PORTAGE METROPOLITAN HOUSING AUTHORITY

AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2010

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

We have reviewed the *Independent Auditor's Report* of the Portage Metropolitan Housing Authority, Portage County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2010 through December 31, 2010. 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.

Dave Yost

Dave Yost
Auditor of State

July 14, 2011

This Page is Intentionally Left Blank.

PORTAGE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2010

TABLE OF CONTENTS

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Portage Metropolitan Housing Authority
Ravenna, Ohio

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

We have audited the accompanying financial statements of the business-type activities of the Portage Metropolitan Housing Authority, Ohio as of and for the year ended December 31, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Portage Metropolitan Housing Authority, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Portage Metropolitan Housing Authority, Ohio as of December 31, 2010, and the respective changes in financial position, and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 14, 2011, on our consideration of the Portage Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

James G. Zupka, CPA, Inc.

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

June 14, 2011

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, 2010, 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, 2010; 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, 2010, and what net assets (equity) the Authority has at December 31, 2010. The two parts of the report are in balance and is why many might refer to this type of report as a Balance Sheet, in that the total of the assets part equals the total of the liabilities plus net assets (or equity) part. In the statement, the Net Assets are broken out into three broad categories:

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

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

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

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

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

The Statement of Cash Flows shows how the amount of cash the Authority had at the end of the previous year was impacted by the activities of the current year. It breaks out in general categories the cash coming in and going out. It helps the reader to understand the sources and uses of cash for 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>Moving to Work Programs</u> - These programs are demonstration programs that allow participating housing authorities to design and test ways to promote self-sufficiency among assisted households, reduce costs through improved efficiency, and increase housing choice for low-income families. The programs provide no additional funding to the housing authority, but permits waivers of laws included within the Housing Act of 1937. The Conventional Public Housing Program and the Section 8 Housing Choice Voucher Program are the Moving to Work Programs of the Portage Metropolitan Housing Authority.

<u>Conventional Public Housing Program</u> - Under the Conventional Public Housing Program, the Authority rents units it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides operating subsidy to enable the Authority to provide the housing at a rent that is based upon 30 percent of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

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

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

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

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

	2010	2009
Assets		
Current and Other Assets	$ 4,004,000	$ 5,146,000
Capital Assets	7,966,000	7,947,000
Total Assets	$ 11,970,000	$13,093,000
Liabilities		
Current Liabilities	$ 336,000	$ 1,330,000
Long-Term Liabilities	196,000	277,000
Total Liabilities	532,000	1,607,000
Net Assets		
Investment in Capital Assets, Net of Related Debt	7,863,000	7,796,000
Restricted Net Assets	0	1,850,000
Unrestricted Net Assets	3,575,000	1,840,000
Total Net Assets	11,438,000	11,486,000
Total Liabilities and Net Assets	$ 11,970,000	$13,093,000

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

Major Factors Affecting the Statement of Net Assets

Total Net Assets decreased $48,000 from year-end 2009 to year-end 2010. See the discussion in the next section of factors contributing to this change. During 2010, current and other assets decreased by $1,142,000, while current liabilities increased by $994,000. The primary factor contributing to these changes was that HUD provided January 2010 funding for some Section 8 programs late in December, 2009. The reason the change in current assets was greater that the change in current liabilities is because of the change in net assets referred to above. Capital assets increased $19,000 reflecting that additions in capital assets was greater than depreciation on assets held by the agency, while long-term liabilities decreased $81,000 reflecting the retirement of debt in the period.

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

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

	2010	2009
Revenues		
Tenant Revenues - Rents and Other	$ 713,000	$ 759,000
Operating Subsidies and Grants	13,034,000	12,639,000
Capital Grants	897,000	412,000
Investment Income	10,000	108,000
Other Revenues	434,000	259,000
Total Revenues	15,088,000	14,177,000
Expenses		
Administrative	1,820,000	1,730,000
Tenant Services	151,000	204,000
Utilities	299,000	292,000
Ordinary Maintenance and Operations	815,000	745,000
General and Interest Expenses	191,000	176,000
Housing Assistance Payments	10,905,000	11,048,000
Protective Services	1,000	3,000
Loss on Sale of Capital Assets	0	1,000
Depreciation	729,000	751,000
Total Expenses	14,911,000	14,950,000
Net Increases (Decreases) in Net Assets	$ 177,000	$ (773,000)

For 2010, the Authority's revenues increased 6 percent while expenses decreased less than 1 percent. Revenue increased primarily due to an ARRA Grant received in 2010.

The following is a condensed Statement of Changes in Capital Assets comparing balances in capital assets for 2010 and 2009.

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

	2010	2009
Land and Land Rights	$ 1,623,000	$ 1,625,000
Building and Improvements	19,122,000	18,633,000
Equipment	473,000	730,000
Construction in Progress	1,029,000	926,000
Accumulated Depreciation	(14,281,000)	(13,967,000)
Total	$ 7,966,000	$ 7,947,000

Although the Authority's Capital Assets increased less than 1 percent there was a notable change in equipment, a decrease of 35 percent. Equipment decreased due to implementing the Board approved change in the Agency's Capital Assets Threshold from $500 to $5,000 in 2010.

Debt

The Authority's debt was reduced by $49,000 during 2010, a reduction of 32 percent. The following is a comparison of the Authority's debt outstanding at year end 2010 and year end 2009.

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

	2010	2009
Current Portion of Debt	$ 51,000	$ 48,000
Long-Term Portion of Debt	51,000	103,000
Total	$ 102,000	$ 151,000

Economic Factors

Significant economic factors affecting the Authority are as follows:

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

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 State Route 59, Ravenna, Ohio 44266.

PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

ASSETS	
Current Assets	
Cash and Cash Equivalents - Unrestricted (Note 2)	$ 3,347,081
Cash - Restricted	139,550
Accounts Receivable, (Net of Allowance for Doubtful Accounts)	345,703
Inventory (Net of Allowance for obsolete)	75,004
Prepaid Expenses and Other Assets	96,426
Total Current Assets	4,003,764
Capital Assets	
Non-Depreciable Capital Assets	2,652,073
Depreciable Capital Assets, Net	5,314,143
Total Capital Assets	7,966,216
TOTAL ASSETS	$ 11,969,980
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	$ 82,630
Intergovernmental Payables	31,241
Accrued Wages/Payroll	57,269
Accrued Compensated Liabilities - Current Portion	39,502
Security Deposits	67,128
Deferred Credits and Other Liabilities	7,142
Current Portion of Long-Term Debt	51,290
Total Current Liabilities	336,202
Non-Current Liabilities	
Compensated Absences, Net of Current Portion	71,674
Other Non-Current Liabilities	72,422
Long-Term Debt, Net of Current Portion (Note 4)	51,296
Total Non-Current Liabilities	195,392
Total Liabilities	531,594
Net Assets	
Invested in Capital Assets, Net of Related Debt	7,863,630
Unrestricted Net Assets	3,574,756
Total Net Assets	11,438,386
TOTAL LIABILITIES AND NET ASSETS	$ 11,969,980

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, 2010

Operating Revenue	
Net Tenant Revenue	$ 713,331
Subsidies and Grants	13,033,933
Other Revenue	433,324
Total Operating Revenue	14,180,588
Operating Expenses	
Administrative	1,819,872
Tenant Services	150,699
Utilities	298,642
Maintenance and Operations	814,948
General Expenses	183,952
Protective Services	1,229
Housing Assistance Payments	10,904,701
Depreciation and Amortization	728,821
Total Operating Expenses	14,902,864
Net Operating Income/Loss	(722,276)
Non-Operating Revenue/Expense	
Interest Income	10,390
Interest Expense	(8,443)
Gain (Loss) on Disposition	394
Total Non-Operating Revenue	2,341
Excess of Revenue Over (Under) Expenses before Capital Grants	(719,935)
Capital Grants	896,689
Change in Net Assets	176,754
Prior Period Adjustments	(224,509)
Net Assets, Beginning of Period	11,486,141
NET ASSETS, End of Period	$11,438,386

See accompanying notes to the basic financial statements.

PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Cash Flows from Operating Activities	
Cash Received from HUD	$12,204,679
Cash Received From Tenants	705,774
Cash Received From Other Income	320,638
Cash Payments for Housing Assistance Payments	(10,904,701)
Cash Payments for Administrative	(1,822,343)
Cash Payments for Other Operating Expenses	(1,497,935)
Net Cash Provided by Operating Activities	(993,888)
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	(972,565)
Principal and Interest Payments on Debt	(56,448)
Proceeds from Asset Sales	394
Capital Grants Received	896,689
Net Cash Provided by Capital and Other Related Financing Activities	(131,930)
Cash Flows from Investing Activities	
Investment Income	23,392
Net Cash Provided from Investing Activities	23,392
Net Change in Cash and Cash Equivalents	(1,102,426)
Cash and Cash Equivalents, Beginning	4,589,057
Cash and Cash Equivalents, Ending	$ 3,486,631
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Net Operating Income	$ (722,276)
Adjustments to Reconcile Operating Loss to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	728,821
(Increase) Decrease in:	
Receivables - Net of Allowance	7,221
Inventory	17,369
Prepaid Expenses and Other Assets	2,527
Increase (Decrease) in:	
Accounts Payable	(29,727)
Intergovernmental Payable	(19,356)
Accrued Wages/Payroll Taxes and Compensated Absences	(2,471)
Tenants Security Deposits	(112,686)
Non-Current Liabilities	(38,634)
Deferred Credits and Other Liabilities	(824,676)
Net Cash Provided by Operating Activities	$ (993,888)

See accompanying notes to the basic financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

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

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

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

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

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

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

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

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

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

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

Measurement Focus/Basis of Accounting

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

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2010 totaled $10,390.

Capital Assets

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

Cash and Cash Equivalents

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

Compensated Absences

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

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

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

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

Inventories
Inventories are stated at cost. The allowance for obsolete inventory was $2,000 at December 31, 2010.

Budgetary Accounting
The Authority annually prepares its budget as prescribed by the U.S. 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.

This space intentionally left blank.

NOTE 2: **DEPOSITS AND INVESTMENTS**

Deposits

At fiscal year end, the carrying amount of the Authority's deposits were $3,486,631 and the bank balance was $3,606,731. Included in the carrying amount of deposits at December 31, 2010 is $75 in petty cash. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2010, $1,311,783 of the Authority's bank balance was covered by Federal Depository Insurance. The remainder was collateralized by securities pledged in the name of the Authority.

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

Investments

The Authority has a formal investment policy; however the Authority's investments at December 31, 2010, were limited to certificates of deposit.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

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

Concentration of Credit Risk (Continued)

Cash and investments included in the Authority's cash position at December 31, 2010, are as follows:

Cash and Investment Type	Fair Value	Investment Maturities (in Years) <1
Carrying Amount of Deposits - Unrestricted	$ 3,347,081	$ 3,347,081
Carrying Amount of Deposits - Restricted	139,550	139,550
Totals	$ 3,486,631	$ 3,486,631

NOTE 3: **RESTRICTED CASH**

The restricted cash balance of $139,550 on the financial statements represents the following:

FSS Escrow Funds	$ 72,422
Tenant Security Deposits	67,128
Total Restricted Cash	$ 139,550

NOTE 4: **CAPITAL ASSETS**

	Balance 12/31/2009	Reclasses	Additions	Deletions	Balance 12/31/2010
Capital Assets Not Being Depreciated					
Land	$ 1,625,461	$ 0	$ 0	$ (2,200)	$ 1,623,261
Construction in Progress	926,112	(42,369)	236,310	(91,241)	1,028,812
Total Capital Assets Not Being Depreciated	2,551,573	(42,369)	236,310	(93,441)	2,652,073
Capital Assets Being Depreciated					
Buildings and Improvements	18,633,267	0	736,255	(247,590)	19,121,932
Furniture, Equipment, and Machinery -					
Dwellings	54,749	(5,600)	0	(49,149)	0
Administrative	674,695	47,969	0	(249,103)	473,561
Total Capital Assets Being Depreciated	19,362,711	42,369	736,255	(545,842)	19,595,493
Accumulated Depreciation					
Buildings and Improvements	(13,347,269)	0	(693,887)	160,204	(13,880,952)
Furniture, Equipment, and Machinery -					
Dwellings	(46,761)	0	0	46,761	0
Administrative	(573,273)	0	(34,934)	207,809	(400,398)
Total Accumulated Depreciation	(13,967,303)	0	(728,821)	414,774	(14,281,350)
Depreciable Assets, Net	5,395,408	42,369	7,434	(131,068)	5,314,143
Total Capital Assets, Net	$ 7,946,981	$ 0	$ 243,744	$ (224,509)	$ 7,966,216

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, 2010 was $728,821.

NOTE 5: LONG-TERM DEBT

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

	Balance 12/31/2009	Additions	Reductions	Balance 12/31/2010	Due Within One Year
Note Payable, due November 2012, interest rate of 6.5%, monthly payment of principal and interest of $4,703.98 - proceeds used to purchase 27 multi-family rental units	$ 150,591	$ 0	$ (48,005)	$ 102,586	$ 51,290
Compensated Absences	108,262	68,546	(65,632)	111,176	39,502
Total Long-Term Debt	$ 258,853	$ 68,546	$(113,637)	$ 213,762	$ 90,792

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

	Principal	Interest	Total
2011	$ 51,290	$ 5,158	$ 56,448
2012	51,296	1,723	53,019
	$ 102,586	$ 6,881	$ 109,467

NOTE 6: DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

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

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

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

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14.00 percent of covered payroll. The Authority's required contributions to the Traditional Plan for the years ended December 31, 2010, 2009, and 2008, were $163,872, $162,015, and $154,963, respectively. The Authority's required contributions to the Member-Directed Plan for the years ended December 31, 2010, 2009, and 2008 were $1,148, $703, and $0, respectively. The full amount has been contributed for 2010, 2009, and 2008. The Authority had no employees participating in the Combined Plan in 2010, 2009, and 2008.

NOTE 7: **POST-EMPLOYMENT BENEFITS**

Plan Description
The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans; the Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

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

Plan Description (Continued)
In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that we will set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.5 percent from January 1 through February 28, 2010, and 5.0 percent from March 1, through December 31, 2010, and allocated to health care for members in the Combined Plan was 4.73 percent from

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

Funding Policy (Continued)

January 1 through February 28, 2010, and 4.23 percent from March 1 through December 31, 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended December 31, 2010, 2009, and 2008, which were used to fund post-employment benefits were $64,378, $67,549 and $77,482, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 2, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 8: **COMPENSATED ABSENCES**

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

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

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

At December 31, 2010, based on the vesting method, $111,176 was accrued by the Authority for unused vacation and sick time.

NOTE 9: INSURANCE

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

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

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

NOTE 10: CONTINGENCIES AND OTHER COMMITMENTS

Litigation and Claims
In the normal course of operations, the Authority may be subject to litigation and claims. At December 31, 2010, 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, 2010.

NOTE 11: RESTRICTED NET ASSETS

Portage Metropolitan Housing Authority reports no Restricted Net Assets (HAP Equity) for their Housing Choice Voucher program because it has been concluded that as a Moving to Work (MTW) agency none of the funding the agency receives from HUD is designated as Housing Choice Voucher program HAP revenue. HUD grants Portage Metropolitan Housing Authority as a MTW agency the flexibility to determine how to use MTW funds provided to the agency. None of the MTW funding provided the agency is designated as revenues to be restricted for use to make housing assistance payments under the Section 8 Housing Choice Voucher Program.

NOTE 12: **PRIOR PERIOD ADJUSTMENT**

Portage Metropolitan Housing Authority reports a prior period adjustment in the amount of $224,509. The prior period adjustment was the result of the agency implementing a change in the capitalization policy. The capitalization threshold was increased from $500 to $5,000 which resulted in a net book value adjustment of $224,509.

PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010

Annual Contributions Contract C-5031

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

OH12S03150109	
Funds Approved	$ 647,564
Funds Expended	647,564
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 647,564
Funds Expended	647,564
Excess (Deficiency) of Funds Advanced	$ 0

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

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

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

PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010

Annual Contributions Contract C-5031

1. The total amount of costs of the ROSS Program grant is shown below:

OH031REF071A006	
Funds Approved	$ 250,000
Funds Expended	250,000
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 250,000
Funds Expended	250,000
Excess (Deficiency) of Funds Advanced	$ 0

2. All work in connection with the ROSS Program has been completed.

3. The entire actual cost or liabilities incurred by the Authority related to the grant have been fully paid.

PORTAGE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

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	$ 984,097
Total PHA Owned Housing		984,097
CFP Cluster:		
Capital Fund Program	14.872	482,543
Capital Fund (Formula) Recovery Act Funded	14.885	647,564
Total CFP Cluster		1,130,107
Section 8 Programs:		
Section 8 Project Based Cluster:		
Annual Contribution - Mod. Rehab.	14.856	1,240,465
Total Section 8 Project Based Cluster		1,240,465
Supportive Housing for Persons with Disabilities	14.181	462,653
Annual Contribution - Housing Choice Voucher	14.871	9,766,491
Total Section 8 Programs		11,469,609
Resident Opportunity and Supportive Services	14.870	192,127
Shelter Plus Care	14.238	140,287
Total U.S. Department of Housing and Urban Development		13,916,227
TOTAL ALL PROGRAMS		$ 13,916,227

NOTE A: **SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited the financial statements of the business-type activities of the Portage Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2010, which collectively comprise the Portage Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated June 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

James G. Zupka, CPA, Inc.

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

June 14, 2011

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

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

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON 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 requirements of the Portage Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Portage Metropolitan Housing Authority, Ohio's major federal programs for the year ended December 31, 2010. The Portage Metropolitan Housing Authority, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Portage Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Portage Metropolitan Housing Authority, Ohio's compliance based on our audit.

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

In our opinion, the Portage Metropolitan Housing Authority, Ohio, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The management of the Portage Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Portage Metropolitan Housing Authority, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Portage Metropolitan Housing Authority, Ohio's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

We noted certain matters that we reported to management of the Portage Metropolitan Housing Authority in a separate letter dated June 14, 2011.

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

James G. Zupka, CPA, Inc.

James G. Zupka CPA, Inc.
Certified Public Accountants

June 14, 2011

PORTAGE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2010

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

2010(i)	Type of Financial Statement Opinion	Unqualified
2010(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2010(ii)	Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2010(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2010(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2010(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2010(v)	Type of Major Programs' Compliance Opinion	Unqualified
2010(vi)	Are there any reportable findings under .510?	No
2010(vii)	Major Programs (list): Public Housing - CFDA #14.850 Supportive Housing for Persons with Disabilities - CFDA # 14.181 Section 8 Moderate Rehab - CFDA #14.856 Housing Choice Vouchers - CFDA #14.871 CFP Cluster: Capital Fund Program - CFDA #14.872 ARRA Capital Fund Stimulus Recovery Program CFDA #14.885	
2010(viii)	Dollar Threshold: Type A\B Programs	Type A: > $417,487 Type B: all others
2010(ix)	Low Risk Auditee?	No

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

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

STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010

The prior year report contained no findings.

This Page is Intentionally Left Blank.

Dave Yost • 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
JULY 26, 2011

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.auditor.state.oh.us