PORTAGE METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2006

Mary Taylor, CPA
Auditor of State

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, CPA, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 22, 2007

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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PORTAGE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2006

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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, 2006, 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, 2006, 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 July 26, 2007 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 Schedule of Development Costs 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

July 26, 2007

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, 2006, 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, 2006; 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, 2006, and what net assets (equity) the Authority has at December 31, 2006. 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 is a demonstration program that allows participating housing authorities to design and test ways to promote self-sufficiency among assisted households, reduce costs through improved efficiency, and increase housing authority, but permits waivers of laws included within the Housing Act of 1937.

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)

	2006	2005
Assets		
Current and Other Assets	$ 3,570,000	$ 3,916,000
Capital Assets	9,104,000	9,718,000
Total Assets	$12,674,000	$ 13,634,000
Liabilities		
Current Liabilities	$ 1,046,000	$ 1,445,000
Long-Term Liabilities	349,000	408,000
Total Liabilities	1,395,000	1,853,000
Net Assets		
Investment in Capital Assets, Net of Related Debt	8,827,000	9,404,000
Unrestricted Net Assets	2,452,000	2,377,000
Total Net Assets	11,279,000	11,781,000
Total Liabilities and Net Assets	$12,674,000	$ 13,634,000

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 total net assets decreased $958,000 from year end 2005 to year end 2006. This decrease was primarily attributable to the decrease in capital assets. During 2006, current and other assets decreased by $344,000, and current liabilities were decreased by $397,000, a reflection of the operating loss suffered by the Authority in 2006. Capital assets decreased $614,000 while long-term liabilities decreased $59,000. This resulted in a 4.5% decrease 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)

	2006	2005
Revenues		
Tenant Revenues - Rents and Other	$ 748,000	$ 676,000
Operating Subsidies and Grants	11,868,000	11,605,000
Capital Grants	57,000	343,000
Investment Income	140,000	81,000
Gain on Sale of Capital Assets	0	11,000
Other Revenues	127,000	142,000
Total Revenues	12,940,000	12,858,000
Expenses		
Administrative	1,526,000	1,494,000
Tenant Services	83,000	203,000
Utilities	279,000	290,000
Ordinary Maintenance and Operations	569,000	518,000
General and Interest Expenses	238,000	236,000
Housing Assistance Payments	9,992,000	9,629,000
Protective Services	3,000	3,000
Casualty Loss	4,000	0
Depreciation	748,000	748,000
Total Expenses	13,442,000	13,121,000
Net Increases (Decreases)	$ (502,000)	$ (263,000)

For 2006, the Authority revenues increased less than 1% while expenses increased 2.5%. Expenses increased primarily due to additional unit months leased in the Authority's Housing Choice Vouchers program, which increased by 6.30%

Although the Authority's revenue slightly increased, there were noticeable changes in tenant revenue increase of 10.65%, investment income increase of 72.75% and Capital Grants revenue decrease of 83.25%. Tenant revenue's change was due to more aggressive collections of rent and fraudulent repayments agreements. Investment income continues to improve with better interest rates. However, Capital Grants revenue decrease was associated with less aggressive use of the funds available.

The following is a condensed Statement of Changes in Capital Assets comparing balances in capital assets for 2006 and 2005.

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

	2006	2005
Land and Land Rights	$ 1,625,000	$ 1,625,000
Building and Improvements	18,220,000	18,260,000
Equipment	747,000	729,000
Construction in Progress	420,000	344,000
Accumulated Depreciation	(11,909,000)	(11,240,000)
Total	$ 9,103,000	$ 9,718,000

The capital assets from year end 2005 to year end 2006 decreased 4.5% due to less capital expenditures compared to previous fiscal years.

Debt

The Authority's debt was reduced by $37,000 during 2006, a reduction of12 percent. The following is a comparison of the Authority's debt outstanding at year end 2006 and year end 2005.

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

	2006	2005
Current Portion of Debt	$ 40,000	$ 37,000
Long-Term Portion of Debt	237,000	277,000
Total	$ 277,000	$ 314,000

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 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, 2006

ASSETS	
Current Assets	
Cash and Cash Equivalents (Note 2)	$ 392,725
Investments	2,694,536
Accounts Receivable, (Net of Allowance for Doubtful Accounts)	269,723
Inventory (Net of Allowance for obsolete)	103,730
Prepaid Expenses and Other Assets	109,586
Total Current Assets	3,570,300
Capital Assets	
Non-Depreciable Capital Assets	2,045,478
Depreciable Capital Assets, Net	7,058,256
Total Capital Assets	9,103,734
TOTAL ASSETS	$12,674,034
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	$ 88,422
Intergovernmental Payables	136,895
Accrued Wages/Payroll	52,710
Accrued Compensated Liabilities - Current Portion	61,804
Security Deposits	163,363
Deferred Credits and Other Liabilities	503,346
Current Portion of Long-Term Debt	39,608
Total Current Liabilities	1,046,148
Non-Current Liabilities	
Compensated Absences, Net of Current Portion	33,481
Other Non-Current Liabilities	78,362
Long-Term Debt, Net of Current Portion (Note 4)	237,287
Total Non-Current Liabilities	349,130
Total Liabilities	1,395,278
Net Assets	
Invested in Capital Assets, Net of Related Debt	8,826,839
Unrestricted Net Assets	2,451,917
Total Net Assets	11,278,756
TOTAL LIABILITIES AND NET ASSETS	$12,674,034

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, 2006

Operating Revenue	
Net Tenant Rental	$ 748,338
Subsidies and Grants from HUD	11,867,813
Other Revenue	127,394
Total Operating Revenue	12,743,545
Operating Expenses	
Administrative	1,526,171
Tenant Services	83,415
Utilities	279,365
Maintenance and Operations	568,969
General Expenses	218,255
Protective Services	2,564
Housing Assistance Payments	9,992,460
Casualty Losses	4,210
Depreciation and Amortization	748,001
Total Operating Expenses	13,423,410
Net Operating Income/Loss	(679,865)
Non-Operating Revenue/Expense	
Interest Income	140,285
Interest Expense	(19,539)
Loss on Sale of Fixed Assets	(419)
Total Non-Operating Revenue	120,327
Excess of Revenue Over (Under) Expenses before Capital Grants	(559,538)
Capital Grants	57,119
Change in Net Assets	(502,419)
Beginning in Net Assets	11,781,175
ENDING NET ASSETS	$11,278,756

See accompanying notes to the basic financial statements.

PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

Cash Flows from Operating Activities	
Cash Received from HUD	$ 11,499,074
Cash Received From Tenants	732,617
Cash Received From Other Income	120,828
Cash Payments for Housing Assistance Payments	(9,992,460)
Cash Payments for Administrative	(1,527,131)
Cash Payments for Other Operating Expenses	(1,215,450)
Net Cash Provided by Operating Activities	(382,522)
Cash Flows from Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(153,743)
Sale of Capital Assets	19,316
Payment of Debt	(36,909)
Capital Grants Received	57,119
Net Cash Provided by Capital and Other Related Financing Activities	(114,217)
Cash Flows from Investing Activities	
Investment Income	140,285
Cash Used for Investments	(706,863)
Interest Expense	(19,539)
Net Cash Provided from Investing Activities	(586,117)
Net Change in Cash and Cash Equivalents	(1,082,856)
Cash and Cash Equivalents, Beginning	1,475,581
Cash and Cash Equivalents, Ending	$ 392,725
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Net Operating Income	$ (679,865)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation Expense	748,001
(Increase) Decrease in:	
Receivables - Net of Allowance	5,424
Inventory	4,819
Prepaid Expenses and Other Assets	(40,670)
Increase (Decrease) in:	
Accounts Payable	(5,888)
Intergovernmental Payable	75,690
Accrued Wages/Payroll Taxes and Compensated Absences	(12,608)
Tenants Security Deposits	3,641
Deferred Credits and Other Liabilities	(481,066)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ (382,522)

See accompanying notes to the basic financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Portage Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

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

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

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

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

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

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

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

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

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

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

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

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

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

Measurement Focus/Basis of Accounting

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

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 2006 totaled $140,285.

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, 2006.

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 $3,087,261 and the bank balance was $3,380,752. Included in the carrying amount of deposits at December 31, 2006 is $2,227,673 in Certificates of Deposits. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2006, $400,000 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 ($2,117) reported on the FDS as Bank Overdraft.

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, 2006, 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.

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

Concentration of Credit Risk (Continued)

Cash and investments included in the Authority's cash position at December 31, 2006, are as follows:

Cash and Investment Type	Fair Value	Investment Maturities (in Years) <1	Investment Maturities (in Years) 1<2
Carrying Amount of Deposits	$ 384,495	$ 384,495	$ 0
Carrying Amount of Deposits - Restricted	8,230	8,230	0
Carrying Amount of Certificates of Deposits	2,461,041	2,157,230	303,811
Carrying Amount of Certificates of Deposits - Restricted	233,495	143,495	90,000
Totals	$ 3,087,261	$ 2,693,450	$ 393,811

NOTE 3: **CAPITAL ASSETS**

	Balance 12/31/2005	Reclass Adjustment	Restated 12/31/2005	Increases	Decreases	Balance 12/31/2006
Capital Assets Not Being Depreciated						
Land	$1,625,461	$ 0	$1,625,461	$ 0	$ 0	$ 1,625,461
Construction in Progress	343,325	11,991	355,316	64,701	0	420,017
Total Capital Assets Not Being Depreciated	1,968,786	11,991	1,980,777	64,701	0	2,045,478
Capital Assets Being Depreciated						
Buildings and Improvements	18,259,548	(11,991)	18,247,557	2,109	29,923	18,219,743
Furniture, Equipment, and Machinery - Dwellings	133,176	0	133,176	0	5,908	127,268
Furniture, Equipment, and Machinery - Administrative	595,794	0	595,794	74,942	50,723	620,013
Subtotal Capital Assets Being Depreciated	18,988,518	(11,991)	18,976,527	77,051	86,554	18,967,024
Accumulated Depreciation	(11,239,577)	0	(11,239,577)	(748,001)	(78,810)	(11,908,768)
Depreciable Assets, Net	7,748,941	(11,991)	7,736,950	(670,950)	7,744	7,058,256
Total Capital Assets, Net	$ 9,717,727	$ 0	$ 9,717,727	$ (606,249)	$ 7,744	$ 9,103,734

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, 2006 was $748,001.

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.	$ 276,895
Total Long Term Debt	276,895
Less Current Portion	(39,608)
Long-Term Debt, Net of Current	$ 237,287

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

	Principal	Interest	Total
2007	$ 39,608	$ 16,840	$ 56,448
2008	42,260	14,188	56,448
2009	45,090	11,358	56,448
2010	48,110	8,338	56,448
2011	51,332	5,116	56,448
2012	50,495	1,249	51,744
	$ 276,895	$ 57,089	$ 333,984

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.

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

Ohio Public Employees Retirement System (Continued)
For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Authority's contribution rate for pension benefits for 2006 was 13.7 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, 2006, 2005, and 2004 were $146,607, $148,308, and $146,883, respectively; 100 percent has been contributed for 2006, 2005, and 2004. The Authority had no employees participating in the member-directed plans for the years ended December 31, 2006, 2005, and 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 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 2006 local employer contribution rate was 13.7 percent of covered payroll, 4.50 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, 2005, include a rate of return on investments of 6.5 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 .5 percent to 6 percent for the next 9 years. In subsequent years (10 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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 annually, not to exceed a 12 percent corridor .

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were $276,415. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were $11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $31.3 billion and $20.2 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. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

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.

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

At December 31, 2006, based on the vesting method, $95,285 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:

Type of Coverage	Deductible	Coverage Limits
Property	$ 1,500	$ 250,000,000 (Per Occurrence)
Boiler and Machinery	1,000	50,000,000
General Liability	0	6,000,000
Automobile Physical Damage/Liability	0	ACV/6,000,000
Public Officials	0	6,000,000

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

NOTE 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, 2006, 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, 2006.

PORTAGE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006

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	$ 597,791
Total PHA Owned Housing		597,791
Capital Fund Grants:		
Capital Fund	14.872	230,151
Total Capital Fund Grants		230,151
Section 8 Programs:		
Section 8 Project Based Cluster:		
Annual Contribution - Mod. Rehab.	14.856	1,033,313
- New Construction	14.182	485,828
		1,519,141
- Housing Choice Voucher	14.871	9,307,057
Total Section 8 Programs		10,826,198
Resident Opportunity and Supportive Services	14.870	103,581
Shelter Plus Care	14.238	167,211
Total U.S. Department of HUD		11,924,932
TOTAL ALL PROGRAMS		$ 11,924,932

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 GRANT COST - COMPLETED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006

Annual Contributions Contract C-5501

1. The total amount of grant costs of the Moving to Work Technical Assistance grant is shown below:

		Project Number MTWTGOH0311
Project OH		
Funds Approved	$	125,000
Funds Expended		125,000
Excess (Deficiency) of Funds Approved	$	0
Funds Advanced	$	125,000
Funds Expended		125,000
Excess (Deficiency) of Funds Advanced	$	0

2. All work in connection with the Moving to Work Technical Assistance Program grant has been completed.

3. The entire grant 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 grant work on file in any public office where the same should be filed in order to be valid against such grant work.

PORTAGE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Program	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation OH031MR0002	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat OH031MR0003	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/ Local	Total
ASSET												
Current Assets:												
111	Cash - Unrestricted	$81,484	$3,727	$0	$64,771	$4,016	$4,512	$0	$79,805	$0	$148,297	$386,612
114	Cash - Tenant Security Deposits	$8,230	$0	$0	$0	$0	$0	$0	$0	$0	$0	$8,230
100	**Total Cash**	$89,714	$3,727	$0	$64,771	$4,016	$4,512	$0	$79,805	$0	$148,297	$394,842
122	Accounts Receivable - HUD Other Projects	$0	$0	$0	$0	$0	$0	$5,975	$213,261	$11,052	$0	$230,288
125	Accounts Receivable - Miscellaneous	$0	$0	$0	$354	$0	$0	$0	$0	$0	$9,602	$9,956
126	Accounts Receivable - Tenants - Dwelling Rents	$3,846	$0	$0	$42,809	$0	$0	$0	$0	$0	$0	$46,655
126.1	Allowance for Doubtful Accounts - Dwelling Rents	($2,453)	$0	$0	($25,324)	$0	$0	$0	$0	$0	$0	($27,777)
126.2	Allowance for Doubtful Accounts - Other	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
128	Fraud Recovery	$0	$0	$0	$8,930	$0	$0	$0	$0	$0	$0	$8,930
128.1	Allowance for Doubtful Accounts - Fraud	$0	$0	$0	($2,322)	$0	$0	$0	$0	$0	$0	($2,322)
129	Accrued Interest Receivable	$0	$0	$0	$0	$0	$0	$0	$3,993	$0	$0	$3,993
120	**Total Receivables, net of allowances for doubtful accounts**	$1,393	$0	$0	$24,447	$0	$0	$5,975	$217,254	$11,052	$9,602	$269,723
131	Investments - Unrestricted	$133,046	$274,461	$0	$653,740	$81,913	$190,943	$0	$966,728	$0	$160,210	$2,461,041
132	Investments Restricted	$0	$0	$0	$155,133	$0	$0	$0	$78,362	$0	$0	$233,495
142	Prepaid Expenses and Other Assets	$8,220	$0	$261	$81,744	$847	$951	$0	$16,123	$0	$1,440	$109,586
143	Inventories	$0	$0	$0	$105,461	$0	$0	$0	$0	$0	$269	$105,730
143.1	Allowance for Obsolete Inventories	$0	$0	$0	($2,000)	$0	$0	$0	$0	$0	$0	($2,000)
144	Interprogram Due From	$0	$0	$215	$28,250	$697	$783	$0	$13,263	$0	$0	$43,208
150	**Total Current Assets**	$232,373	$278,188	$476	$1,111,546	$87,473	$197,189	$5,975	$1,371,535	$11,052	$319,818	$3,615,625
Noncurrent Assets:												
161	Land	$19,187	$0	$0	$1,483,521	$0	$0	$0	$0	$22,040	$100,713	$1,625,461
162	Buildings	$1,021,971	$0	$0	$15,882,280	$10,898	$13,270	$0	$225,890	$863,727	$201,707	$18,219,743
163	Furniture, Equipment & Machinery - Dwellings	$0	$0	$0	$91,525	$0	$0	$0	$0	$35,743	$0	$127,268
164	Furniture, Equipment & Machinery - Administration	$0	$0	$0	$450,470	$4,854	$5,910	$4,562	$102,202	$52,015	$0	$620,013
166	Accumulated Depreciation	($467,568)	$0	$0	($11,008,264)	($4,216)	($4,736)	($4,254)	($81,553)	($237,188)	($100,989)	($11,908,768)
167	Construction In Progress	$0	$0	$0	$0	$0	$0	$7,582	$0	$412,435	$0	$420,017
160	**Total Fixed Assets, Net of Accumulated Depreciation**	$573,590	$0	$0	$6,899,532	$11,536	$14,444	$7,890	$246,539	$1,148,772	$201,431	$9,103,734
180	**Total Non-Current Assets**	$573,590	$0	$0	$6,899,532	$11,536	$14,444	$7,890	$246,539	$1,148,772	$201,431	$9,103,734
190	**Total Assets**	$805,963	$278,188	$476	$8,011,078	$99,009	$211,633	$13,865	$1,618,074	$1,159,824	$521,249	$12,719,359

PORTAGE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Program	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat OH031MR0002	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat OH031MR0003	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/ Local	Total
	LIABILITIES											
	Current Liabilities:											
311	Bank Overdraft	$0	$0	$2,117	$0	$0	$0	$0	$0	$0	$0	$2,117
312	Accounts Payable <= 90 Days	$785	$0	$140	$46,943	$455	$511	$0	$39,588	$0	$0	$88,422
321	Accrued Wage/Payroll Taxes Payable	$727	$1,457	$484	$15,322	$1,570	$1,764	$0	$29,883	$0	$1,502	$52,709
322	Accrued Compensated Absences - Current Portion	$990	$1,350	$449	$26,356	$1,455	$1,634	$0	$27,698	$0	$1,872	$61,804
325	Accrued Interest Payable	$1	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1
331	Accounts Payable - HUD PHA Programs	$0	$21,728	$4	$0	$18,196	$28,802	$0	$38,074	$0	$0	$106,804
333	Accounts Payable - Other Government	$0	$0	$0	$30,091	$0	$0	$0	$0	$0	$0	$30,091
341	Tenant Security Deposits	$8,230	$0	$0	$155,133	$0	$0	$0	$0	$0	$0	$163,363
342	Deferred Revenues	$160	$0	$0	$1,952	$0	$0	$0	$493,639	$0	$0	$495,751
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	$39,608	$0	$0	$0	$0	$0	$0	$0	$0	$0	$39,608
346	Accrued Liabilities - Other	$0	$315	$105	$0	$339	$381	$0	$6,455	$0	$0	$7,595
347	Interprogram Due To	$16,361	$0	$0	$2,455	$0	$0	$5,975	$0	$11,052	$7,365	$43,208
310	**Total Current Liabilities**	$66,862	$24,850	$3,299	$278,252	$22,015	$33,092	$5,975	$635,337	$11,052	$10,739	$1,091,473
	Noncurrent Liabilities:											
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	$237,287	$0	$0	$0	$0	$0	$0	$0	$0	$0	$237,287
354	Accrued Compensated Absences - Non Current	$380	$937	$312	$10,237	$1,009	$1,134	$0	$19,214	$0	$258	$33,481
353	Noncurrent Liabilities - Other	$0	$0	$0	$0	$0	$0	$0	$78,362	$0	$0	$78,362
350	**Total Noncurrent Liabilities**	$237,667	$937	$312	$10,237	$1,009	$1,134	$0	$97,576	$0	$258	$349,130
300	**Total Liabilities**	$304,529	$25,787	$3,611	$288,489	$23,024	$34,226	$5,975	$732,913	$11,052	$10,997	$1,440,603
	NET ASSETS											
508	Total Contributed Capital	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
508.1	Invested in Capital Assets, Net of Related Debt	$296,695	$0	$0	$6,899,532	$11,536	$14,444	$7,890	$246,539	$1,148,772	$201,431	$8,826,839
511	Total Reserved Fund Balance	$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
512.1	Unrestricted Net Assets	$204,739	$252,401	($3,135)	$823,057	$64,449	$162,963	$0	$638,622	$0	$308,821	$2,451,917
513	**Total Equity/Net Assets**	$501,434	$252,401	($3,135)	$7,722,589	$75,985	$177,407	$7,890	$885,161	$1,148,772	$510,252	$11,278,756
600	**Total Liabilities and Equity/Net Assets**	$805,963	$278,188	$476	$8,011,078	$99,009	$211,633	$13,865	$1,618,074	$1,159,824	$521,249	$12,719,359

PORTAGE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
DECEMBER 31, 2006

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Program	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat OH031MR0002	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat OH031MR0003	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/ Local	Total
REVENUES												
703	Net Tenant Rental Revenue	$188,817	$0	$0	$553,300	$0	$0	$0	$0	$0	$0	$742,117
704	Tenant Revenue - Other	$0	$0	$0	$6,221	$0	$0	$0	$0	$0	$0	$6,221
705	Total Tenant Revenue	$188,817	$0	$0	$559,521	$0	$0	$0	$0	$0	$0	$748,338
706	HUD PHA Operating Grants	$0	$485,828	$167,211	$597,791	$500,398	$532,915	$103,581	$9,307,057	$173,032	$0	$11,867,813
706.1	Capital Grants	$0	$0	$0	$0	$0	$0	$0	$0	$57,119	$0	$57,119
711	Investment Income - Unrestricted	$7,384	$13,341	$0	$44,135	$2,935	$3,298	$0	$56,788	$0	$12,404	$140,285
715	Other Revenue	$5,091	$0	$1	$45,191	$3	$3	$0	$4,049	$0	$73,056	$127,394
716	Gain/Loss on Sale of Fixed Assets	$0	$0	$0	($745)	$15	$17	$0	$294	$0	$0	($419)
720	Investment Income - Restricted	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
700	**Total Revenue**	$201,292	$499,169	$167,212	$1,245,893	$503,351	$536,233	$103,581	$9,368,188	$230,151	$85,460	$12,940,530
EXPENSES												
911	Administrative Salaries	$17,074	$16,421	$7,759	$238,131	$25,138	$28,241	$16,929	$478,546	$52,733	$13,953	$894,925
912	Auditing Fees	$166	$500	$72	$2,413	$232	$261	$0	$4,420	$2,000	$200	$10,264
913	Outside Management Fees	$0	$9	$0	$11,750	$0	$0	$0	$0	$0	$0	$11,759
914	Compensated Absences	$316	$5,824	$64	$4,713	$208	$234	$0	$3,970	$0	$1,517	$16,846
915	Employee Benefit Contributions - Administrative	$6,301	$0	$3,498	$111,487	$11,333	$12,733	$9,503	$215,759	$17,354	$5,839	$393,807
916	Other Operating - Administrative	$5,982	$0	$1,948	$50,824	$6,313	$7,092	$0	$120,177	$3,743	$2,491	$198,570
921	Tenant Services - Salaries	$0	$0	$0	$0	$0	$0	$33,509	$0	$12,342	$0	$45,851
923	Employee Benefit Contributions - Tenant Services	$0	$0	$0	$0	$0	$0	$9,292	$0	$1,795	$0	$11,087
924	Tenant Services - Other	$152	$0	$0	$415	$0	$0	$25,910	$0	$0	$0	$26,477
931	Water	$2,915	$0	$0	$65,146	$0	$0	$0	$0	$0	$0	$68,061
932	Electricity	$6,895	$0	$0	$75,151	$0	$0	$0	$0	$0	$0	$82,046
933	Gas	$8,764	$0	$0	$30,292	$0	$0	$0	$0	$0	$0	$39,056
938	Other Utilities Expense	$5,049	$0	$0	$85,153	$0	$0	$0	$0	$0	$0	$90,202
941	Ordinary Maintenance and Operations - Labor	$4,891	$0	$0	$116,865	$0	$0	$0	$0	$0	$10,332	$132,088
942	Ordinary Maintenance and Operations - Materials and Other	$6,753	$0	$576	$99,343	$1,867	$2,097	$0	$35,537	$0	$12,885	$159,058
943	Ordinary Maintenance and Operations - Contract Costs	$14,688	$0	$0	$128,624	$0	$0	$0	$0	$6,490	$22,588	$172,390
945	Employee Benefit Contributions - Ordinary Maintenance	$1,641	$0	$0	$54,896	$0	$0	$0	$0	$0	$3,809	$60,346
953	Protective Services - Other	$0	$0	$0	$0	$0	$0	$0	$0	$2,564	$0	$2,564
961	Insurance Premiums	$9,242	$333	$208	$85,320	$673	$757	$855	$12,822	$2,042	$1,511	$113,763
962	Other General Expenses	$0	$0	$0	$29,468	$0	$0	$0	$0	$0	$0	$29,468
963	Payments in Lieu of Taxes	$3,261	$0	$0	$30,378	$0	$0	$0	$0	$0	$0	$33,639
964	Bad Debt - Tenant Rents	$2,293	$0	$0	$39,092	$0	$0	$0	$0	$0	$0	$41,385
967	Interest Expense	$19,539	$0	$0	$0	$0	$0	$0	$0	$0	$0	$19,539
969	**Total Operating Expenses**	$115,922	$23,087	$14,125	$1,259,461	$45,764	$51,415	$95,998	$871,231	$101,063	$75,125	$2,653,191

PORTAGE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
DECEMBER 31, 2006

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Program	Shelter Plus Care	Low Rent Public Housing	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat OH031MR0002	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat OH031MR0003	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/ Local	Total
971	Extraordinary Maintenance	$0	$0	$0	$45,087	$0	$0	$0	$0	$0	$0	$45,087
972	Casualty Losses - Non-Capitalized	$0	$0	$0	$4,210	$0	$0	$0	$0	$0	$0	$4,210
973	Housing Assistance Payments	$0	$457,997	$154,801	$0	$454,997	$481,909	$0	$8,442,756	$0	$0	$9,992,460
974	Depreciation Expense	$44,260	$0	$0	$596,916	$1,254	$1,408	$580	$24,254	$70,793	$8,536	$748,001
900	**Total Expenses**	$160,182	$481,084	$168,926	$1,905,674	$502,015	$534,732	$96,578	$9,338,241	$171,856	$83,661	$13,442,949
1001	Operating Transfers In	$0	$0	$0	$71,969	$0	$0	$0	$0	$0	$0	$71,969
1002	Operating Transfers Out	$0	$0	$0	$0	$0	$0	$0	$0	($71,969)	$0	($71,969)
1010	**Total Other Financing Sources (Uses)**	$0	$0	$0	$71,969	$0	$0	$0	$0	($71,969)	$0	$0
1000	**(Under) Expenses**	$41,110	$18,085	($1,714)	($587,812)	$1,336	$1,501	$7,003	$29,947	($13,674)	$1,799	($502,419)
1102	Debt Principal Payments - Enterprise Funds	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
1103	Beginning Equity	$460,324	$234,316	($1,421)	$8,310,401	$74,649	$175,906	$887	$855,124	$1,162,446	$508,453	$11,781,085
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	$0	$0	$0	$0	$0	$0	$0	$90	$0	$0	$90
1113	Maximum Annual Contributions Commitment (Per ACC)	$0	$528,159	$0	$0	$0	$0	$0	$9,587,527	$0	$0	$10,115,686
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
1115	Contingency Reserve, ACC Program Reserve	$0	$0	$0	$0	$2,843,928	$2,803,408	$0	$0	$0	$0	$5,647,336
1116	Total Annual Contributions Available	$0	$528,159	$0	$0	$2,843,928	$2,803,408	$0	$9,587,527	$0	$0	$15,763,022
1120	Unit Months Available	324	960	300	3,624	972	1,092	0	18,504	0	0	25,776
1121	Number of Unit Months Leased	264	902	300	3,548	972	1,092	0	18,504	0	0	25,582
1117	Administrative Fee Equity	$0	$0	$0	$0	$0	$0	$0	$430,321	$0	$0	$430,321
1118	Housing Assistance Payments Equity	$0	$0	$0	$0	$0	$0	$0	$480,444	$0	$0	$480,444

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

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

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

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

Regional Inspector General for Audit
Department of Housing and Urban Development

We have audited the basic financial statements of the Portage Metropolitan Housing Authority (the Authority) as of and for the year ended December 31, 2006, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated July 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Portage Metropolitan Housing Authority, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on 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

July 26, 2007

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

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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, 2006. 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, 2006. 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

July 26, 2007

PORTAGE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2006

1. SUMMARY OF AUDITOR'S RESULTS

2006(i)	Type of Financial Statement Opinion	Unqualified
2006(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2006(ii)	Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2006(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2006(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2006(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2006(v)	Type of Major Programs' Compliance Opinion	Unqualified
2006(vi)	Are there any reportable findings under .510?	No
2006(vii)	Major Programs (list): Housing Choice Vouchers	 14.871
2006(viii)	Dollar Threshold: Type A\B Programs	Type A: >$357,748 Type B: all others
2006(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.

Mary Taylor, CPA
Auditor of State

PORTAGE METROPOLITAN HOUSING AUTHORITY

PORTAGE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 8, 2007

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us