial position. It is designed to focus on the financial activity for the fiscal year ended December 31, 2009, resulting changes, and currently known facts. Please read it in conjunction with the financial statements found elsewhere in this report.

Overview in the Financial Statements

The basic financial statements included elsewhere in this report are the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows.

The Statement of Net Assets is very similar to what most people would think of as a balance sheet. In the first half it reports the value of assets the Authority holds at December 31, 2009; that is, the cash the Authority has, the amounts that are owed the Authority from others, and the value of the equipment the Authority owns. The other half reports the Authority's liabilities; that is, what the Authority owes others at December 31, 2009, and what net assets (equity) the Authority has at December 31, 2009. The two parts of the report are in balance and is why many might refer to this type of report as a balance sheet, in that the total of the assets part equals the total of the liabilities plus net assets (or equity) part. In the statement, the Net Assets are broken out into three broad categories:

Net Assets, Invested in Capital Assets, Net of Related Debt
Restricted Net Assets
Unrestricted Net Assets

The balance in Net Assets, Invested in Capital Assets, Net of Related Debt, reflects the value of capital assets (assets such as land, buildings, and equipment) reported in the top part of the statement reduced by the amount of accumulated depreciation of those assets and by the outstanding amount of debt yet owed on those assets.

The balance in Restricted Net Assets reflects the value of assets reported in the top part of the statement that are restricted for use by law or regulation, or when the use of those assets is restricted by constraints placed on the assets by creditors or grantors.

The balance in Unrestricted Net Assets is the remainder of net assets after what is classified in the two previously mentioned components of Net Assets. It reflects the value of assets available to the Authority for its use in furthering its purposes.

The Statement of Revenues, Expenses, and Changes in Fund Balance is very similar to, and may commonly be referred to, an income statement. It is a report showing what the Authority earned, that is what its revenues or incomes were, versus what expenses the Authority had over the same period. It also shows how the fund balance (or net assets or equity) changed because of how the income exceeded or was less than the expenses. It helps the reader to determine if the Authority had more in revenues than in expenses, or vice-versa, and then how that net gain or net loss affected the fund balance (or net assets or equity). The ending total net assets is what is referred to in the above discussion of the Statement of Net Assets that, when added to the liabilities the Authority has, equals the total assets of the Authority.

The Statement of Cash Flows shows how the amount of cash the Authority had at the end of the previous year was impacted by the activities of the current year. It breaks out in general categories the cash coming in and going out. It helps the reader to understand the sources and uses of cash by the Authority during the year, to include a measurement of cash gained or used by operating activities, by activities related to acquiring capital assets and by activities related to investing activities.

The Authority's Business-Type Fund

The financial statements included elsewhere in this report are presented using the Authority-wide perspective, meaning the activity reported reflects the summed results of all the programs, of the Authority. The Authority consists exclusively of an enterprise fund. The full accrual basis of accounting is used for the Authority's enterprise fund. The accrual method of accounting is very similar to accounting used in the private sector.

The Authority's business-type fund includes the following programs:

<u>Moving to Work Programs</u> - These programs are demonstration programs that allow participating housing authorities to design and test ways to promote self-sufficiency among assisted households, reduce costs through improved efficiency, and increase housing choice for low-income families. The programs provide no additional funding to the housing authority, but permits waivers of laws included within the Housing Act of 1937. The Conventional Public Housing Program and the Section 8 Housing Choice Voucher Program are the Moving to Work Programs of the Portage Metropolitan Housing Authority.

<u>Conventional Public Housing Program</u> - Under the Conventional Public Housing Program, the Authority rents units 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 upon 30 percent of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Section 8 Housing Choice Voucher Program - Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the participant's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contribution Funding to enable the Authority to structure a lease that sets the participants' rent at 30 percent of household income.

Shelter Plus Care Program - This program links rental assistance to supportive services for hard-to-reach homeless persons with disabilities, primarily those who are seriously mentally ill, have chronic substance abuse problems, or have AIDS and related diseases.

Section 8 Mod Rehab Program and Mainstream Voucher Program - These programs provide rental assistance to clients in a manner that is very similar to how rental assistance is provided under the Housing Choice Voucher Program but serve target populations.

Other Non-major Programs - In addition to the programs described above, the Authority also administers the following programs. These programs that have assets, liabilities, and revenues or expenses of less than 6 percent of the Authority's total assets, liabilities, revenues or expenses.

Resident Opportunities and Self-Sufficiency (ROSS) - This grant program is funded by HUD to assist residents in the process of moving from welfare to work.

Business Activities and State and Local - This program represents non-HUD resources developed from a variety of activities.

Condensed Financial Statements

The following represents a condensed Statement of Net Assets compared to prior year. The Authority is engaged only in business type activities.

Table 1 - Condensed Statement of Net Assets Compared to Prior Year
(Values rounded to nearest Thousand)

	2009	2008
Assets		
Current and Other Assets	$ 5,146,000	$ 4,933,000
Capital Assets	7,947,000	8,176,000
Total Assets	$13,093,000	$ 13,109,000
Liabilities		
Current Liabilities	$ 1,330,000	$ 536,000
Long-Term Liabilities	277,000	313,000
Total Liabilities	1,607,000	849,000
Net Assets		
Investment in Capital Assets, Net of Related Debt	7,796,000	7,981,000
Restricted Net Assets	1,850,000	2,118,000
Unrestricted Net Assets	1,840,000	2,161,000
Total Net Assets	11,486,000	12,260,000
Total Liabilities and Net Assets	$13,093,000	$ 13,109,000

For more detailed information, see the Statement of Net Assets presented on page 8 of this report.

Major Factors Affecting the Statement of Net Assets

Total Net Assets decreased $774,000 from year-end 2008 to year-end 2009. See the discussion in the next section of factors contributing to this change. During 2009, current and other assets increased by $213,000, while current liabilities increased by $749,000. The primary factor contributing to these changes was that HUD provided January 2010 funding for some Section 8 programs late in December, 2009. The reason the change in current assets was less than change in current liabilities is because of the change in net assets referred to above. Capital assets decreased $229,000 reflecting that additions in capital assets was less than depreciation on assets held by the agency, while long-term liabilities decreased $36,000 reflecting the retirement of debt in the period.

The following is a condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets. The Authority is engaged only in business type activities.

Table 2 - Statement of Revenues, Expenses, and Changes in Fund Net Assets
(Values rounded to nearest Thousand)

	2009	2008
Revenues		
Tenant Revenues - Rents and Other	$ 759,000	$ 656,000
Operating Subsidies and Grants	12,639,000	12,476,000
Capital Grants	412,000	281,000
Investment Income	108,000	104,000
Other Revenues	259,000	197,000
Total Revenues	14,177,000	13,714,000
Expenses		
Administrative	1,730,000	1,582,000
Tenant Services	204,000	145,000
Utilities	292,000	316,000
Ordinary Maintenance and Operations	745,000	685,000
General and Interest Expenses	176,000	190,000
Housing Assistance Payments	11,048,000	9,923,000
Protective Services	3,000	3,000
Loss on Sale of Capital Assets	1,000	0
Depreciation	751,000	747,000
Total Expenses	14,950,000	13,591,000
Net Increases (Decreases) in Net Assets	$ (773,000)	$ 123,000

For 2009, the Authority's revenues increased 3 percent while expenses increased by 10 percent. Expenses increased primarily due to the Housing Assistance Payments increase of 11 percent of additional units leased in 2009.

Although the Authority's revenue increased by only 3 percent, there were noticeable changes in tenant revenues, an increase of 16%, Capital Grants an increase of 47 percent, and other revenue an increase of 31%. Tenant revenues increased due to utility allowance changes and the implementation of the Agency's minimum rent policy. The Capital Grants revenue increase was associated with aggressive use of funds available and other revenue increased from additional fraud recovery, FSS forfeitures and Transitional Funding received from Portage Area Transitional Housing (PATH).

The following is a condensed Statement of Changes in Capital Assets comparing balances in capital assets for 2009 and 2008.

Table 3 - Condensed Statement of Changes in Capital Assets
(Values rounded to nearest Thousand)

	2009	2008
Land and Land Rights	$ 1,625,000	$ 1,625,000
Building and Improvements	18,633,000	18,231,000
Equipment	730,000	635,000
Construction in Progress	926,000	903,000
Accumulated Depreciation	(13,967,000)	(13,218,000)
Total	$ 7,947,000	$ 8,176,000

In total, Capital Assets decreased by 3 percent. The increase in accumulated depreciation outpaced the increase in other capital accounts. The biggest additions were in Buildings and Improvements which increased by 2 percent.

Debt

The Authority's debt was reduced by $44,000 during 2009, a reduction of 23 percent. The following is a comparison of the Authority's debt outstanding at year end 2009 and year end 2008.

Table 4 - Condensed Statement of Changes in Debt Outstanding
(Values Rounded to nearest Thousand)

	2009	2008
Current Portion of Debt	$ 48,000	$ 45,000
Long-Term Portion of Debt	103,000	150,000
Total	$ 151,000	$ 195,000

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local inflationary, recessionary, and employment trends, which can affect resident incomes and therefore the amount of rental income
- Federal Reserve Bank interest rates on investments
- Local labor supply and demand, which can affect salary and wage rates.

Contact the Authority

Questions concerning this report or requests for additional information should be directed to Frederick Zawilinski, Executive Director of the Portage Metropolitan Housing Authority, 2832 St. Rt. 59, Ravenna, Ohio 44266.

PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

ASSETS	
Current Assets	
Cash and Cash Equivalents - Unrestricted (Note 2)	$ 2,448,332
Cash - Restricted	2,140,725
Accounts Receivable, (Net of Allowance for Doubtful Accounts)	365,926
Inventory (Net of Allowance for obsolete)	92,373
Prepaid Expenses and Other Assets	98,953
Total Current Assets	5,146,309
Capital Assets	
Non-Depreciable Capital Assets	2,551,573
Depreciable Capital Assets, Net	5,395,408
Total Capital Assets	7,946,981
TOTAL ASSETS	$ 13,093,290
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	$ 112,357
Intergovernmental Payables	50,597
Accrued Wages/Payroll	62,654
Accrued Compensated Liabilities - Current Portion	44,796
Security Deposits	179,814
Deferred Credits and Other Liabilities	831,818
Current Portion of Long-Term Debt	48,075
Total Current Liabilities	1,330,111
Non-Current Liabilities	
Compensated Absences, Net of Current Portion	63,466
Other Non-Current Liabilities	111,056
Long-Term Debt, Net of Current Portion (Note 4)	102,516
Total Non-Current Liabilities	277,038
Total Liabilities	1,607,149
Net Assets	
Invested in Capital Assets, Net of Related Debt	7,796,390
Restricted Net Assets	1,849,855
Unrestricted Net Assets	1,839,896
Total Net Assets	11,486,141
TOTAL LIABILITIES AND NET ASSETS	$ 13,093,290

See accompanying notes to the basic financial statements.

PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

Operating Revenue	
Net Tenant Revenue	$ 758,867
Subsidies and Grants	12,638,985
Other Revenue	258,724
Total Operating Revenue	13,656,576
Operating Expenses	
Administrative	1,729,940
Tenant Services	204,379
Utilities	291,566
Maintenance and Operations	744,668
General Expenses	164,424
Protective Services	3,169
Housing Assistance Payments	11,048,220
Depreciation and Amortization	751,297
Total Operating Expenses	14,937,663
Net Operating Income/Loss	(1,281,087)
Non-Operating Revenue/Expense	
Interest Income	108,088
Interest Expense	(11,620)
Gain (Loss) on Disposition	(503)
Total Non-Operating Revenue	95,965
Excess of Revenue Over (Under) Expenses before Capital Grants	(1,185,122)
Capital Grants	411,702
Change in Net Assets	(773,420)
Net Assets, Beginning of Period	12,259,561
NET ASSETS, End of Period	$11,486,141

See accompanying notes to the basic financial statements.

PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

Cash Flows from Operating Activities	
Cash Received from HUD	$13,285,188
Cash Received From Tenants	757,534
Cash Received From Other Income	258,724
Cash Payments for Housing Assistance Payments	(11,048,220)
Cash Payments for Administrative	(1,728,044)
Cash Payments for Other Operating Expenses	(1,405,958)
Net Cash Provided by Operating Activities	119,224
Cash Flows from Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(522,380)
Principal and Interest on Debt	(56,448)
Capital Grants Received	411,702
Net Cash Provided by Capital and Other Related Financing Activities	(167,126)
Cash Flows from Investing Activities	
Investment Income	119,777
Net Cash Provided from Investing Activities	119,777
Net Change in Cash and Cash Equivalents	71,875
Cash and Cash Equivalents, Beginning	4,517,182
Cash and Cash Equivalents, Ending	$ 4,589,057
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Net Operating Income	$(1,281,087)
Adjustments to Reconcile Operating Loss to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	751,297
(Increase) Decrease in:	
Receivables - Net of Allowance	(190,096)
Inventory	27,916
Prepaid Expenses and Other Assets	9,047
Increase (Decrease) in:	
Accounts Payable	(33,462)
Intergovernmental Payable	23,702
Accrued Wages/Payroll Taxes and Compensated Absences	1,896
Tenants Security Deposits	4,247
Non-Current Liabilities	(1,253)
Deferred Credits and Other Liabilities	807,017
Net Cash Provided by Operating Activities	$ 119,224

See accompanying notes to the basic financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Portage Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (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.

Reporting Entity

The Portage Metropolitan Housing Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying basic financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of **a)** the primary government, **b)** organizations for which the primary government is financially accountable, and **c)** other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Reporting Entity (Continued)
A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government **a)** is entitled to the organization's resources; **b)** is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or **c)** is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable. Based on the above criteria, the Authority has no component units.

Fund Accounting
The Authority uses an enterprise fund to report on its financial position and the results of its operations for the Section 8 and Public Housing programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary, and fiduciary. The Authority uses the proprietary category for its programs.

Proprietary Fund Types
Proprietary funds are used to account for the Authority's ongoing activities which are similar to those found in the private sector. The following is the proprietary fund type:

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB statements and interpretations issued after November 30, 1989.

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2009 totaled $108,088.

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less, and certificates of deposits regardless of original maturities.

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Compensated Absences (Continued)
Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: **(1)** the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee. **(2)** It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

Inventories
Inventories are stated at cost. The allowance for obsolete inventory was $2,000 at December 31, 2009.

Budgetary Accounting
The Authority annually prepares its budget as prescribed by U.S. the Department of Housing and Urban Development. This budget is approved by the Board of the Housing Authority.

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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NOTE 2: **DEPOSITS AND INVESTMENTS**

Deposits

At fiscal year end, the carrying amount of the Authority's deposits were $4,589,057 and the bank balance was $4,758,496. Included in the carrying amount of deposits at December 31, 2009 is $75 in petty cash. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2009, $2,183,943 of the Authority's bank balance was covered by Federal Depository Insurance. The remainder was collateralized by securities pledged in the name of the Authority.

Custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Authority's Board. All deposits are collateralized with eligible securities in amounts equal to 105 percent of the carrying value of deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank, and pledged as a pool of collateral against the public deposits it holds, or as specific collateral held at the Federal Reserve bank in the name of the Authority.

Investments

The Authority has a formal investment policy; however the Authority's investments at December 31, 2009, were limited to certificates of deposit.

Interest Rate Risk

The Authority's investment policy limits investments to 5 years but does not limit investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The Authority staggers maturity dates of investments to avoid losses from rising interest rates.

Credit Risk

Any deposits of the Authority exceeding the FDIC insurance limit are fully and continuously collateralized by securities pledged in the name of the Authority.

Concentration of Credit Risk

The Authority does not limit the amount of funds that may be on deposit with any one financial institution; however, as was mentioned in the preceding paragraph, all deposits exceeding the FDIC insurance limit are fully and continuously collateralized by securities pledged in the name of the Authority.

NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

Concentration of Credit Risk (Continued)
Cash and investments included in the Authority's cash position at December 31, 2009, are as follows:

Cash and Investment Type	Fair Value	Investment Maturities (in Years) <1
Carrying Amount of Deposits - Unrestricted	$ 2,448,332	$ 2,448,332
Carrying Amount of Deposits - Restricted	2,140,725	2,140,725
Totals	$ 4,589,057	$ 4,589,057

NOTE 3: **RESTRICTED CASH**

The restricted cash balance of $2,140,725 on the financial statements represents the following:

Excess Cash Advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments	$1,849,855
FSS Escrow Funds	111,056
Tenant Security Deposits	179,814
Total Restricted Cash	$2,140,725

NOTE 4: **CAPITAL ASSETS**

	Balance 12/31/2008	Reclasses	Additions	Deletions	Balance 12/31/2009
Capital Assets Not Being Depreciated					
Land	$ 1,625,461	$ 0	$ 0	$ 0	$ 1,625,461
Construction in Progress	902,703	(358,128)	381,537	0	926,112
Total Capital Assets Not Being Depreciated	2,528,164	(358,128)	381,537	0	2,551,573
Capital Assets Being Depreciated					
Buildings and Improvements	18,231,208	328,697	73,362	0	18,633,267
Furniture, Equipment, and Machinery -					
Dwellings	50,673	1,155	2,921	0	54,749
Administrative	584,250	28,276	64,560	(2,391)	674,695
Total Capital Assets Being Depreciated	18,866,131	358,128	140,843	(2,391)	19,362,711
Accumulated Depreciation					
Buildings and Improvements	(12,646,249)	0	(701,020)	0	(13,347,269)
Furniture, Equipment, and Machinery -					
Dwellings	(43,593)	0	(3,168)	0	(46,761)
Administrative	(528,052)	0	(47,109)	1,888	(573,273)
Total Accumulated Depreciation	(13,217,894)	0	(751,297)	1,888	(13,967,303)
Depreciable Assets, Net	5,648,237	358,128	(610,454)	(503)	5,395,408
Total Capital Assets, Net	$ 8,176,401	$ 0	$ (228,917)	$ (503)	$ 7,946,981

Depreciation is calculated using the straight line method with lives varying between 3 and 30 years. The depreciation expense for the year ended December 31, 2009 was $751,297.

NOTE 5: LONG-TERM DEBT

Long-term debt for the Authority's state/local activities consist of the following:

	Balance 12/31/2008	Additions	Reductions	Balance 12/31/2009	Due Within One Year
Note Payable, due November 2012, interest rate of 6.5%, monthly payment of principal and interest of $4,703.98 - proceeds used to purchase 27 multi-family rental units	$ 195,419	$ 0	$ (44,828)	$ 150,591	$ 48,075
Compensated Absences	95,804	72,351	(59,893)	108,262	44,796
Total Long-Term Debt	$ 291,223	$ 72,351	$(104,721)	$ 258,853	$ 92,871

Maturities of the debt over the next five years are as follows:

	Principal	Interest	Total
2010	$ 48,075	$ 8,373	$ 56,448
2011	51,302	5,146	56,448
2012	51,214	530	51,744
	$ 150,591	$ 14,049	$ 164,640

NOTE 6: DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

All full-time Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;

- The Member-Directed Plan (MD) - a benefit contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings.

- The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Ohio Public Employees Retirement System (Continued)
OPERS provides retirement, disability, survivor, death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377 or by using the OPERS website at www.opers.org.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14.00 percent of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2009, 2008, and 2007, were $162,718, $154,963, and $143,254, respectively. Included in the employer contributions for 2009 were contributions of $703 to the Member Directed Plan. The full amount has been contributed for 2009, 2008, and 2007. The Authority had no employees participating in the Combined Plan in 2009 and had no employees participating in the Member-Directed Plan or Combined Plan for the years ended December 31, 2008, and 2007.

NOTE 7: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System
The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2009 employer rate was 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for State and local employer units. Active members do not make contributions to the OPEB Plan.

NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

Ohio Public Employees Retirement System (Continued)
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. The portion of employer contributions allocated to health care was 7.00 percent for the months of January through March in 2009 and was 5.5 percent for the months of April through December. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 5 percent annually for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

As of December 31, 2009, the number of active contributing participants in the Traditional Pension and Combined plans totaled 357,584. The number of active contributing participants for both plans used in the December 31, 2008, actuarial valuation was 356,388. Actual Authority contributions for 2009 which were used to fund post-employment benefits were $67,549. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS' net assets available for payment of benefits at December 31, 2008 (the latest information available) was $10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $29.6 billion and $18.9 billion, respectively.

NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

Ohio Public Employees Retirement System (Continued)
On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow the benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

NOTE 8: **COMPENSATED ABSENCES**

Vacation and sick leave policies are established by the Board of Directors based on local and state laws.

All full-time employees earn 5.0 hours sick leave per pay period. Unused sick leave may be accumulated up to a total of 130 hours per year. There is no maximum on the total accumulation of sick time hours; however, only employees with 10 years or more of service will be paid for accumulated sick leave upon voluntary separation, up to a maximum of 25 percent of accumulated sick leave hours, not to exceed payment for 240 hours.

All full-time non contract employees will earn vacation hours accumulated based on length of service. All vacation time accumulated will be paid upon separation.

At December 31, 2009, based on the vesting method, $108,262 was accrued by the Authority for unused vacation and sick time.

NOTE 9: INSURANCE

The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public officials liability and other crime liabilities through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance risk pool comprised of thirty-nine (39) Ohio housing authorities, of which Portage is one. Deductibles and coverage limits are summarized below:

Type of Coverage	Deductible	Coverage Limits
Property	$ 1,500	$ 53,778,200 (per occurrence)
Boiler and Machinery	1,000	50,000,000
General Liability	0	6,000,000
Automobile Physical Damage/Liability	500/0	ACV/6,000,000
Public Officials	0	6,000,000

Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively. The Authority is also fully insured through a premium payment plan with Kaiser Permanente for employee health care benefits. Settled claims have not exceeded the Authority's insurance in any of the past three years.

NOTE 10: CONTINGENCIES AND OTHER COMMITMENTS

Litigation and Claims

In the normal course of operations, the Authority may be subject to litigation and claims. At December 31, 2009, the Authority was involved in no matters which management believes would have a material effect on the financial statements. In addition, the Authority had no material operating lease commitments or construction commitments at December 31, 2009.

NOTE 11: RESTRICTED NET ASSETS

The Authority's restricted net assets are as follows:

Section 8 Housing Choice Voucher funds provided for Housing Assistance Payments in excess of the amounts used	$ 1,849,855

PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009

Annual Contributions Contract C-5031

1. The total amount of modernization costs of the Capital Fund Program grants are shown below:

OH12P03150105	
Funds Approved	$ 519,955
Funds Expended	519,955
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 519,955
Funds Expended	519,955
Excess (Deficiency) of Funds Advanced	$ 0
OH12P03150106	
Funds Approved	$ 498,851
Funds Expended	498,851
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 498,851
Funds Expended	498,851
Excess (Deficiency) of Funds Advanced	$ 0
OH12P03150107	
Funds Approved	$ 484,704
Funds Expended	484,704
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 484,704
Funds Expended	484,704
Excess (Deficiency) of Funds Advanced	$ 0

2. All modernization work in connection with the Capital Fund Program has been completed.

3. The entire actual modernization cost or liabilities incurred by the Authority have been full paid.

4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

PORTAGE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Funds Expended
U.S. Department of Housing and Urban Development		
Direct Programs:		
PHA Owned Housing:		
Public and Indian Housing Operating Subsidy	14.850	$ 822,579
Total PHA Owned Housing		822,579
CFP Cluster:		
Capital Fund	14.872	577,435
Total CFP Cluster		577,435
Section 8 Programs:		
Section 8 Project Based Cluster:		
Annual Contribution - Mod. Rehab.	14.856	1,235,259
Total Section 8 Project Based Cluster		1,235,259
Supportive Housing for Persons with Disabilities	14.181	368,830
Annual Contribution - Housing Choice Voucher	14.871	9,611,723
Total Section 8 Programs		11,215,812
Resident Opportunity and Supportive Services	14.870	243,919
Shelter Plus Care	14.238	183,542
Total U.S. Department of Housing and Urban Development		13,043,287
TOTAL ALL PROGRAMS		$ 13,043,287

NOTE A: **SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the District's federal awards programs. The schedule has been prepared on the accrual basis of accounting prescribed by the U.S. Department of Housing and Urban Development.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Portage Metropolitan Housing Authority
Ravenna, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited the financial statements of the business-type activities of the Portage Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2009, which collectively comprise the Portage Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated May 5, 2010. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Portage Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Portage Metropolitan Housing Authority, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Portage Metropolitan Housing Authority, Ohio's internal control over financial reporting.

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

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 to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

James G. Zupka

James G. Zupka, CPA, Inc.
Certified Public Accountants

May 5, 2010

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

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

Board of Directors
Portage Metropolitan Housing Authority
Ravenna, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Portage Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The Portage Metropolitan Housing Authority, Ohio'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 the Portage Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Portage Metropolitan Housing Authority, Ohio's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that 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 the Portage Metropolitan Housing Authority, Ohio'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 of the Portage Metropolitan Housing Authority, Ohio's compliance with those requirements.

In our opinion, the Portage Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the Portage Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Portage Metropolitan Housing Authority, Ohio's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Portage Metropolitan Housing Authority, Ohio'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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in intern 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance 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 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 described above.

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

James G. Zupka

James G. Zupka CPA, Inc.
Certified Public Accountants

May 5, 2010

PORTAGE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2009

1. **SUMMARY OF AUDITOR'S RESULTS**

2009(i)	Type of Financial Statement Opinion	Unqualified
2009(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2009(ii)	Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2009(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2009(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2009(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2009(v)	Type of Major Programs' Compliance Opinion	Unqualified
2009(vi)	Are there any reportable findings under .510?	No
2009(vii)	Major Programs (list): Housing Choice Vouchers - CFDA #14.871	
2009(viii)	Dollar Threshold: Type A\B Programs	Type A: > $391,299 Type B: all others
2009(ix)	Low Risk Auditee?	No

2. **FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**
None.

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**
None.

2008-1 - Section 8 Project -Based Voucher Program

Current Status

The Authority has implemented procedures to ensure that HUD guidelines are complied with. This finding is now resolved.

Mary Taylor, CPA
Auditor of State

PORTAGE METROPOLITAN HOUSING AUTHORITY

PORTAGE 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
JUNE 24, 2010