PORTAGE METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2004

Auditor of State
Betty Montgomery

Board of Directors
Portage Metropolitan Housing Authority
2832 State Route 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, C.P.A., Inc., for the audit period January 1, 2004 to December 31, 2004. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 18, 2005

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PORTAGE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004

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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 Portage Metropolitan Housing Authority, Ohio (the Authority), as of and for the year ended December 31, 2004, 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, 2004, 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.

As described in Note 2, during the year ended December 31, 2004, the Authority implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for States and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2005 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) 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

September 14, 2005

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, 2004, 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, 2004; 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, 2004, and what net assets (equity) the Authority has at December 31, 2004. 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.

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:

<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.

<u>Section 8 Housing Choice Voucher Program</u> - 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.

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)

	2004	2003
Assets		
Current and Other Assets	$ 3,995,000	$ 4,990,000
Capital Assets	9,512,000	9,542,000
Total Assets	$ 13,507,000	$ 14,532,000
Liabilities		
Current Liabilities	$ 1,685,000	$ 2,484,000
Long-Term Liabilities	443,000	379,000
Total Liabilities	2,128,000	2,863,000
Net Assets		
Investment in Capital Assets, Net of Related Debt	9,164,000	9,161,000
Unrestricted Net Assets	2,215,000	2,508,000
Total Net Assets	11,379,000	11,669,000
Total Liabilities and Net Assets	$ 13,507,000	$ 14,532,000

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'

The reduction of total net assets from year end 2003 to year end 2004 was primarily attributable to the current assets falling at a rate faster than current liabilities. During 2004, current and other assets decreased by $995,000, and current liabilities were decreased by $799,000, a reflection of the operating loss suffered by the Authority in 2004. This means the Authority has less current assets to use to meet current liabilities at year end 2004 than it did at year end 2003.

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)

	2004	2003
Revenues		
Tenant Revenues - Rents and Other	$ 693,000	$ 792,000
Operating Subsidies and Grants	11,589,000	10,655,000
Capital Grants	166,000	49,000
Investment Income	57,000	100,000
Gain on Sale of Capital Assets	7,000	47,000
Other Revenues	72,000	57,000
Total Revenues	12,584,000	11,700,000
Expenses		
Administrative	1,534,000	1,360,000
Tenant Services	163,000	136,000
Utilities	269,000	276,000
Ordinary Maintenance and Operations	576,000	1,062,000
General and Interest Expenses	216,000	191,000
Housing Assistance Payments	9,502,000	8,230,000
Protective Services	2,000	14,000
Depreciation	669,000	674,000
Total Expenses	12,931,000	11,943,000
Net Increases (Decreases)	$ (347,000)	$ (243,000)

Although the Authority's revenues have increased 7.5 percent with the addition of new voucher increments and better lease up rates, plus the aggressive attempts to use Capital Grants for operations, the expenses also increased 8.3 percent, primarily due to the area's economy, along with additional employees on staff in 2004.

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.

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)

	2004	2003
Land and Land Rights	$ 1,625,000	$ 1,625,000
Building and Improvements	17,337,000	16,931,000
Equipment	747,000	789,000
Construction in Progress	250,000	0
Accumulated Depreciation	(10,447,000)	(9,803,000)
Total	$ 9,512,000	$ 9,542,000

The increase in accumulated depreciation from year end 2003 to year end 2004 outpaced the increase in capital accounts for buildings and improvements, and construction in progress. The majority of the increases in capital assets in 2004 were made through the Capital Fund Program and with the expansion of the Central Office.

Debt

The Authority's debt was reduced by $33,000 during 2004, a reduction of 9.5 percent. The following is a comparison of the Authority's debt outstanding at year end 2004 and year end 2003.

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

	2004	2003
Current Portion of Debt	$ 35,000	$ 33,000
Long-Term Portion of Debt	313,000	348,000
Total	$ 348,000	$ 381,000

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 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 Christie M. Anderson, 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, 2004

ASSETS	
Current Assets	
Cash and Cash Equivalents (Note 2)	$ 2,597,208
Investments	790,385
Accounts Receivable, (Net of Allowance for Doubtful Accounts)	481,886
Inventory	93,474
Deferred Charges and Other Assets	25,244
Accrued Interest	6,788
Total Current Assets	3,994,985
Capital Assets	
Land, Structures, and Equipment, Net of Accumulated Depreciation of $10,447,088 (Note 3)	9,512,495
Total Capital Assets	9,512,495
TOTAL ASSETS	$ 13,507,480
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	$ 123,555
Intergovernmental Payables	109,293
Accrued Wages/Payroll	54,864
Accrued Compensated Liabilities - Current Portion	31,640
Security Deposits	66,174
Deferred Credits and Other Liabilities	1,264,552
Current Portion of Long-Term Debt	34,970
Total Current Liabilities	1,685,048
Non-Current Liabilities	
Compensated Absences, Net of Current Portion	49,701
Other Non-Current Liabilities	79,917
Long-Term Debt, Net of Current Portion (Note 4)	313,386
Total Non-Current Liabilities	443,004
Total Liabilities	2,128,052
Net Assets	
Invested in Capital Assets, Net of Related Debt	9,164,139
Unrestricted Net Assets	2,215,289
Total Net Assets	11,379,428
TOTAL LIABILITIES AND NET ASSETS	$ 13,507,480

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, 2004

Operating Revenue	
Net Tenant Rental	$ 682,759
Tenant Revenue - Other	9,802
Subsidies and Grants from HUD	11,754,939
Other Revenue	72,432
Total Operating Revenue	12,519,932
Operating Expenses	
Administrative	1,534,120
Tenant Services	162,810
Utilities	268,744
Maintenance and Operations	576,529
General Expenses	191,570
Protective Services	2,404
Housing Assistance Payments	9,502,106
Depreciation and Amortization	668,995
Interest Expense	24,161
Total Operating Expenses	12,931,439
Net Operating Income/Loss	(411,507)
Non-Operating Revenue	
Interest Income	57,445
Gain on Sale of Fixed Assets	7,095
Total Non-Operating Revenue	64,540
Excess of Revenue over Expenses	(346,967)
Change in Net Assets	11,669,424
Prior Period Adjustments	56,971
ENDING NET ASSETS	$11,379,428

See accompanying notes to the basic financial statements.

PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

Cash Flows from Operating Activities	
Cash Received from HUD	$ 10,596,029
Cash Received From Tenants	687,401
Cash Received From Other Income	78,188
Cash Payments for Housing Assistance Payments	(9,502,106)
Cash Payments for Administrative	(1,487,477)
Cash Payments for Other Operating Expenses	(967,397)
Cash Payments to HUD and Other Governments	(16,578)
Net Cash Provided by Operating Activities	(611,940)
Cash Flows from Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(683,371)
Sale of Capital Assets	50,793
Payment of Debt	(32,287)
Net Cash Provided by Capital and Other Related Financing Activities	(664,865)
Cash Flows from Investing Activities	
Investment Income	57,445
Sale of Investments	1,281,281
Net Cash Provided from Investing Activities	1,338,726
Net Increase in Cash and Cash Equivalents	61,921
Cash and Cash Equivalents, Beginning	2,535,287
Cash and Cash Equivalents, Ending	$ 2,597,208
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Net Operating Income	$ (411,507)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by Operating Activities	
Depreciation Expense	668,995
(Increase) Decrease in:	
Receivables - Net of Allowance	(240,204)
Inventory	4,519
Deferred Charges and Other Assets	11,595
Increase (Decrease) in:	
Accounts Payable	42,638
Accrued Interest	(23,673)
Intergovernmental Payable	58,938
Accrued Wages/Payroll Taxes and Compensated Absences	46,643
Tenants Security Deposits	1,984
Deferred Credits and Other Liabilities	(851,785)
Non-Current Liabilities	79,917
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (611,940)

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 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.

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 2004 totaled $57,445.

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.

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, 2004.

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

Legal and Other Requirements - The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code, the U.S. Department of Housing and Urban Development, and the Authority's written investment policy. The Authority is also generally permitted to invest its monies in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, the State Treasurer's investment pool (STAROhio), and obligations of certain political subdivisions of Ohio and the United States government and its agencies.

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

Legal and Other Requirements (Continued)
Public depositories must give security for all public funds on deposit. HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. The Authority is prohibited from investing in any financial instruments, contracts, or obligations whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse purchase agreements.

Governmental Accounting Standards Board Statement No. 3 (GASB No. 3) has established custodial credit risk categories for deposits and investments as follows:

Deposits

Category 1 Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

Category 2 Collateralized with securities held by the pledging financial institutions's trust department or agent in the Authority's name.

Category 3 Uncollateralized as defined by the GASB (securities pledged with the pledging financial institution's trust department or agent, but not in the Authority's name).

Investments

Category 1 Insured or registered, or securities held by the Authority or its agent in the Authority's name.

Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name.

Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

Deposits - At year-end, the carrying amount of the Authority's deposits was $3,387,518 and the bank balance was $3,610,932. The difference represents outstanding checks and deposits in transit. Of the total deposits, $300,000 was covered by federal depository insurance. The remainder was covered by collateralization held by the banks for the Authority's deposits as required by HUD. The petty cash balance was $75 at December 31, 2004.

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

Investments - The Authority's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at year end. The risk categories were described previously in this footnote.

Category		Cost	Fair Value
1	Certificates of Deposit	$ 790,385	$ 790,385
Totals		$ 790,385	$ 790,385

A reconciliation of cash and investments as shown on the balance sheet follows:

GASB Statement No. 9	
Cash and Cash Equivalents	$ 2,597,208
Investments	790,385
Totals	$ 3,387,593

GASB Statement No. 3	
Carrying Amount of Deposits	$ 2,597,208
Carrying Amount of Investments	790,385
Totals	$ 3,387,593

Cash on Hand

The Authority had $75 in undeposited cash on hand which is included on the statement of net assets of the Authority as part of "Cash and Cash Equivalents".

NOTE 3: **CAPITAL ASSETS**

	Balance 12/31/03	Increases	Decreases	Balance 12/31/04
Capital Assets Not Being Depreciated				
Land	$ 1,625,461	$ 0	$ 0	$ 1,625,461
Construction in Progress	0	250,058	0	250,058
Total Capital Assets Not Being Depreciated	1,625,461	250,058	0	1,875,519
Capital Assets Being Depreciated				
Buildings and Building Improvements	16,930,697	406,541	0	17,337,238
Furniture, Equipment, and Machinery - Dwellings	164,477	5,546	44,107	125,916
Furniture, Equipment, and Machinery - Administrative	624,572	21,226	24,888	620,910
Total Capital Assets Being Depreciated	17,719,746	433,313	68,995	18,084,064
Accumulated Depreciation	(9,803,390)	(668,995)	(25,297)	(10,447,088)
Depreciable Assets, Net	7,916,356	(235,682)	43,698	7,636,976
Total Capital Assets, Net	$ 9,541,817	$ 14,376	$ 43,698	$ 9,512,495

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, 2004 was $668,995.

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.	$ 348,356
Total Long Term Debt	348,356
Less Current Portion	(34,970)
Long-Term Debt, Net of Current	$ 313,386

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

	Principal	Interest	Total
2005	$ 34,971	$ 21,477	$ 56,448
2006	37,145	19,303	56,448
2007	39,633	16,815	56,448
2008	42,477	13,971	56,448
2009	45,322	11,126	56,448
2010-2012	148,808	13.261	162,069
	$ 348,356	$ 95,953	$ 444,309

NOTE 5: PENSION PLAN

Ohio Public Employees Retirement System

All Authority full-time 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 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 (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 5: **PENSION PLAN** (Continued)

Ohio Public Employees Retirement System (Continued)
OPERS provides retirement, disability, survivor, and 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) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 13.55 percent of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2004, 2003, and 2002 were $148,308, $146,883, and $144,086, respectively. The full amount has been contributed for 2003 and 2002. For 2004, 92 percent has been contributed as of December 31, 2004.

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. Health care coverage for disability 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. 12. 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 2004 employer contribution rate was 13.55 percent of covered payroll, 4 percent was the portion that was used to fund health care for 2004.

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2003, 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

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

Ohio Public Employees Retirement System (Continued)
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).

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, 2003, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,885. The Authority's annual contributions for 2004 used to fund postemployment benefits were $43,781. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2003 (the latest information available) were $10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $26.9 billion and $16.4 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 a maximum of 280 hours of accumulated sick leave upon separation.

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

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, 2004, based on the vesting method, $81,341 was accrued by the Authority for unused vacation and sick time.

NOTE 8: **INSURANCE**

The Housing Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. There was no significant reduction in coverages and no settlements exceeded insurance coverage during 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, 2004, 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, 2004.

Construction Commitments
The Authority had the following construction commitments at December 31, 2004:

Contractor	Contract Amount	Contract Balance at 12/31/04
DSV Builders	$ 318,152	$ 96,219
Lodi Lumber	$ 45,602	$ 45,602
Kollarik, Inc.	$ 36,959	$ 36,959

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

For fiscal year 2004, the Authority implemented GASB Statement No. 34. The implementation caused an effect on the classification of the Authority's equity. See the following for the reclassification of equity.

	Total	Net HUD/PHA Contributions	Undesignated Retained Earnings	Invested in Capital Assets Net of Debt	Unrestricted Net Assets
Net Assets, Beginning of Year	$ 11,669,424	$ 9,783,494	$ 1,885,930	$ 0	$ 0
Reclassifications - GASB 34	0	(9,783,494)	(1,885,930)	9,142,668	2,526,756
Current Year Activity	(346,967)	0	0	21,471	(368,438)
Prior Period Adjustments	56,971	0	0	0	56,971
Net Assets, Beginning of Year, Restated	$ 11,379,428	$ 0	$ 0	$ 9,164,139	$ 2,215,289

PORTAGE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004

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	$ 595,148
Total PHA Owned Housing		595,148
Capital Fund Grants:		
Capital Fund	14.872	481,184
Total Capital Fund Grants		481,184
Section 8 Programs:		
Section 8 Project Based Cluster:		
Annual Contribution - Mod. Rehab.	14.856	1,053,068
- New Construction	14.182	509,022
		1,562,090
- Housing Choice Voucher	14.871	8,944,226
- Move to Work Technical Asst.	**	19,438
Total Section 8 Programs		10,525,754
Resident Opportunity and Supportive Services	14.870	111,404
Public Indian Housing Drug Elimination Program	14.854	17,109
Shelter Plus Care	14.238	24,340
Total U.S. Department of HUD		11,754,939
TOTAL ALL PROGRAMS		$ 11,754,939

** - No CFDA numbers for this program.

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
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

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	Housing Assistance Program-Section 8 Mod Rehab OH031MR0001	Lower Income Housing Assistance Program-Section 8 Mod Rehab OH031MR0002	Lower Income Housing Assistance Program-Section 8 Mod Rehab OH031MR0003	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Other Federal Program 2	Total
ASSETS															
Current Assets:															
111	Cash - Unrestricted	$141,143	$229,881	$10	$439,860	$0	$0	$113,353	$191,164	$0	$1,341,340	$0	$113,093	$0	$2,569,844
114	Cash - Tenant Security Deposits	$4,554	$0	$0	$22,810	$0	$0	$0	$0	$0	$0	$0	$0	$0	$27,364
100	Total Cash	$145,697	$229,881	$10	$462,670	$0	$0	$113,353	$191,164	$0	$1,341,340	$0	$113,093	$0	$2,597,208
122	Accounts Receivable - HUD Other Projects	$0	$2,728	$0	$0	$0	$0	$0	$0	$0	$457,719	$0	$0	$0	$460,447
124	Accounts Receivable - Other Government	$0	$0	$0	$0	$0	$0	$0	$0	$0	$5,991	$0	$0	$0	$5,991
125	Accounts Receivable - Miscellaneous	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,188	$0	$2,188
126	Accounts Receivable - Tenants - Dwelling Rents	$3,294	$0	$0	$14,512	$0	$0	$0	$0	$0	$0	$0	$0	$0	$17,806
126.1	Allowance for Doubtful Accounts - Dwelling Rents	($202)	$0	$0	($7,170)	$0	$0	$0	$0	$0	$0	$0	$0	$0	($7,372)
126.2	Allowance for Doubtful Accounts - Other	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
128	Fraud Recovery	$0	$0	$0	$3,819	$0	$0	$0	$0	$0	$0	$0	$0	$0	$3,819
128.1	Allowance for Doubtful Accounts - Fraud	$0	$0	$0	($993)	$0	$0	$0	$0	$0	$0	$0	$0	$0	($993)
129	Accrued Interest Receivable	$0	$0	$0	$6,788	$0	$0	$0	$0	$0	$0	$0	$0	$0	$6,788
120	Total Receivables, net of allowances for doubtful accounts	$3,092	$2,728	$0	$16,956	$0	$0	$0	$0	$0	$463,710	$0	$2,188	$0	$488,674
131	Investments - Unrestricted	$0	$0	$0	$475,235	$0	$0	$0	$0	$0	$23,615	$0	$172,808	$0	$671,658
132	Investments Restricted	$0	$0	$0	$38,810	$0	$0	$0	$0	$0	$79,917	$0	$0	$0	$118,727
142	Prepaid Expenses and Other Assets	$2,266	$0	$4	$20,396	$0	$0	$73	$89	$0	$1,521	$0	$0	$0	$24,349
143	Inventories	$0	$0	$0	$95,474	$0	$0	$0	$0	$0	$0	$0	$0	$0	$95,474
143.1	Allowance for Obsolete Inventories	$0	$0	$0	($2,000)	$0	$0	$0	$0	$0	$0	$0	$0	$0	($2,000)
144	Interprogram Due From	$0	$0	$85	$1,504	$0	$0	$1,712	$2,084	$0	$35,381	$0	$0	$0	$40,766
145	Assets Held for Sale	$0	$0	$0	$895	$0	$0	$0	$0	$0	$0	$0	$0	$0	$895
150	Total Current Assets	$151,055	$232,609	$99	$1,109,940	$0	$0	$115,138	$193,337	$0	$1,945,484	$0	$288,089	$0	$4,035,751
Noncurrent Assets:															
161	Land	$19,187	$0	$0	$1,483,521	$0	$0	$0	$0	$0	$0	$22,040	$100,713	$0	$1,625,461
162	Buildings	$1,010,974	$0	$0	$15,666,769	$20,014	$0	$0	$0	$0	$0	$437,774	$201,707	$0	$17,337,238
163	Furniture, Equipment & Machinery - Dwellings	$0	$0	$0	$90,173	$0	$0	$0	$0	$0	$0	$35,743	$0	$0	$125,916
164	Furniture, Equipment & Machinery - Administration	$0	$0	$0	$452,328	$0	$0	$4,854	$5,910	$4,562	$100,607	$51,337	$1,312	$0	$620,910
166	Accumulated Depreciation	($379,561)	$0	$0	($9,862,855)	($1,234)	$0	($2,576)	($3,137)	($2,956)	($53,398)	($56,141)	($85,230)	$0	($10,447,088)
167	Construction In Progress	$0	$0	$0	$0	$0	$0	$10,898	$13,270	$0	$225,890	$0	$0	$0	$250,058
160	Total Fixed Assets, Net of Accumulated Depreciation	$650,600	$0	$0	$7,829,936	$18,780	$0	$13,176	$16,043	$1,606	$273,099	$490,753	$218,502	$0	$9,512,495
180	Total Non-Current Assets	$650,600	$0	$0	$7,829,936	$18,780	$0	$13,176	$16,043	$1,606	$273,099	$490,753	$218,502	$0	$9,512,495
190	Total Assets	$801,655	$232,609	$99	$8,939,876	$18,780	$0	$128,314	$209,380	$1,606	$2,218,583	$490,753	$506,591	$0	$13,548,246

* Note: For the purpose of the basic financial statements on page 8, interprogram receivables/payables have been eliminated.

PORTAGE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Indian Housing Drug Elimination Program	Lower Income Housing Assistance Program-Section 8 Mod Rehab OH031MR0001	Lower Income Housing Assistance Program-Section 8 Mod Rehab OH031MR0002	Lower Income Housing Assistance Program-Section 8 Mod Rehab OH031MR0003	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Other Federal Program 2	Total
LIABILITIES															
Current Liabilities:															
312	Accounts Payable <= 90 Days	$3,697	$0	$0	$30,408	$0	$0	$544	$4,143	$0	$73,388	$0	$0	$0	$112,180
313	Accounts Payable >90 Days Past Due	$0	$0	$0	$0	$0	$0	$0	$0	$0	$11,375	$0	$0	$0	$11,375
321	Accrued Wage/Payroll Taxes Payable	$2,762	$979	$49	$27,666	$0	$0	$1,004	$1,222	$0	$20,762	$0	$420	$0	$54,864
322	Accrued Compensated Absences - Current Portion	$924	$808	$41	$10,750	$0	$0	$829	$1,009	$0	$17,134	$0	$145	$0	$31,640
331	Accounts Payable - HUD PHA Programs	$0	$0	$0	$0	$0	$0	$49,395	$29,491	$0	$0	$0	$0	$0	$78,886
333	Accounts Payable - Other Government	$0	$0	$0	$30,407	$0	$0	$0	$0	$0	$0	$0	$0	$0	$30,407
341	Tenant Security Deposits	$4,554	$0	$0	$61,620	$0	$0	$0	$0	$0	$0	$0	$0	$0	$66,174
342	Deferred Revenues	$75	$0	$0	$1,118	$0	$0	$0	$0	$0	$1,208,823	$0	$0	$0	$1,210,016
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	$34,970	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$34,970
346	Accrued Liabilities - Other	$0	$2,222	$111	$0	$0	$0	$2,280	$2,776	$0	$47,147	$0	$0	$0	$54,536
347	Interprogram Due To	$2,106	$0	$0	$36,018	$0	$0	$0	$0	$0	$0	$0	$2,642	$0	$40,766
310	Total Current Liabilities	$49,088	$4,009	$201	$197,987	$0	$0	$54,052	$38,641	$0	$1,378,629	$0	$3,207	$0	$1,725,814
Noncurrent Liabilities:															
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	$313,386	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$313,386
354	Accrued Compensated Absences - Non Current	$1,083	$1,590	$80	$9,114	$0	$0	$1,632	$1,987	$0	$33,736	$0	$479	$0	$49,701
353	Noncurrent Liabilities - Other	$0	$0	$0	$0	$0	$0	$0	$0	$0	$79,917	$0	$0	$0	$79,917
350	Total Noncurrent Liabilities	$314,469	$1,590	$80	$9,114	$0	$0	$1,632	$1,987	$0	$113,653	$0	$479	$0	$443,004
300	Total Liabilities	$363,557	$5,599	$281	$207,101	$0	$0	$55,684	$40,628	$0	$1,492,282	$0	$3,686	$0	$2,168,818
NET ASSETS															
508	Total Contributed Capital	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
508.1	Invested in Capital Assets, Net of Related Debt	$302,244	$0	$0	$7,829,936	$18,780	$0	$13,176	$16,043	$1,606	$273,099	$490,753	$218,502	$0	$9,164,139
511	Total Reserved Fund Balance	$0	$0	$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	$0	$0
512.1	Unrestricted Net Assets	$135,854	$227,010	($182)	$902,839	$0	$0	$59,454	$152,709	$0	$453,202	$0	$284,403	$0	$2,215,289
513	Total Net Assets	$438,098	$227,010	($182)	$8,732,775	$18,780	$0	$72,630	$168,752	$1,606	$726,301	$490,753	$502,905	$0	$11,379,428
600	Total Liabilities and Net Assets	$801,655	$232,609	$99	$8,939,876	$18,780	$0	$128,314	$209,380	$1,606	$2,218,583	$490,753	$506,591	$0	$13,548,246

* Note: For the Purpose of the basic financial statements on page 8, interprogram receivables/payables have been eliminated.

PORTAGE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
DECEMBER 31, 2004

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 Mod Rehab OH031MR0001	Lower Income Housing Assistance Program-Section 8 Mod Rehab OH031MR0002	Lower Income Housing Assistance Program-Section 8 Mod Rehab OH031MR0003	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Other Federal Program 2	Total
REVENUES															
703	Net Tenant Rental Revenue	$145,772	$0	$0	$536,987	$0	$0	$0	$0	$0	$0	$0	$0	$0	$682,759
704	Tenant Revenue - Other	$0	$0	$0	$9,802	$0	$0	$0	$0	$0	$0	$0	$0	$0	$9,802
705	Total Tenant Revenue	$145,772	$0	$0	$546,789	$0	$0	$0	$0	$0	$0	$0	$0	$0	$692,561
706	HUD PHA Operating Grants	$0	$509,022	$24,340	$595,148	$507	$0	$480,756	$572,312	$109,372	$8,944,226	$333,563	$0	$19,438	$11,588,684
706.1	Capital Grants	$0	$0	$0	$0	$16,602	$0	$0	$0	$2,032	$0	$147,621	$0	$0	$166,255
711	Investment Income - Unrestricted	$768	$3,976	$0	$13,963	$0	$0	$1,271	$1,547	$0	$26,339	$0	$5,388	$0	$53,252
715	Other Revenue	$4,182	$0	$1	$27,041	$0	$0	$15	$18	$0	$1,484	$0	$39,691	$0	$72,432
716	Gain/Loss on Sale of Fixed Assets	$0	$0	$0	$5,895	$0	$0	$0	$0	$0	$1,200	$0	$0	$0	$7,095
720	Investment Income - Restricted	$0	$0	$0	$4,193	$0	$0	$0	$0	$0	$0	$0	$0	$0	$4,193
700	Total Revenue	$150,722	$512,998	$24,341	$1,193,029	$17,109	$0	$482,042	$573,877	$111,404	$8,973,249	$481,184	$45,079	$19,438	$12,584,472
EXPENSES															
911	Administrative Salaries	$25,405	$16,002	$1,009	$284,944	$371	$0	$20,630	$25,121	$5,580	$426,599	$87,485	$15,812	$13,086	$922,044
912	Auditing Fees	$292	$500	$0	$2,579	$0	$0	$193	$235	$0	$4,007	$1,500	$0	$0	$9,306
913	Outside Management Fees	$0	$0	$0	$1,621	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,621
914	Compensated Absences	$0	$1,724	$30	$1,680	$0	$0	$605	$736	$0	$12,503	$0	$0	$0	$17,278
915	Employee Benefit Contributions - Administrative	$10,418	$6,700	$438	$124,582	$56	$0	$8,969	$10,922	$2,234	$185,469	$23,210	$6,209	$1,888	$381,095
916	Other Operating - Administrative	$6,624	$582	$482	$68,425	$0	$0	$5,016	$6,108	$0	$103,494	$3,466	$4,115	$4,464	$202,776
921	Tenant Services - Salaries	$0	$0	$0	$0	$0	$0	$0	$0	$55,324	$0	$41,562	$0	$0	$96,886
923	Employee Benefit Contributions - Tenant Services	$0	$0	$0	$0	$0	$0	$0	$0	$9,460	$0	$5,703	$0	$0	$15,163
924	Tenant Services - Other	$220	$0	$0	$7,625	$80	$0	$0	$0	$35,326	$0	$7,510	$0	$0	$50,761
931	Water	$4,288	$0	$0	$65,383	$0	$0	$0	$0	$0	$0	$0	$0	$0	$69,671
932	Electricity	$7,511	$0	$0	$74,787	$0	$0	$0	$0	$0	$0	$0	$0	$0	$82,298
933	Gas	$13,113	$0	$0	$21,851	$0	$0	$0	$0	$0	$0	$0	$0	$0	$34,964
938	Other Utilities Expense	$3,889	$0	$0	$77,922	$0	$0	$0	$0	$0	$0	$0	$0	$0	$81,811
941	Ordinary Maintenance and Operations - Labor	$13,116	$0	$0	$111,543	$0	$0	$0	$0	$0	$0	$0	$3,217	$0	$127,876
942	Ordinary Maintenance and Operations - Materials and Other	$9,552	$0	$0	$91,481	$0	$0	$1,426	$1,735	$0	$29,552	$2,954	$11,061	$0	$147,761
943	Ordinary Maintenance and Operations - Contract Costs	$28,453	$0	$0	$99,008	$0	$0	$0	$0	$0	$0	$24,504	$13,749	$0	$165,714
945	Employee Benefit Contributions - Ordinary Maintenance	$5,860	$0	$0	$48,449	$0	$0	$0	$0	$0	$0	$0	$1,286	$0	$55,595
953	Protective Services - Other	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,405	$0	$0	$2,405
961	Insurance Premiums	$9,643	$304	$28	$85,817	$0	$0	$563	$686	$1,448	$11,651	$2,670	$318	$0	$113,128
962	Other General Expenses	$1,891	$0	$0	$27,538	$0	$0	$0	$0	$0	$0	$0	$0	$0	$29,429
963	Payments in Lieu of Taxes	$2,864	$0	$0	$30,685	$0	$0	$0	$0	$0	$0	$0	$0	$0	$33,549
964	Bad Debt - Tenant Rents	$0	$0	$0	$15,464	$0	$0	$0	$0	$0	$0	$0	$0	$0	$15,464
967	Interest Expense	$24,161	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$24,161
969	Total Operating Expenses	$167,300	$25,812	$1,987	$1,241,384	$507	$0	$37,402	$45,543	$109,372	$773,275	$202,969	$55,767	$19,438	$2,680,756
970	Excess Operating Revenue over Operating Expenses	($16,578)	$487,186	$22,354	($48,355)	$16,602	$0	$444,640	$528,334	$2,032	$8,199,974	$278,215	($10,688)	$0	$9,903,716
971	Extraordinary Maintenance	$18,801	$0	$0	$28,700	$0	$0	$0	$0	$0	$0	$32,082	$0	$0	$79,583
973	Housing Assistance Payments	$0	$481,394	$22,536	$0	$0	$0	$435,142	$517,263	$0	$8,045,771	$0	$0	$0	$9,502,106
974	Depreciation Expense	$43,140	$0	$0	$566,317	$1,234	$0	$494	$601	$1,410	$13,909	$33,353	$8,536	$0	$668,994
900	Total Expenses	$229,241	$507,206	$24,523	$1,836,401	$1,741	$0	$473,038	$563,407	$110,782	$8,832,955	$268,404	$64,303	$19,438	$12,931,439
1001	Operating Transfers In	$0	$0	$0	$98,512	$0	$0	$0	$0	$0	$0	$0	$0	$0	$98,512
1002	Operating Transfers Out	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	($98,512)	$0	$0	($98,512)
1010	Total Other Financing Sources (Uses)	$0	$0	$0	$98,512	$0	$0	$0	$0	$0	$0	($98,512)	$0	$0	$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	($78,519)	$5,792	($182)	($544,860)	$15,368	$0	$9,004	$10,470	$622	$140,294	$114,268	($19,224)	$0	($346,967)

PORTAGE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
DECEMBER 31, 2004

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 Mod Rehab OH031MR0001	Lower Income Housing Assistance Program-Section 8 Mod Rehab OH031MR0002	Lower Income Housing Assistance Program-Section 8 Mod Rehab OH031MR0003	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Other Federal Program 2	Total
1102	Debt Principal Payments - Enterprise Funds	$34,970	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$34,970
1103	Beginning Equity	$361,496	$221,218	$0	$9,585,229	$0	$22,354	$63,626	$158,282	$0	$689,631	$45,459	$522,129	$0	$11,669,424
1104	Prior Period Adjustments, Equity Transfers, & Correction of Errors	$155,121	$0	$0	($307,594)	$3,412	($22,354)	$0	$0	$984	($103,624)	$331,026	$0	$0	$56,971
1113	Maximum Annual Contributions Commitment (Per ACC)	$0	$506,294	$0	$0	$0	$0	$0	$52,957	$0	$8,113,329	$0	$0	$0	$8,672,580
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
1115	Contingency Reserve, ACC Program Reserve	$0	$2,591,330	$0	$0	$0	$0	$3,818,086	$3,962,088	$0	$407,045	$0	$0	$0	$10,778,549
1116	Total Annual Contributions Available	$0	$3,097,624	$0	$0	$0	$0	$3,818,086	$4,015,045	$0	$8,520,374	$0	$0	$0	$19,451,129
1120	Unit Months Available	286	960	66	3,630	0	0	972	1,195	0	17,693	0	0	0	24,802
1121	Number of Unit Months Leased	189	837	66	3,553	0	0	859	1,046	0	17,693	0	0	0	24,243

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

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, 2004, and have issued our report thereon dated September 14, 2005. The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of January 1, 2004. This results in a change to the Authority's method of accounting for certain nonexchange revenues and a change in the format and content of the basic financial statements. 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 certain matters that we reported to the management of the Portage Metropolitan Housing Authority, Ohio, in separate letter dated September 14, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 affect 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 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

September 14, 2005

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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, 2004. 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, 2004. 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

September 14, 2005

PORTAGE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS

2004(i)	Type of Financial Statement Opinion	Unqualified
2004(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2004(ii)	Were there any other reportable control weakness conditions reported at the financial statements level (GAGAS)?	No
2004(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2004(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2004(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2004(v)	Type of Major Programs' Compliance Opinion	Unqualified
2004(vi)	Are there any reportable findings under .510?	No
2004(vii)	Major Programs (list):	
	Housing Choice Vouchers	14.871
	New Construction S/R Section 8 Program	14.182
	Lower Income Housing Assistance Program - Section 8 Moderate Rehab	14.856
	Low Rent Public Housing	14.850a
2004(viii)	Dollar Threshold: Type A\B Programs	Type A: >$352,648 Type B: all others
2004(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
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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 10, 2005