

**PORTAGE METROPOLITAN HOUSING AUTHORITY**

**AUDIT REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2005**





**Auditor of State  
Betty Montgomery**

Board of Directors  
Portage Metropolitan Housing Authority  
2832 SR 59  
Ravenna, Ohio 44266-1650

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, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY  
Auditor of State

November 8, 2006

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**PORTAGE METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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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 Portage Metropolitan Housing Authority, Ohio (the Authority), as of and for the year ended December 31, 2005, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express 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 financial position of the Portage Metropolitan Housing Authority, Ohio, as of December 31, 2005, and the respective changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2006 on our consideration of the Portage Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our reports of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by 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 financial statements. The combining Financial Data Schedules (FDS) and the Schedules of Capital Assets/ROSS Grants Completed are presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

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

August 16, 2006

**PORTAGE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

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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, 2005, 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, 2005; 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, 2005, and what net assets (equity) the Authority has at December 31, 2005. 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 Rebated 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.

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.

**PORTAGE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

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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 were 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, or business type funds, 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:

Conventional Public Housing Program - 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 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.

**PORTAGE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

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.

Moving to Work Programs - This program operates the same as the Housing Choice Voucher Program. PHAs who participate in this program receive technical assistance in helping families become more economically self-sufficient. The goal of this program is to identify which strategies work the best and replicate those in other PHA areas. The mainstay of this initiative is flexibility through exemption from a majority of HUD regulations.

Other Non-major Programs - In addition to the major programs described above, the Authority also maintains the following non-major programs. Non-major programs are defined as 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 - 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)**

	2005	2004
<b><u>Assets</u></b>		
Current and Other Assets	\$ 3,916,000	\$ 3,995,000
Capital Assets	9,718,000	9,512,000
<b>Total Assets</b>	<b><u>\$13,634,000</u></b>	<b><u>\$ 13,507,000</u></b>
<b><u>Liabilities</u></b>		
Current Liabilities	\$ 1,445,000	\$ 1,685,000
Long-Term Liabilities	408,000	443,000
<b>Total Liabilities</b>	<b><u>1,853,000</u></b>	<b><u>2,128,000</u></b>
<b><u>Net Assets</u></b>		
Investment in Capital Assets, Net of Related Debt	9,404,000	9,164,000
Unrestricted Net Assets	2,377,000	2,215,000
<b>Total Net Assets</b>	<b><u>11,781,000</u></b>	<b><u>11,379,000</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$13,634,000</u></b>	<b><u>\$ 13,507,000</u></b>

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

**PORTAGE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

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

The total net assets increased \$402,000 from year end 2004 to year end 2005. This increase was primarily attributable to the increase in capital assets. During 2005, current and other assets decreased by \$79,000, and current liabilities were decreased by \$240,000, a reflection of the operating loss suffered by the Authority in 2005. Capital assets increased \$206,000 while long-term liabilities decreased \$35,000. This resulted in a 3.5% increase in net assets.

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)**

	2005	2004
<b>Revenues</b>		
Tenant Revenues - Rents and Other	\$ 676,000	\$ 693,000
Operating Subsidies and Grants	11,605,000	11,589,000
Capital Grants	343,000	166,000
Investment Income	81,000	57,000
Gain on Sale of Capital Assets	11,000	7,000
Other Revenues	142,000	72,000
<b>Total Revenues</b>	<b>12,858,000</b>	<b>12,584,000</b>
<b>Expenses</b>		
Administrative	1,499,000	1,534,000
Tenant Services	203,000	163,000
Utilities	290,000	269,000
Ordinary Maintenance and Operations	518,000	576,000
General and Interest Expenses	236,000	216,000
Housing Assistance Payments	9,629,000	9,502,000
Protective Services	3,000	2,000
Depreciation	748,000	669,000
<b>Total Expenses</b>	<b>13,121,000</b>	<b>12,931,000</b>
Net Increases (Decreases)	<b>\$ (263,000)</b>	<b>\$ (347,000)</b>

Although the Authority's revenues have increased 2.2 percent due to the aggressive use of Capital Grants, better interest rates and other business ventures, the expenses also increased 1.5 percent, primarily due to the area's economy, along with the aging of capital assets.

Tenant revenues declined partly due to the increased utility costs faced by tenants, which result in lower rents the Authority charges. The rental amounts charged are offset by the estimated costs of utilities tenants can expect to have to pay. In addition, tenants of the Authority's Public Housing program, on average, have declining family incomes, due to declining local economic factors which, in turn, result in declining average rents the Authority charges, since the majority of tenants pay rent based on family income.

**PORTAGE METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Unaudited)**

The following is a condensed Statement of Changes in Capital Assets comparing balances in capital assets for 2004 and 2003.

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

	2005	2004
Land and Land Rights	\$ 1,625,000	\$ 1,625,000
Building and Improvements	18,269,000	17,337,000
Equipment	729,000	747,000
Construction in Progress	344,000	250,000
Accumulated Depreciation	(11,240,000)	(10,447,000)
<b>Total</b>	<b><u>\$ 9,718,000</u></b>	<b><u>\$ 9,512,000</u></b>

The capital assets from year end 2004 to year end 2005 increased due to changes in buildings and improvements, and construction in progress. The majority of the increases in capital assets in 2005 were made through the Capital Fund Program and with the finalization of the expansion of the Central Office and the improvements to the Public Housing developments.

**Debt**

The Authority's debt was reduced by \$34,000 during 2004, a reduction of 9.8 percent. The following is a comparison of the Authority's debt outstanding at year end 2005 and year end 2004.

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

	2005	2004
Current Portion of Debt	\$ 37,000	\$ 35,000
Long-Term Portion of Debt	277,000	313,000
<b>Total</b>	<b><u>\$ 314,000</u></b>	<b><u>\$ 348,000</u></b>

**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 labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary, and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates and other costs.

**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, 2005**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents (Note 2)	\$ 1,475,581
Investments	1,987,673
Accounts Receivable, (Net of Allowance for Doubtful Accounts)	275,147
Inventory (Net of Allowance for obsolete)	108,549
Prepaid Expenses and Other Assets	<u>68,916</u>

**Total Current Assets** 3,915,866

**Capital Assets**

Land, Structures, and Equipment, Net of Accumulated Depreciation of \$11,239,577 (Note 3)	<u>9,717,727</u>
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**Total Capital Assets** 9,717,727

**TOTAL ASSETS** \$13,633,593

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 94,310
Intergovernmental Payables	61,205
Accrued Wages/Payroll	64,448
Accrued Compensated Liabilities - Current Portion	48,734
Security Deposits	159,722
Deferred Credits and Other Liabilities	979,217
Current Portion of Long-Term Debt	<u>37,011</u>

**Total Current Liabilities** 1,444,647

**Non-Current Liabilities**

Compensated Absences, Net of Current Portion	47,511
Other Non-Current Liabilities	83,557
Long-Term Debt, Net of Current Portion (Note 4)	<u>276,793</u>

**Total Non-Current Liabilities** 407,861

**Total Liabilities** 1,852,508

**Net Assets**

Invested in Capital Assets, Net of Related Debt	9,403,923
Unrestricted Net Assets	<u>2,377,162</u>

**Total Net Assets** 11,781,085

**TOTAL LIABILITIES AND NET ASSETS** \$13,633,593

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, 2005**

<b><u>Operating Revenue</u></b>	
Net Tenant Rental	\$ 664,529
Tenant Revenue - Other	11,572
Subsidies and Grants from HUD	11,604,876
Other Revenue	<u>142,585</u>
<b>Total Operating Revenue</b>	<b><u>12,423,562</u></b>
<b><u>Operating Expenses</u></b>	
Administrative	1,494,046
Tenant Services	202,999
Utilities	290,220
Maintenance and Operations	517,538
General Expenses	214,917
Protective Services	2,868
Housing Assistance Payments	9,628,764
Depreciation and Amortization	<u>747,934</u>
<b>Total Operating Expenses</b>	<b><u>13,099,286</u></b>
Net Operating Income/Loss	<u>(675,724)</u>
<b><u>Non-Operating Revenue/Expense</u></b>	
Interest Income	80,626
Interest Expense	(21,896)
Gain on Sale of Fixed Assets	<u>10,641</u>
<b>Total Non-Operating Revenue</b>	<b><u>69,371</u></b>
Excess of Revenue Over (Under) Expenses before Capital Grants	(606,353)
Capital Grants	<u>342,754</u>
Change in Net Assets	(263,599)
Beginning in Net Assets	11,379,428
Prior Period Adjustments	<u>665,256</u>
 <b>ENDING NET ASSETS</b>	 <b><u>\$11,781,085</u></b>

See accompanying notes to the basic financial statements.

**PORTAGE METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

<b><u>Cash Flows from Operating Activities</u></b>	
Cash Received from HUD	\$ 11,753,588
Cash Received From Tenants	684,621
Cash Received From Other Income	137,588
Cash Payments for Housing Assistance Payments	(9,610,727)
Cash Payments for Administrative	(1,469,558)
Cash Payments for Other Operating Expenses	(1,304,857)
Cash Payments to HUD and Other Governments	(78,135)
<b>Net Cash Provided by Operating Activities</b>	<b><u>112,520</u></b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Acquisition and Construction of Capital Assets	(429,355)
Sale of Capital Assets	18,776
Payment of Debt	(34,552)
Capital Grants Received	342,754
<b>Net Cash Provided by Capital and Other Related Financing Activities</b>	<b><u>(102,377)</u></b>
<b><u>Cash Flows from Investing Activities</u></b>	
Investment Income	80,626
Cash Used for Investments	(1,190,500)
Interest Expense	(21,896)
<b>Net Cash Provided from Investing Activities</b>	<b><u>(1,131,770)</u></b>
Net Change in Cash and Cash Equivalents	(1,121,627)
Cash and Cash Equivalents, Beginning	<u>2,597,208</u>
<b>Cash and Cash Equivalents, Ending</b>	<b><u>\$ 1,475,581</u></b>
<b><u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u></b>	
Net Operating Income	\$ (675,724)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation Expense	747,934
(Increase) Decrease in:	
Receivables - Net of Allowance	427,799
Inventory	(15,075)
Deferred Charges and Other Assets	(43,672)
Increase (Decrease) in:	
Accounts Payable	(29,245)
Intergovernmental Payable	(48,088)
Accrued Wages/Payroll Taxes and Compensated Absences	24,488
Tenants Security Deposits	5,798
Deferred Credits and Other Liabilities	(281,695)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 112,520</u></b>

See accompanying notes to the basic financial statements.

**PORTAGE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

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**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.

**PORTAGE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

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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.

**PORTAGE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

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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.

**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 2005 totaled \$80,626.

**Capital Assets**

Fixed 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.

**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.

**PORTAGE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

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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, 2005.

**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.

NOTE 2: **DEPOSITS AND INVESTMENTS**

**Deposits**

At fiscal year end, the carrying amount of the Authority's deposits were \$3,463,254 and the bank balance was \$3,558,985. Included in the carrying amount of deposits at December 31, 2005 is \$1,987,673 in Certificates of Deposits. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2005, \$300,000 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. Included in the carrying value of the Authority's deposits is \$75 in petty cash. In addition, reflected in the carrying value of the Authority's deposits is (\$121) reported on the FDS as Bank Overdraft.

**PORTAGE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

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

**Deposits** (Continued)

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, 2005, were limited to Certification of Deposits.

**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 \$100,000 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 \$100,000 FDIC insurance limit are fully and continuously collateralized by securities pledged in the name of the Authority.

**PORTAGE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

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

**Concentration of Credit Risk** (Continued)

Cash and investments included in the Authority's cash position at December 31, 2005, are as follows:

<u>Cash and Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>
Carrying Amount of Deposits	\$ 1,459,000	\$ 1,459,000
Carrying Amount of Deposits - Restricted	16,581	16,581
Carrying Amount of Certificates of Deposits	1,770,379	1,770,379
Carrying Amount of Certificates of Deposits - Restricted	<u>217,294</u>	<u>217,294</u>
Totals	<u>\$ 3,463,254</u>	<u>\$ 3,463,254</u>

NOTE 3: **CAPITAL ASSETS**

	<u>Balance 12/31/2004</u>	<u>Prior Period Adjustment</u>	<u>Restated 12/31/2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2005</u>
<b><u>Capital Assets Not Being Depreciated</u></b>						
Land	\$1,625,461	\$ 0	\$1,625,461	\$ 0	\$ 0	\$ 1,625,461
Construction in Progress	<u>250,058</u>	<u>1,647</u>	<u>251,705</u>	<u>341,678</u>	<u>250,058</u>	<u>343,325</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>1,875,519</u>	<u>1,647</u>	<u>1,877,166</u>	<u>341,678</u>	<u>250,058</u>	<u>1,968,786</u>
<b><u>Capital Assets Being Depreciated</u></b>						
Buildings and Improvements	17,337,238	609,821	17,947,059	321,522	9,033	18,259,548
Furniture, Equipment, and Machinery - Dwellings	125,916	0	125,916	7,260	0	133,176
Furniture, Equipment, and Machinery - Administrative	<u>620,910</u>	<u>0</u>	<u>620,910</u>	<u>8,953</u>	<u>34,069</u>	<u>595,794</u>
<b>Subtotal Capital Assets Being Depreciated</b>	<u>18,084,064</u>	<u>609,821</u>	<u>18,693,885</u>	<u>337,735</u>	<u>43,102</u>	<u>18,988,518</u>
Accumulated Depreciation	<u>(10,447,088)</u>	<u>(79,522)</u>	<u>(10,526,610)</u>	<u>(747,934)</u>	<u>(34,967)</u>	<u>(11,239,577)</u>
Depreciable Assets, Net	<u>7,636,976</u>	<u>530,299</u>	<u>8,167,275</u>	<u>(410,199)</u>	<u>8,135</u>	<u>7,748,941</u>
<b>Total Capital Assets, Net</b>	<u>\$ 9,512,495</u>	<u>\$ 531,946</u>	<u>\$10,044,441</u>	<u>\$ (68,521)</u>	<u>\$ 258,193</u>	<u>\$ 9,717,727</u>

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, 2005 was \$747,934.

**PORTAGE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

**NOTE 4: LONG-TERM DEBT**

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

Note Payable dated November 12, 1997 in the amount of \$540,000 due in November, 2012; Interest rate 6.5% with a monthly payment of principal and interest of \$4,703.98. Proceeds of the note were used to purchase 27 multi-family rental units.	<u>\$ 313,804</u>
Total Long Term Debt	<u>313,804</u>
Less Current Portion	<u>(37,011)</u>
Long-Term Debt, Net of Current	<u>\$ 276,793</u>

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

	Principal	Interest	Total
2006	\$ 37,011	\$ 19,437	\$ 56,448
2007	39,627	16,821	56,448
2008	42,281	14,167	56,448
2009	45,112	11,336	56,448
2010	48,134	8,314	56,448
2011-2012	101,639	6,553	108,192
	<u>\$ 313,804</u>	<u>\$ 76,628</u>	<u>\$ 390,432</u>

**NOTE 5: PENSION PLAN**

**Ohio Public Employees Retirement System**

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member directed plan is a defined 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 member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution 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 plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

**PORTAGE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

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NOTE 5: **PENSION PLAN** (Continued)

**Ohio Public Employees Retirement System** (Continued)

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Authority's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Authority's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$148,308, \$146,883, and \$144,086, respectively; 100 percent has been contributed for 2005, 2004, and 2003. The Authority had no employees participating in the member-directed plans for the years ended December 31, 2005, 2004, and 2003.

NOTE 6: **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 with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local employer contribution rate was 13.55 percent of covered payroll, 4.00 percent of covered payroll was the portion that was used to fund health care.

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, 2004, include a rate of return on investments of 8 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 costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent 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).

**PORTAGE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

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

**Ohio Public Employees Retirement System** (Continued)

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.

At December 31, 2005, the number of active contributing participants in the traditional and combined plans was 376,109. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2004 (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$18.7 billion, respectively.

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 skyrocketing health care costs.

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 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 7: **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.

**PORTAGE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

NOTE 7: **COMPENSATED ABSENCES** (Continued)

At December 31, 2005, based on the vesting method, \$96,245 was accrued by the Authority for unused vacation and sick time.

NOTE 8: **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-six (36) Ohio housing authorities, of which Portage is one. Deductibles and coverage limits are summarized below:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limits</u>
Property	\$ 1,500	\$35,000,000 (Per occurrence)
Boiler and Machinery	1,000	10,000,000
General Liability	0	5,000,000
Automobile	500	5,000,000
Law Enforcement	0	5,000,000
Public Officials	0	5,000,000

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 9: **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, 2005, 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, 2005.

**PORTAGE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**  
**(CONTINUED)**

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**NOTE 10: CHANGES IN ACCOUNTING PRINCIPLES, RECLASSIFICATIONS, AND PRIOR YEAR'S FUND EQUITY**

The Authority restated prior period fund Net Assets as follows:

	Increase/ (Decrease) to Prior Period <u>Net Assets</u>
Adjustment for understating Capital Assets at prior year-end	\$ 531,946
Adjustment for understating Capital Grant revenue for prior periods	106,177
Adjustment to reclassify interest earned on security deposits in prior periods	(87,750)
Other adjustments that include HUD changes when approving prior year Year-End Settlement, adjustments to Family Self-Sufficiency liability, and HAP expense	114,883
Total Prior Period Adjustments	\$ 665,256

**PORTAGE METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>Federal CFDA Number</b>	<b>Funds Expended</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
<i>Direct Programs:</i>		
PHA Owned Housing:		
Public and Indian Housing Operating Subsidy	14.850	\$ <u>559,579</u>
Total PHA Owned Housing		<u>559,579</u>
Capital Fund Grants:		
Capital Fund	14.872	<u>541,455</u>
Total Capital Fund Grants		<u>541,455</u>
Section 8 Programs:		
Section 8 Project Based Cluster:		
Annual Contribution - Mod. Rehab.	14.856	1,101,260
- New Construction	14.182	<u>483,334</u>
		1,584,594
- Housing Choice Voucher	14.871	<u>8,900,734</u>
Total Section 8 Programs		<u>10,485,328</u>
Resident Opportunity and Supportive Services	14.870	<u>213,167</u>
Shelter Plus Care	14.238	<u>148,101</u>
<b>Total U.S. Department of HUD</b>		<u>11,947,630</u>
<b>TOTAL ALL PROGRAMS</b>		<u>\$ 11,947,630</u>

**PORTAGE METROPOLITAN HOUSING AUTHORITY  
RAVENNA, OHIO  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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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.

**PORTAGE METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF MODERNIZATION/DEVELOPMENT COST - COMPLETED  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005**

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**Annual Contributions Contract C-5501**

1. The total amount of modernization costs of the Capital Fund Program grant is shown below:

	<u>Capital Grant OH12P03150101</u>
<u>Project OH</u>	
Funds Approved	\$ 595,785
Funds Expended	<u>595,785</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 595,785
Funds Expended	<u>595,785</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program grant has been completed.
3. The entire actual modernization cost or liabilities incurred by the housing authority have been fully 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  
STATEMENT OF MODERNIZATION/DEVELOPMENT COST - COMPLETED  
FOR THE TWELVE MONTHS ENDED JUNE 30, 2005**

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**Annual Contributions Contract C-5501**

1. The total amount of modernization costs of the Capital Fund Program grant is shown below:

	<u>Capital Grant OH12P03150102</u>
<u>Project OH</u>	
Funds Approved	\$ 568,404
Funds Expended	<u>568,404</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 568,404
Funds Expended	<u>568,404</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program grant has been completed.
3. The entire actual modernization cost or liabilities incurred by the Housing Authority have been fully 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  
STATEMENT OF MODERNIZATION/DEVELOPMENT COST - COMPLETED  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005**

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**Annual Contributions Contract C-5501**

1. The total amount of modernization costs of the Capital Fund Program grant is shown below:

	<u>Capital Grant OH12P03150103</u>
<u>Project OH</u>	
Funds Approved	\$ 467,675
Funds Expended	<u>467,675</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 467,675
Funds Expended	<u>467,675</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program grant has been completed.
3. The entire actual modernization cost or liabilities incurred by the Housing Authority have been fully paid.
4. There are not 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  
STATEMENT OF ROSS GRANT COST - COMPLETED  
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005**

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**Annual Contributions Contract C-5501**

1. The total amount of grant costs of the Ross Resident Service Delivery Models grant is shown below:

	<u>Ross Grant OH00RSF031P0045</u>
<u>Project OH</u>	
Funds Approved	\$ 150,000
Funds Expended	<u>150,000</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 150,000
Funds Expended	<u>150,000</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All work in connection with the ROSS Program grant has been completed.
3. The entire actual grant cost or liabilities incurred by the Housing Authority have been fully paid.

**PORTAGE METROPOLITAN HOUSING AUTHORITY**  
**SUPPLEMENTAL FINANCIAL DATA SCHEDULE**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2005**

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation OH031MR0002	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation OH031MR0003	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
<b>ASSETS</b>													
<b>Current Assets:</b>													
111	Cash - Unrestricted	\$169,278	\$221,176	\$0	\$165,101	\$0	\$6,056	\$12,394	\$0	\$727,758	\$0	\$147,953	\$1,449,716
113	Cash - Other Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$16,581	\$0	\$0	\$16,581
114	Cash - Tenant Security Deposits	\$9,405	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,405
100	<b>Total Cash</b>	<b>\$178,683</b>	<b>\$221,176</b>	<b>\$0</b>	<b>\$165,101</b>	<b>\$0</b>	<b>\$6,056</b>	<b>\$12,394</b>	<b>\$0</b>	<b>\$744,339</b>	<b>\$0</b>	<b>\$147,953</b>	<b>\$1,475,702</b>
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$0	\$0	\$14,155	\$0	\$13,925	\$213,261	\$10,092	\$0	\$251,433
124	Accounts Receivable - Other Government	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,348	\$0	\$0	\$1,348
125	Accounts Receivable - Miscellaneous	\$0	\$0	\$0	\$362	\$0	\$0	\$0	\$0	\$0	\$0	\$11,466	\$11,828
126	Accounts Receivable - Tenants - Dwelling Rents	\$3,865	\$0	\$0	\$16,669	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,534
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(\$2,079)	\$0	\$0	(\$11,537)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$13,616)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128	Fraud Recovery	\$0	\$0	\$0	\$4,892	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,892
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	(\$1,272)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$1,272)
120	<b>Total Receivables, net of allowances for doubtful accounts</b>	<b>\$1,786</b>	<b>\$0</b>	<b>\$0</b>	<b>\$9,114</b>	<b>\$0</b>	<b>\$14,155</b>	<b>\$0</b>	<b>\$13,925</b>	<b>\$214,609</b>	<b>\$10,092</b>	<b>\$11,466</b>	<b>\$275,147</b>
131	Investments - Unrestricted	\$0	\$44,071	\$0	\$617,606	\$0	\$46,970	\$162,769	\$0	\$746,190	\$0	\$152,773	\$1,770,379
132	Investments Restricted	\$0	\$0	\$0	\$150,317	\$0	\$0	\$0	\$0	\$66,977	\$0	\$0	\$217,294
142	Prepaid Expenses and Other Assets	\$4,671	\$0	\$202	\$48,528	\$0	\$729	\$819	\$0	\$13,091	\$0	\$876	\$68,916
143	Inventories	\$0	\$0	\$0	\$110,549	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$110,549
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	(\$2,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$2,000)
144	Interprogram Due From	\$0	\$0	\$227	\$37,541	\$0	\$820	\$921	\$0	\$14,712	\$0	\$0	\$54,221
150	<b>Total Current Assets</b>	<b>\$185,140</b>	<b>\$265,247</b>	<b>\$429</b>	<b>\$1,136,756</b>	<b>\$0</b>	<b>\$68,730</b>	<b>\$176,903</b>	<b>\$13,925</b>	<b>\$1,799,918</b>	<b>\$10,092</b>	<b>\$313,068</b>	<b>\$3,970,208</b>
<b>Noncurrent Assets:</b>													
161	Land	\$19,187	\$0	\$0	\$1,483,521	\$0	\$0	\$0	\$0	\$0	\$22,040	\$100,713	\$1,625,461
162	Buildings	\$1,020,353	\$0	\$0	\$15,911,712	\$0	\$10,898	\$13,270	\$0	\$225,890	\$875,718	\$201,707	\$18,259,548
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$0	\$97,433	\$0	\$0	\$0	\$0	\$0	\$35,743	\$0	\$133,176
164	Furniture, Equipment & Machinery - Administration	\$0	\$0	\$0	\$426,534	\$0	\$4,854	\$5,910	\$4,562	\$100,607	\$52,015	\$1,312	\$595,794
166	Accumulated Depreciation	(\$423,307)	\$0	\$0	(\$10,472,496)	\$0	(\$3,599)	(\$4,287)	(\$3,675)	(\$72,052)	(\$166,395)	(\$93,766)	(\$11,239,577)
167	Construction In Progress	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$343,325	\$0	\$0	\$343,325
160	<b>Total Fixed Assets, Net of Accumulated Depreciation</b>	<b>\$616,233</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,446,704</b>	<b>\$0</b>	<b>\$12,153</b>	<b>\$14,893</b>	<b>\$887</b>	<b>\$254,445</b>	<b>\$1,162,446</b>	<b>\$209,966</b>	<b>\$9,717,727</b>
180	<b>Total Non-Current Assets</b>	<b>\$616,233</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,446,704</b>	<b>\$0</b>	<b>\$12,153</b>	<b>\$14,893</b>	<b>\$887</b>	<b>\$254,445</b>	<b>\$1,162,446</b>	<b>\$209,966</b>	<b>\$9,717,727</b>
190	<b>Total Assets</b>	<b>\$801,373</b>	<b>\$265,247</b>	<b>\$429</b>	<b>\$8,583,460</b>	<b>\$0</b>	<b>\$80,883</b>	<b>\$191,796</b>	<b>\$14,812</b>	<b>\$2,054,363</b>	<b>\$1,172,538</b>	<b>\$523,034</b>	<b>\$13,687,935</b>

**PORTAGE METROPOLITAN HOUSING AUTHORITY**  
**SUPPLEMENTAL FINANCIAL DATA SCHEDULE**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2005**

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilit OH031MR0002	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilit OH031MR0003	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
<b>LIABILITIES</b>													
<b>Current Liabilities:</b>													
311	Bank Overdraft	\$0	\$0	\$121	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$121
312	Accounts Payable <= 90 Days	\$3,562	\$0	\$112	\$36,252	\$0	\$404	\$454	\$0	\$44,470	\$0	\$2,608	\$87,862
313	Accounts Payable >90 Days Past Due	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,447	\$0	\$0	\$6,447
321	Accrued Wage/Payroll Taxes Payable	\$363	\$1,918	\$566	\$19,868	\$0	\$2,045	\$2,298	\$0	\$36,710	\$0	\$680	\$64,448
322	Accrued Compensated Absences - Current Portion	\$479	\$1,287	\$380	\$18,428	\$0	\$1,372	\$1,542	\$0	\$24,633	\$0	\$613	\$48,734
325	Accrued Interest Payable	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1
331	Accounts Payable - HUD PHA Programs	\$0	\$25,462	\$3	\$0	\$0	\$0	\$8,885	\$0	\$0	\$0	\$0	\$34,350
333	Accounts Payable - Other Government	\$0	\$0	\$0	\$26,855	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$26,855
341	Tenant Security Deposits	\$9,405	\$0	\$0	\$150,317	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$159,722
342	Deferred Revenues	\$281	\$0	\$0	\$942	\$0	\$0	\$0	\$0	\$960,102	\$0	\$0	\$961,325
343	Projects/Mortgage Revenue Bonds	\$37,011	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$37,011
345	Other Current Liabilities	\$0	\$788	\$233	\$0	\$0	\$840	\$944	\$0	\$15,087	\$0	\$0	\$17,892
347	Interprogram Due To	\$12,579	\$0	\$0	\$6,945	\$0	\$0	\$0	\$13,925	\$0	\$10,092	\$10,680	\$54,221
310	<b>Total Current Liabilities</b>	\$63,681	\$29,455	\$1,415	\$259,607	\$0	\$4,661	\$14,123	\$13,925	\$1,087,449	\$10,092	\$14,581	\$1,498,989
<b>Noncurrent Liabilities:</b>													
351	Projects/Mortgage Revenue Bonds	\$276,793	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$276,793
354	Accrued Compensated Absences - Non Current	\$575	\$1,476	\$435	\$13,452	\$0	\$1,573	\$1,767	\$0	\$28,233	\$0	\$0	\$47,511
353	Noncurrent Liabilities - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$83,557	\$0	\$0	\$83,557
350	<b>Total Noncurrent Liabilities</b>	\$277,368	\$1,476	\$435	\$13,452	\$0	\$1,573	\$1,767	\$0	\$111,790	\$0	\$0	\$407,861
300	<b>Total Liabilities</b>	\$341,049	\$30,931	\$1,850	\$273,059	\$0	\$6,234	\$15,890	\$13,925	\$1,199,239	\$10,092	\$14,581	\$1,906,850
<b>NET ASSETS</b>													
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$302,429	\$0	\$0	\$7,446,704	\$0	\$12,153	\$14,893	\$887	\$254,445	\$1,162,446	\$209,966	\$9,403,923
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$157,895	\$234,316	(\$1,421)	\$863,697	\$0	\$62,496	\$161,013	\$0	\$600,679	\$0	\$298,487	\$2,377,162
513	<b>Total Equity/Net Assets</b>	\$460,324	\$234,316	(\$1,421)	\$8,310,401	\$0	\$74,649	\$175,906	\$887	\$855,124	\$1,162,446	\$508,453	\$11,781,085
600	<b>Total Liabilities and Equity/Net Assets</b>	\$801,373	\$265,247	\$429	\$8,583,460	\$0	\$80,883	\$191,796	\$14,812	\$2,054,363	\$1,172,538	\$523,034	\$13,687,935

**PORTAGE METROPOLITAN HOUSING AUTHORITY**  
**SUPPLEMENTAL FINANCIAL DATA SCHEDULE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**DECEMBER 31, 2005**

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation OH031MR0002	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation OH031MR0003	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
<b>REVENUES</b>													
703	Net Tenant Rental Revenue	\$141,961	\$0	\$0	\$522,568	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$664,529
704	Tenant Revenue - Other	\$0	\$0	\$0	\$11,572	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$11,572
705	Total Tenant Revenue	\$141,961	\$0	\$0	\$534,140	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$676,101
706	HUD PHA Operating Grants	\$0	\$483,334	\$148,101	\$559,579	\$0	\$545,937	\$555,323	\$213,167	\$8,900,734	\$198,701	\$0	\$11,604,876
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$342,754	\$0	\$342,754
711	Investment Income - Unrestricted	\$3,147	\$6,617	\$0	\$17,819	\$0	\$2,086	\$7,230	\$0	\$33,145	\$0	\$7,527	\$77,571
713.1	Cost of Sale of Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
715	Other Revenue	\$1,855	\$0	\$1	\$36,516	\$0	\$2	\$3	\$0	\$7,891	\$0	\$96,317	\$142,585
716	Gain/Loss on Sale of Fixed Assets	\$0	\$0	\$0	\$10,641	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$10,641
720	Investment Income - Restricted	\$0	\$0	\$0	\$3,055	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,055
700	<b>Total Revenue</b>	\$146,963	\$489,951	\$148,102	\$1,161,750	\$0	\$548,025	\$562,556	\$213,167	\$8,941,770	\$541,455	\$103,844	\$12,857,583
<b>EXPENSES</b>													
911	Administrative Salaries	\$11,048	\$21,309	\$6,691	\$211,165	\$0	\$24,178	\$27,163	\$27,195	\$463,645	\$85,306	\$27,811	\$905,511
912	Auditing Fees	\$97	\$500	\$69	\$2,133	\$0	\$249	\$280	\$0	\$4,475	\$2,200	\$200	\$10,203
913	Outside Management Fees	\$49	\$0	\$0	\$1,542	\$0	\$0	\$0	\$0	\$0	\$0	\$621	\$2,212
914	Compensated Absences	(\$953)	(\$256)	\$49	\$12,017	\$0	\$175	\$197	\$0	\$3,153	\$0	(\$965)	\$13,417
915	Employee Benefit Contributions - Administrative	\$5,605	\$5,550	\$2,873	\$101,312	\$0	\$10,382	\$11,663	\$11,910	\$186,367	\$29,647	\$9,566	\$374,875
916	Other Operating - Administrative	\$4,473	\$0	\$1,791	\$47,426	\$0	\$6,472	\$7,272	\$0	\$116,193	\$2,099	\$2,102	\$187,828
921	Tenant Services - Salaries	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$111,038	\$0	\$31,989	\$0	\$143,027
923	Employee Benefit Contributions - Tenant Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$26,681	\$0	\$4,794	\$0	\$31,475
924	Tenant Services - Other	\$0	\$0	\$0	\$1,283	\$0	\$0	\$0	\$27,197	\$0	\$17	\$0	\$28,497
931	Water	\$2,795	\$0	\$0	\$66,797	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$69,592
932	Electricity	\$7,189	\$0	\$0	\$80,921	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$88,110
933	Gas	\$13,964	\$0	\$0	\$33,828	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$47,792
938	Other Utilities Expense	\$3,544	\$0	\$0	\$81,182	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$84,726
941	Ordinary Maintenance and Operations - Labor	\$5,433	\$0	\$0	\$127,287	\$0	\$0	\$0	\$0	\$0	\$0	\$12,035	\$144,755
942	Other	\$7,803	\$0	\$571	\$68,915	\$0	\$2,063	\$2,317	\$0	\$37,032	\$0	\$14,607	\$133,308
943	Ordinary Maintenance and Operations - Contract Costs	\$15,674	\$0	\$0	\$106,218	\$0	\$0	\$0	\$0	\$0	\$0	\$18,855	\$140,747
945	Employee Benefit Contributions - Ordinary Maintenance	\$2,602	\$0	\$0	\$59,822	\$0	\$0	\$0	\$0	\$0	\$0	\$4,330	\$66,754
953	Protective Services - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,868	\$0	\$2,868
961	Insurance Premiums	\$9,344	\$342	\$261	\$93,753	\$0	\$945	\$1,062	\$4,231	\$16,967	\$3,360	\$598	\$130,863
962	Other General Expenses	\$0	\$0	\$0	\$28,425	\$0	\$0	\$0	\$4,915	\$0	\$0	\$0	\$33,340
963	Payments in Lieu of Taxes	\$2,906	\$0	\$0	\$27,141	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$30,047
964	Bad Debt - Tenant Rents	\$2,522	\$0	\$0	\$18,145	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,667
967	Interest Expense	\$21,896	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$21,896
969	Total Operating Expenses	\$115,991	\$27,445	\$12,305	\$1,169,312	\$0	\$44,464	\$49,954	\$213,167	\$827,832	\$162,280	\$89,760	\$2,712,510
970	<b>Excess Operating Revenue over Operating Expenses</b>	\$30,972	\$462,506	\$135,797	(\$7,562)	\$0	\$503,561	\$512,602	\$0	\$8,113,938	\$379,175	\$14,084	\$10,145,073

**PORTAGE METROPOLITAN HOUSING AUTHORITY**  
**SUPPLEMENTAL FINANCIAL DATA SCHEDULE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**DECEMBER 31, 2005**

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation OH031MR0002	Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation OH031MR0003	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
971	Extraordinary Maintenance	\$0	\$0	\$0	\$31,974	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$31,974
973	Housing Assistance Payments	\$0	\$455,200	\$137,036	\$0	\$0	\$500,519	\$504,298	\$0	\$8,031,711	\$0	\$0	\$9,628,764
974	Depreciation Expense	\$43,746	\$0	\$0	\$601,453	\$0	\$1,023	\$1,150	\$719	\$18,653	\$72,654	\$8,536	\$747,934
900	<b>Total Expenses</b>	\$159,737	\$482,645	\$149,341	\$1,802,739	\$0	\$546,006	\$555,402	\$213,886	\$8,878,196	\$234,934	\$98,296	\$13,121,182
1001	Operating Transfers In	\$0	\$0	\$0	\$36,421	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$36,421
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$36,421)	\$0	(\$36,421)
1010	<b>Total Other Financing Sources (Uses)</b>	\$0	\$0	\$0	\$36,421	\$0	\$0	\$0	\$0	\$0	(\$36,421)	\$0	\$0
1000	<b>(Under) Expenses</b>	(\$12,774)	\$7,306	(\$1,239)	(\$604,568)	\$0	\$2,019	\$7,154	(\$719)	\$63,574	\$270,100	\$5,548	(\$263,599)
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$438,098	\$227,010	(\$182)	\$8,732,775	\$18,780	\$72,630	\$168,752	\$1,606	\$726,301	\$490,753	\$502,905	\$11,379,428
1104	Correction of Errors	\$35,000	\$0	\$0	\$182,194	(\$18,780)	\$0	\$0	\$0	\$65,249	\$401,593	\$0	\$665,256
1113	ACC)	\$0	\$508,796	\$0	\$0	\$0	\$0	\$0	\$0	\$8,958,354	\$0	\$0	\$9,467,150
1114	Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$1,815,687	\$0	\$0	\$0	\$3,375,709	\$3,418,915	\$0	\$593,302	\$0	\$0	\$9,203,613
1116	Total Annual Contributions Available	\$0	\$2,324,483	\$0	\$0	\$0	\$3,375,709	\$3,418,915	\$0	\$9,551,656	\$0	\$0	\$18,670,763
1120	Unit Months Available	324	960	300	3,624	0	972	1,092	0	17,411	0	0	24,683
1121	Number of Unit Months Leased	189	912	269	3,546	0	899	1,000	0	17,411	0	0	24,226

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

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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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 basic financial statements of the Portage Metropolitan Housing Authority (the Authority) as of and for the year ended December 31, 2005, and have issued our report thereon dated August 16, 2006. 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 of America.

**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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted a certain matter that we reported to the management of the Portage Metropolitan Housing Authority, Ohio, in a separate letter dated August 16, 2006.

### **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 the compliance with these 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 the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

August 16, 2006

**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
5240 East 98<sup>th</sup> Street  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
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 (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended December 31, 2005. The 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 grant agreements applicable to each of its major Federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority'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 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 the Authority's compliance with those requirements.

In our opinion, the 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 December 31, 2005. The results of our auditing procedures disclosed no instances of non-compliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

### **Internal Control Over Compliance**

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements to Federal programs. In planning and performing our audit, we considered the 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 grant agreements 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 weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, Auditor of State, and Federal awarding agencies and is not intended to be used by anyone other than these specified parties.

James G. Zupka CPA, Inc.  
Certified Public Accountants

August 16, 2006

**PORTAGE METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
DECEMBER 31, 2005**

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

2005(i)	Type of Financial Statement Opinion	Unqualified
2005(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2005(ii)	Were there any other reportable control weakness conditions reported at the financial statements level (GAGAS)?	No
2005(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2005(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2005(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2005(v)	Type of Major Programs' Compliance Opinion	Unqualified
2005(vi)	Are there any reportable findings under .510?	No
2005(vii)	Major Programs (list):	
	Housing Choice Vouchers	14.871
	Public Housing Capital Fund	14.872
2005(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$358,429 Type B: all others
2005(ix)	Low Risk Auditee?	Yes

**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.



**Auditor of State  
Betty Montgomery**

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Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
NOVEMBER 21, 2006**