

PORTAGE METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

December 31, 2012

Together with Auditors' Report



Dave Yost • Auditor of State

Board of Trustees
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 Kevin L. Penn, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 17, 2013

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**PORTAGE METROPOLITAN HOUSING AUTHORITY
PAINESVILLE, OHIO**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Portage Metropolitan Housing Authority
Ravenna, Ohio

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of Portage Metropolitan Housing Authority, Portage County as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Portage Metropolitan Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to opine on these financial statements based on my audit. I audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require me to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on my judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, I consider internal control relevant to the Portage Metropolitan Housing Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Portage Metropolitan Housing Authority's internal control. Accordingly, I express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as my evaluation of the overall financial statement presentation.

I believe the audit evidence I obtained is sufficient and appropriate to support my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Portage Metropolitan Housing Authority, Portage County, Ohio as of December 31, 2012, and the respective changes in financial position and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. I applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, to the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not opine or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to opine or provide any other assurance.

Supplementary

My audit was conducted to opine on the Portage Metropolitan Housing Authority's basic financial statements taken as a whole. The Supplemental Financial Data Schedules present additional analysis and is not a required part of the basic financial statements.

The Supplemental Financial Data Schedules and Schedule of Federal Award Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. I subjected these schedules to the auditing procedures I applied to the basic financial statements. I also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 31, 2013 on my consideration of the Portage Metropolitan Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Portage Metropolitan Housing Authority's internal control over financial reporting and compliance.

Kevin L. Penn, Inc.

May 31, 2013

**PORTAGE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

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, 2012, 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, 2012; 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, 2012, and what net assets (equity) the Authority has at December 31, 2012. The two parts of the report are in balance and is why many might refer to this type of report as a balance sheet, in that the total of the assets part equals the total of the liabilities plus net assets (or equity) part. In the statement, the Net Assets are broken out into three broad categories:

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

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

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

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

**PORTAGE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

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:

Moving to Work Programs – 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 provides no additional funding to the housing authority, but permits waivers of laws included within the Housing Act of 1937. The Conventional Public Housing Programs and the Section 8 Housing Choice Voucher Program are the Moving to Work Programs of the Portage Metropolitan Housing Authority.

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

**PORTAGE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

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

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

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

Business Activities - 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)**

	2012	2011
Assets		
Current and Other Assets	\$ 4,160,000	\$ 4,330,000
Capital Assets	<u>7,308,000</u>	<u>7,442,000</u>
Total Assets	<u>\$11,468,000</u>	<u>\$11,772,000</u>
Liabilities		
Current Liabilities	\$ 497,000	\$ 441,000
Long-Term Liabilities	<u>92,000</u>	<u>71,000</u>
Total Liabilities	<u>\$ 589,000</u>	<u>\$ 512,000</u>
Net Assets		
Investment in Capital Assets, Net of Related Debt	\$ 7,308,000	\$ 7,390,000
Restricted Net Assets	0	0
Unrestricted Net Assets	<u>3,570,000</u>	<u>3,870,000</u>
Total Net Assets	<u>10,878,000</u>	<u>11,260,000</u>
Total Liabilities and Net Assets	<u>\$11,468,000</u>	<u>\$11,772,000</u>

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

**PORTAGE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

Major Factors Affecting the Statement of Net Assets

The total net assets decreased 4% from year-end 2011 to year-end 2012. See the discussion in the next section of factors contributing to this change. During 2012, current and other assets decreased by \$170,000 while current liabilities decreased by \$68,000. Capital assets decreased \$246,000 reflecting that additions in capital assets was less than depreciation on assets held by the agency.

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)**

	<u>2012</u>	<u>2011</u>
<u>Revenues</u>		
Tenant Revenues - Rents and Other	\$ 797,000	\$ 755,000
Operating Subsidies and Grants	12,755,000	12,859,000
Capital Grants	439,000	273,000
Investment Income	7,000	9,000
Other Revenues	<u>226,000</u>	<u>363,000</u>
Total Revenues	\$ 14,224,000	\$ 14,259,000
<u>Expenses</u>		
Administrative	\$ 1,778,000	\$ 1,751,000
Tenant Services	74,000	121,000
Utilities	312,000	314,000
Ordinary Maintenance and Operations	725,000	735,000
General and Interest Expenses	217,000	207,000
Housing Assistance Payments	10,745,000	10,456,000
Protective Services	3,000	2,000
Depreciation	<u>752,000</u>	<u>851,000</u>
Total Expenses	<u>14,606,000</u>	<u>\$ 14,437,000</u>
Net Increases (Decreases) in Net Assets	<u>\$ (382,000)</u>	<u>\$ (178,000)</u>

For 2012, the Authority revenues decreased 0.3% while expenses increased 0.4%. Revenue increases in Tenant Revenues and Capital Grants were offset in decreased revenue through Operating Subsidies and Other Revenues.

**PORTAGE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Unaudited)**

The following is a condensed Statement of Changes in Capital Assets comparing balances in capital assets for 2012 and 2011.

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

	<u>2012</u>	<u>2011</u>
Land and Land Rights	\$ 1,623,000	\$ 1,623,000
Building and Improvements	20,853,000	20,375,000
Equipment	489,000	499,000
Construction in Progress	124,000	40,000
Accumulated Depreciation	<u>(15,781,000)</u>	<u>(15,095,000)</u>
Total	<u>\$ 7,308,000</u>	<u>\$ 7,442,000</u>

The Authority's Capital Assets increased 7%, primarily the result of completed Capital Fund expenditures designed to improve the values of buildings.

Debt

The Authority's debt was reduced by \$51,000 during 2012, a reduction of 100%. The following is a comparison of the Authority's debt outstanding at year-end 2012 and year-end 2011.

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

	<u>2012</u>	<u>2011</u>
Current Portion of Debt	\$ 0	\$ 51,000
Long-Term Portion of Debt	<u>0</u>	<u>0</u>
Total	<u>\$ 0</u>	<u>\$ 51,000</u>

Economic Factors

Significant economic factors affecting the Authority are as follows:

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

Contact the Authority

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

PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2012

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted (Note 1)	\$ 3,730,717
Cash and Cash Equivalents - Restricted (Note 3)	115,887
Accounts Receivable, (Net of Allowance for Doubtful Accounts)	150,192
Inventory (Net of Allowance for obsolete)	63,901
Prepaid Expenses and Other Assets	<u>99,685</u>
Total Current Assets	4,160,382

Non-Current Assets

Capital Assets: (Note 4)	
Non-Depreciable Capital Assets	1,747,568
Depreciable Capital Assets, Net	<u>5,560,374</u>
Total Non-Current Assets	<u>7,307,942</u>
TOTAL ASSETS	<u><u>\$ 11,468,324</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 159,722
Accrued Wages/Payroll	78,504
Intergovernmental Payables	36,193
Tenant Security Deposits	73,486
Accrued Compensated Absences - Current Portion	74,571
Deferred Credits and Other Liabilities	<u>74,975</u>
Total Current Liabilities	497,451

Non-Current Liabilities

Noncurrent Liabilities – Other	42,401
Accrued Compensated Absences, Net of Current Portion	<u>50,042</u>
Total Non-Current Liabilities	<u>92,443</u>
Total Liabilities	<u><u>\$ 589,894</u></u>

Net Assets

Investment in Capital Assets, Net of Related Debt	\$ 7,307,942
Unrestricted	<u>3,570,488</u>
Total Net Assets	<u><u>\$ 10,878,430</u></u>

The accompanying notes are an integral part of the financial statements.

PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

Operating Revenue:

HUD Operating Subsidies and Grants	\$ 12,754,992
Tenant Revenue	797,378
Other Revenue	<u>225,950</u>
Total Operating Revenue	13,778,320

Operating Expenses:

Administrative Expense	1,778,085
Tenant Services	73,938
Utilities	311,942
Maintenance and Operations	725,294
General Expenses	215,499
Protective Services	2,620
Housing Assistance Payments	10,745,442
Depreciation Expense	<u>751,813</u>
Total Operating Expenses	<u>14,604,633</u>

Net Operating Income (Loss) (826,313)

Non-Operating Revenues (Expenses)

Interest Income	7,270
Interest Expense	<u>(1,674)</u>
Total Non-Operating Revenues (Expenses)	5,596

Excess of Revenue Over(Under) Expenses before Capital Grants (820,717)

Capital Grants 438,781

Change in Net Assets (381,936)

Net Assets - Beginning of Year 11,260,366

Net Assets - End of Year \$ 10,878,430

The accompanying notes are an integral part of the financial statements.

PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

Cash Flows From Operating Activities:	
Cash Received from HUD	\$ 12,743,197
Cash Received from Tenant	797,378
Cash Received from Other Income	233,220
Cash Payments for Housing assistance payments	(10,745,442)
Cash Payments for Administrative	(1,778,085)
Cash Payments for Other Operating Expenses	<u>(1,190,804)</u>
Net Cash Provided (Used) by Operating Activities	59,464
Cash Flows From Capital and Related Financing Activities:	
Acquisition of Capital Assets	(617,778)
Principal and Interest Payments on Debt	(52,983)
Capital Grant Funds Received	<u>438,781</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(231,980)
Cash Flows From Investing Activities:	
Interest Income	<u>7,270</u>
Net Cash Provided (Used) by Investing Activities	7,270
Increase (Decrease) in Cash and Cash Equivalents	(165,246)
Cash and Cash Equivalents - Beginning of Year	<u>4,011,850</u>
Cash and Cash Equivalents - End of Year	<u><u>\$,846,604</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:	
Operating Income (Loss)	\$ (826,313)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:	
Depreciation	751,813
(Increase) decrease in:	
Accounts Receivable	(11,795)
Inventory	12,513
Prepaid Expenses	3,987
Increase (decrease) in:	
Accounts Payable	102,871
Accrued Wages/Payroll	(26,701)
Intergovernmental Payables	(37,012)
Compensated Absences	9,270
Deferred Credits and Other Liabilities	71,105
Tenant Security Deposits	6,298
Noncurrent Liabilities – Other	<u>3,428</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 59,464</u></u>

The accompanying notes are an integral part of the financial statements.

**PORTAGE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

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

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

PORTAGE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

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

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

Fund Accounting

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

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

Proprietary Fund Types

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

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

PORTAGE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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 2012 totaled \$9,421.

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.

PORTAGE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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, 2012.

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.

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PORTAGE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 2: **DEPOSITS AND INVESTMENTS**

Deposits

At fiscal year end, the carrying amount of the Authority's deposits were \$3,838,915 and the bank balance was \$3,999,119. Included in the carrying amount of deposits at December 31, 2012 is \$75 in petty cash. Based on criteria described in GASB Statement No. 40, Deposits and Investments Risk Disclosures, as of December 31, 2012, \$850,134 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, 2012, 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.

PORTAGE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk (Continued)

Cash and investments included in the Authority's cash position at December 31, 2012, are as follows:

<u>Cash and Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years) <1</u>
Carrying Amount of Deposits – Unrestricted	\$3,723,028	\$3,723,028
Carrying Amount of Deposits – Restricted	<u>115,887</u>	<u>115,887</u>
Totals	<u>\$3,838,915</u>	<u>\$3,838,915</u>

NOTE 3: RESTRICTED CASH

The restricted cash balance of \$115,887 on the financial statements represents the following:

FSS Escrow Funds	\$ 42,401
Tenant Security Deposits	<u>73,486</u>
Total Restricted Cash	<u>\$ 115,887</u>

NOTE 4: CAPITAL ASSETS

A summary of capital assets at December 31, 2012, by class is as follows:

	<u>12/31/2011</u>	Reclasses	<u>Additions</u>	<u>Disposals</u>	<u>12/31/2012</u>
Capital Assets Not Being Depreciated					
Land	\$1,623,261	\$ 0	\$ 0	\$ 0	\$ 1,623,261
Construction in Progress	<u>39,754</u>	<u>(39,754)</u>	<u>124,307</u>	<u>0</u>	<u>124,307</u>
Total Capital Assets Not Being Depreciated	<u>1,663,015</u>	<u>(39,754)</u>	<u>124,307</u>	<u>0</u>	<u>1,747,568</u>
Capital Assets Being Depreciated					
Buildings and Improvements	20,375,271	39,754	437,654	0	20,852,679
Furniture, Equipment, and Machinery- Administrative	<u>498,519</u>	<u>0</u>	<u>55,817</u>	<u>(65,038)</u>	<u>489,298</u>
Subtotal Capital Assets Being Depreciated	20,873,790	39,754	493,471	(65,038)	21,341,977
Accumulated Depreciation:					
Buildings and Improvements	(14,685,214)	0	(731,067)	0	(15,416,281)
Furniture, Equipment and Machinery- Administrative	<u>(409,614)</u>	<u>0</u>	<u>(20,746)</u>	<u>65,038</u>	<u>(365,322)</u>
Total Accumulated Depreciation	<u>(15,094,828)</u>	<u>0</u>	<u>(751,813)</u>	<u>65,038</u>	<u>(15,781,603)</u>
Depreciable Assets, Net	<u>5,778,962</u>	<u>39,754</u>	<u>(258,342)</u>	<u>0</u>	<u>5,560,374</u>
Total Capital Assets, Net	<u>\$ 7,441,977</u>	<u>\$ 0</u>	<u>\$ (134,035)</u>	<u>\$ 0</u>	<u>\$ 7,307,942</u>

Depreciation is calculated using the straight line method with lives varying between 3 and 30 years. The depreciation expense for the year ended December 31, 2012 was \$751,813.

PORTAGE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 5: **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.

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 2012, 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 for the years ended December 31, 2012, 2011 and 2010, were \$167,569, \$163,108 and \$165,020, respectively. The full amount has been contributed for 2012, 2011, and 2010.

PORTAGE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 6: **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.

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 614222-5601 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 2012, 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.

PORTAGE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 6: **POST-EMPLOYMENT BENEFITS**

Funding Policy (Continued)

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that 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 4.0 percent for calendar year 2012, and allocated to health care for members in the Combined Plan was 6.05 percent for calendar year 2012.

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, 2012, 2011, and 2010, which were used to fund post-employment benefits were \$47,877, \$46,602 and \$64,378 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 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.

At December 31, 2012, based on the vesting method, \$116,818 was accrued by the Authority for unused vacation and sick time.

**PORTAGE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

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-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 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, 2012, 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, 2012.

NOTE 10: **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 11 **SUBSEQUENT EVENTS**

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through May 31, 2013, the date on which the financial statements were available to be issued.

**PORTAGE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)**

NOTE 12 **INTERPROGRAM RECEIVABLES/PAYABLES**

Interprogram balance at December 31, 2012, consists of the following receivables and payables:

	<u>Due From</u>	<u>Due to</u>
Resident Opportunity and Supportive Services		\$ 933
Public Housing	\$ 1,692	\$ 10,643
Moving to Work Demonstration	\$ 10,453	
State/Local	\$ 5,000	\$ 4,228
COCC	\$ 2,880	\$ 2,650
Business Activities		\$ 1,571

These interprogram Due From/Due To arise from housing assistance payments and the repayment of funds from the non-federal program to the proper federal program. These balances are eliminated for the Statement of Net Assets on page 9.

NOTE 13 **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Portage Metropolitan Housing Authority and is presented on the accrued basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

**PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION AND GRANT COST - COMPLETED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2012**

Annual Contributions Contract C-5501

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

OH12P03150109

Funds Approved	\$ 509,939
Funds Expended	<u>509,939</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>

Funds Advanced	\$ 509,939
Funds Expended	<u>509,939</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

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

OH12P03150110

Funds Approved	\$ 505,160
Funds Expended	<u>505,160</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>

Funds Advanced	\$ 505,160
Funds Expended	<u>505,160</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

3. All modernization work in connection with the Capital Fund Program has been completed.
4. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.
5. 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.

Annual Contributions Contract C-5501

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

OH031RNNO26AO07

Funds Approved	\$ 300,000
Funds Expended	<u>300,000</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>

Funds Advanced	\$ 300,000
Funds Expended	<u>300,000</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

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.

Statement of Net Assets
December 31, 2012

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Public Housing	Resident Opportunity & Supportive Services	Housing Choice Voucher	Supportive Housing for Persons with Disabilities
111	Cash - Unrestricted	\$ 727,399			
112	Cash - Restricted				
114	Cash - Tenant Security Deposits	<u>70,733</u>			
100	Total Cash	798,132	-	-	-
122	Acct. Rec. - HUD	830	3,610	5,056	14,430
		-			
125	Acct. Rec. - Misc.				533
126	Acct. Rec. - Tenants	22,161			
126.1	Allowance Doubtful Accts. - Tenants	(8,335)			
127	Notes, Loans, & Mortgages Rec. - Current	6,084			
128	Fraud Recovery	7,917			492
128.1	Allowance Doubtful Accts.	(2,306)			
129	Accrued Interest Receivable	607			
120	Net Total Receivables	26,958	3,610	5,056	15,455
142	Prepaid Expenses	47,902			1,238
143	Inventories	65,855			
143.1	Allowance for Obsolete Inventories	(2,000)			
144	Inter Program Due From	<u>1,692</u>			
150	Total Current Assets	938,539	3,610	5,056	16,693
161	Land	1,413,461			
162	Buildings	18,930,688			
164	Furniture, Equip. & Mach. - Admin.	175,978			
166	Accumulated Depreciation	(14,416,309)			
167	Construction in Progress	<u>124,307</u>	-	-	-
160	Net Fixed Assets	<u>6,228,125</u>	-	-	-
190	TOTAL ASSETS	<u><u>\$ 7,166,664</u></u>	<u><u>\$ 3,610</u></u>	<u><u>\$ 5,056</u></u>	<u><u>\$ 16,693</u></u>

Portage Metropolitan Housing Authority
Statement of Net Assets
December 31, 2012

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Public Housing	Resident Opportunity & Supportive Services	Housing Choice Voucher	Supportive Housing for Persons with Disabilities
311	Bank Overdraft	\$ -	2,454	1,517	127,765
312	A/P <= 90 days	136,005	223		1,243
321	Accrued Wage/Taxes Payable	9,612			485
322	Accrued Compensated Absences - Current Portion	26,276			1,081
331	Accounts Payable - HUD PHA				
333	Accounts Payable - Other Government	36,193			
341	Tenant Security Deposits	70,733			
342	Deferred Revenue	7,771			
345	Other Current Liabilities	20,965			
346	Accrued Liabilities - Other	39,779			40
347	Inter Program - Due To	10,643	933		
310	Total Current Liabilities	357,977	3,610	1,517	130,614
353	Non-current Liabilities - Other				
354	Accrued Comp. Abs. - Noncurrent	15,499			744
	TOTAL Liabilities	373,476	3,610	1,517	131,358
508.1	Invested in Capital Assets Net	6,228,125			
511.1	Restricted Net Assets	-			
512.1	Unrestricted Net Assets	565,063		3,539	(114,665)
513	TOTAL Equity/Net Assets	6,793,188	-	3,539	(114,665)
600	TOTAL LIAB. & EQUITY	\$ 7,166,664	\$ 3,610	\$ 5,056	\$ 16,693

Statement of Net Assets
December 31,
2012

Financial Data Schedule Submitted to U.S. Department of HUD

Line Item	Account Description	Moving to Work Demonstration Program	Shelter Plus Care	State & Local	Business Activities
111	Cash - Unrestricted	1,648,651	7,517	555,890	336,530
112	Cash - Restricted	42,401			
114	Cash - Tenant Security Deposits				2,753
100	Total Cash	1,691,052	7,517	555,890	339,283
122	Acct. Rec. - HUD				
125	Acct. Rec. - Misc.	32,077	654	19,764	
126	Acct. Rec. - Tenants	21,973			4,414
126.1	Allowance Doubtful Accts. - Tenants	(21,404)			
127	Notes, Loans, & Mortgages Rec. - Current	6,548			
128	Fraud Recovery	27,864			
128.1	Allowance Doubtful Accts.	(9,072)			
129	Accrued Interest Receivable	1,537		318	198
120	Net Total Receivables	59,523	654	20,082	4,612
142	Prepaid Expenses	29,947	231	2,329	3,616
143	Inventories			46	
143.1	Allowance for Obsolete Inventories				
144	Inter Program Due From	10,453		5,000	
150	Total Current Assets	1,790,975	8,402	583,347	347,511
161	Land			100,713	19,187
162	Buildings	250,058		198,477	1,067,030
164	Furniture, Equip. & Mach. - Admin.	134,659			4,204
166	Accumulated Depreciation	(153,978)		(145,948)	(737,118)
167	Construction in Progress	-	-	-	-
160	Net Fixed Assets	230,739	-	153,242	353,303
190	TOTAL ASSETS	\$ 2,021,714	\$ 8,402	\$ 736,589	\$ 700,814

Statement of Net Assets
December 31,
2012

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Moving to Work Demonstration Program	Shelter Plus Care	State & Local	Business Activities
311	Bank Overdraft				
312	A/P <= 90 days	17,070	82	464	177
321	Accrued Wage/Taxes Payable	62,851	97	609	452
322	Accrued Compensated Absences - Current Portion	28,478	268	1,796	1,268
331	Accounts Payable - HUD PHA				
333	Accounts Payable - Other Government				
341	Tenant Security Deposits				2,753
342	Deferred Revenue	985			
345	Other Current Liabilities				
346	Accrued Liabilities - Other	954	8		4,005
347	Inter Program - Due To			4,228	1,571
310	Total Current Liabilities	110,338	455	7,097	10,226
353	Non-current Liabilities - Other	42,401			
354	Accrued Comp. Abs. - Noncurrent	20,228	147	1,193	978
	TOTAL Liabilities	172,967	602	8,290	11,204
508.1	Invested in Capital Assets Net	230,739		153,242	353,303
511.1	Restricted Net Assets				
512.1	Unrestricted Net Assets	1,618,008	7,800	575,057	336,307
513	TOTAL Equity/Net Assets	1,848,747	7,800	728,299	689,610
600	TOTAL LIAB. & EQUITY	\$ 2,021,714	\$ 8,402	\$ 736,589	\$ 700,814

Portage Metropolitan Housing Authority
Statement of Net Assets
December 31, 2012

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Veterans Affairs			Subtotal
		Supportive Housing	Section 8 Moderate	COCC	
111	Cash - Unrestricted	97,044	422,816	66,606	\$ 3,862,453
112	Cash - Restricted				42,401
114	Cash - Tenant Security Deposits				73,486
100	Total Cash	97,044	422,816	66,606	3,978,340
122	Acct. Rec. - HUD		11,923		35,849
125	Acct. Rec. - Misc.		772		53,800
126	Acct. Rec. - Tenants		321		48,869
126.1	Allowance Doubtful Accts. - Tenants		(289)		(30,028)
127	Notes, Loans, & Mortgages Rec. - Current				12,632
128	Fraud Recovery		2,244		38,517
128.1	Allowance Doubtful Accts.		(729)		(12,107)
129	Accrued Interest Receivable				2,660
120	Net Total Receivables	-	14,242	-	150,192
					-
142	Prepaid Expenses		2,828	11,594	99,685
143	Inventories				65,901
143.1	Allowance for Obsolete Inventories				(2,000)
144	Inter Program Due From			2,880	20,025
150	Total Current Assets	97,044	439,886	81,080	4,312,143
161	Land			89,900	1,623,261
162	Buildings			406,428	20,812,927
164	Furniture, Equip. & Mach. - Admin.			174,455	489,296
166	Accumulated Depreciation			(328,250)	(15,781,603)
167	Construction in Progress	-	-	-	124,307
160	Net Fixed Assets	-	-	342,533	7,268,188
190	TOTAL ASSETS	\$ 97,044	\$ 439,886	\$ 423,613	\$ 11,580,331

Statement of Net Assets
December 31, 2012

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Veterans Affairs Supportive Housing	Section 8 Moderate	COCC	Subtotal
311	Bank Overdraft				\$ 131,736
312	A/P <= 90 days		1,517	2,941	159,722
321	Accrued Wage/Taxes Payable		1,165	3,233	78,504
322	Accrued Compensated Absences - Current Portion		2,510	12,894	74,571
331	Accounts Payable - HUD PHA		103		103
333	Accounts Payable - Other Government				36,193
341	Tenant Security Deposits				73,486
342	Deferred Revenue				8,756
345	Other Current Liabilities				20,965
346	Accrued Liabilities - Other		92	273	45,151
347	Inter Program - Due To			2,650	20,025
310	Total Current Liabilities	-	5,387	21,991	649,212
					-
353	Non-current Liabilities - Other				42,401
354	Accrued Comp. Abs. - Noncurrent		1,728	9,525	50,042
	TOTAL Liabilities	-	7,115	31,516	741,655
508.1	Invested in Capital Assets Net			342,533	7,268,188
511.1	Restricted Net Assets				-
512.1	Unrestricted Net Assets	97,044	432,771	49,564	3,570,488
513	TOTAL Equity/Net Assets	97,044	432,771	392,097	10,838,676
600	TOTAL LIAB. & EQUITY	\$ 97,044	\$ 439,886	\$ 423,613	\$ 11,580,331

Statement of Net Assets
December 31, 2012

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Elimination	Total
111	Cash - Unrestricted	(131,736)	\$ 3,730,717
112	Cash - Restricted		42,401
114	Cash - Tenant Security Deposits		73,486
100	Total Cash	(131,736)	3,846,604
122	Acct. Rec. - HUD		35,849
125	Acct. Rec. - Misc.		53,800
126	Acct. Rec. - Tenants		48,869
126.1	Allowance Doubtful Accts. - Tenants		(30,028)
127	Notes, Loans, & Mortgages Rec. - Current		12,632
128	Fraud Recovery		38,517
128.1	Allowance Doubtful Accts.		(12,107)
129	Accrued Interest Receivable		2,660
120	Net Total Receivables	-	150,192
			-
142	Prepaid Expenses		99,685
143	Inventories		65,901
143.1	Allowance for Obsolete Inventories		(2,000)
144	Inter Program Due From	(20,025)	-
150	Total Current Assets	(151,761)	4,160,382
161	Land		1,623,261
162	Buildings		20,852,681
164	Furniture, Equip. & Mach. - Admin.		489,296
166	Accumulated Depreciation		(15,781,603)
167	Construction in Progress		124,307
160	Net Fixed Assets	-	7,307,942
190	TOTAL ASSETS	\$ (151,761)	\$ 11,468,324

Statement of Net Assets

December 31, 2012

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Elimination	Total
311	Bank Overdraft	(131,736)	\$ -
312	A/P <= 90 days		159,722
321	Accrued Wage/Taxes Payable		78,504
322	Accrued Compensated Absences - Current Portion		74,571
331	Accounts Payable - HUD PHA		103
333	Accounts Payable - Other Government		36,193
341	Tenant Security Deposits		73,486
342	Deferred Revenue		8,756
345	Other Current Liabilities		20,965
346	Accrued Liabilities - Other		45,151
347	Inter Program - Due To	(20,025)	-
310	Total Current Liabilities	(151,761)	497,451
			-
353	Non-current Liabilities - Other		42,401
354	Accrued Comp. Abs. - Noncurrent		50,042
	TOTAL Liabilities	(151,761)	589,894
508.1	Invested in Capital Assets Net		7,307,942
511.1	Restricted Net Assets		-
512.1	Unrestricted Net Assets		3,570,488
513	TOTAL Equity/Net Assets	-	10,878,430
600	TOTAL LIAB. & EQUITY	\$ (151,761)	\$ 11,468,324

Statement of Revenues and Expenses
For the Year Ended December 31, 2012

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Public Housing	Resident Opportunity & Supportive Services	Housing Choice Voucher	Supportive Housing for Persons with Disabilities
703	Net Tenant Rental Revenue	\$ 599,318			
704	Tenant Revenue - Other	38,336			
705	Total Tenant Revenue	637,654	-	-	-
706	HUD PHA Operating Grants	-	108,661	5,056	362,432
706.1	Capital Grants	-			
707.1	Management Fee				
707.2	Asset Management Fee				
707.3	Bookkeeping Fee				
708	Other Government Grants				
711	Investment Income - Unrestricted	1,551			
714	Fraud Recovery	6,463			
715	Other Revenue	15,025			
720	Investment Income - Restricted	301			
700	TOTAL REVENUE	660,994	108,661	5,056	362,432
911	Admin Salaries	285,272	67,025		21,435
912	Audit	2,842			254
913	Management Fee	180,592			
913.1	Bookkeeping Fee	26,408			
914	Advertising and Marketing	374			18
915	Employee Benefits	120,554	13,389		9,664
916	Office Expenses	12,952		1,508	3,178
917	Legal Expense	15,712			1,246
918	Travel	642		9	87
919	Other	6,610			
	Total Operating - Admin.	651,958	80,414	1,517	35,882
920	Asset Management Fee	36,600			
921	Tenant Services - Salaries				
922	Relocation Costs	42			
923	Employee Benefit Contributions - Tenant Services				
924	Tenant Services - Other	7,537	26,476		
925	Total Tenant Services	7,579	26,476	-	-
931	Water	70,900			
932	Electricity	87,144			300
933	Gas	17,655			99
936	Sewer	95,432			
930	Total Utilities	271,131	-	-	399

Statement of Revenues and Expenses
For the Year Ended December 31, 2012

Financial Data Schedule Submitted to U.S. Department of HUD

<u>Line item</u>	<u>Account Description</u>	<u>Public Housing</u>	<u>Resident Opportunity & Supportive Services</u>	<u>Housing Choice Voucher</u>	<u>Supportive Housing for Persons with Disabilities</u>
941	Ordinary Maint. & Operations - Labor	126,583			
942	Ordinary Maint. & Operations - Materials & Other	127,531			639
943	Ordinary Maint. & Operations - Contracts	146,300			1,087
945	Employee Benefits Contributions - Ordinary Maint.	90,953			
940	Total Maintenance	491,367	-	-	1,726
952	Protective Services - Other Contract Costs	2,620			
950	Total Protective Services	2,620	-	-	-
961.1	Property Insurance				
961.2	Liability Insurance	47,664			341
961.3	Workmen's Compensation	10,725	1,771		670
961.4	All Other Insurance				73
961	Total Insurance	58,389	1,771	-	1,084
962	Other General Expenses	1,446			5
962.1	Compensated Absences	9,298			(396)
963	Payments in Lieu of Taxes	36,193			
964	Bad Debt - Tenant Rents	18,297			
960	Total Other General Expenses	65,234	-	-	(391)
967.2	Interest on Notes Payable				
967	Total Interest Expense and Amortization Costs	-	-	-	-
	TOTAL OPERATING EXPENSES	1,584,878	108,661	1,517	38,700
970	Excess Operating Revenue over Expenses	(923,884)	-	3,539	323,732
971	Extraordinary Maintenance	16,211			
972	Casualty Losses - Non Capital	(1,800)			
973	Housing Assistance Payments				309,601
973.5	HAP Portability-In				
974	Depreciation Expense	663,610			
900	TOTAL EXPENSES	2,262,899	108,661	1,517	348,301
1001	Operating Transfer In	1,227,374			
1002	Operating Transfer Out	(41,566)			
1010	Total Other Financing Sources (Uses)	1,185,808	-	-	-
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (416,097)	\$ -	\$ 3,539	\$ 14,131

Statement of Revenues and Expenses
For the Year Ended December 31, 2012

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Moving to Work Demonstration Program	Shelter Plus Care	State & Local	Business Activities
703	Net Tenant Rental Revenue				158,365
704	Tenant Revenue - Other	45			1,314
705	Total Tenant Revenue	45	-	-	159,679
706	HUD PHA Operating Grants		178,515		
706.1	Capital Grants				
707.1	Management Fee				
707.2	Asset Management Fee				
707.3	Bookkeeping Fee				
708	Other Government Grants			6,811	
711	Investment Income - Unrestricted	3,459		1,414	618
714	Fraud Recovery	44,078			
715	Other Revenue	6,092		90,690	53,135
720	Investment Income - Restricted				
700	TOTAL REVENUE	53,674	178,515	98,915	213,432
911	Admin Salaries	532,246	4,046	28,369	13,563
912	Audit	5,547	3	200	127
913	Management Fee				
913.1	Bookkeeping Fee				
914	Advertising and Marketing	432	1		39
915	Employee Benefits	227,103	1,878	8,872	5,329
916	Office Expenses	89,470	572	2,277	1,975
917	Legal Expense	19,245	152		968
918	Travel	2,079	31	521	36
919	Other				
	Total Operating - Admin.	876,122	6,683	40,239	22,037
920	Asset Management Fee				
921	Tenant Services - Salaries	26,216			
922	Relocation Costs				
923	Employee Benefit Contributions - Tenant Services	10,956			
924	Tenant Services - Other			311	2,400
925	Total Tenant Services	37,172	-	311	2,400
931	Water				3,928
932	Electricity	7,147	59		5,162
933	Gas	2,371	20		11,059
936	Sewer				7,061
930	Total Utilities	9,518	79	-	27,210

Statement of Revenues and Expenses
For the Year Ended December 31, 2012

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Moving to Work Demonstration Program	Shelter Plus Care	State & Local	Business Activities
941	Ordinary Maint. & Operations - Labor	2,948		13,235	6,137
942	Ordinary Maint. & Operations - Materials & Other	17,019	50	4,808	7,691
943	Ordinary Maint. & Operations - Contracts	25,388	192	28,394	52,380
945	Employee Benefits Contributions - Ordinary Maint.	1,418		6,912	3,713
940	Total Maintenance	46,773	242	53,349	69,921
952	Protective Services - Other Contract Costs				
950	Total Protective Services	-	-	-	-
961.1	Property Insurance			2,000	3,965
961.2	Liability Insurance	8,124	46		
961.3	Workmen's Compensation	16,519	129	624	389
961.4	All Other Insurance	2,661	5		15
961	Total Insurance	27,304	180	2,624	4,369
962	Other General Expenses		1	2,436	3,459
962.1	Compensated Absences	(4,879)	81	1,705	1,107
963	Payments in Lieu of Taxes	108			
964	Bad Debt - Tenant Rents	27,865			2,701
960	Total Other General Expenses	23,094	82	4,141	7,267
967.2	Interest on Notes Payable				1,674
967	Total Interest Expense and Amortization Costs	-	-	-	1,674
	TOTAL OPERATING EXPENSES	1,019,983	7,266	100,664	134,878
970	Excess Operating Revenue over Expenses	(966,309)	171,249	(1,749)	78,554
971	Extraordinary Maintenance				
972	Casualty Losses - Non Capital				
973	Housing Assistance Payments	9,056,772	165,934		
973.5	HAP Portability-In	2,070			
974	Depreciation Expense	12,319		5,601	46,926
900	TOTAL EXPENSES	10,091,144	173,200	106,265	181,804
1001	Operating Transfer In	9,898,790			
1002	Operating Transfer Out				
1010	Total Other Financing Sources (Uses)	9,898,790	-	-	-
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (138,680)	\$ 5,315	\$ (7,350)	\$ 31,628

Statement of Revenues and Expenses
For the Year Ended December 31, 2012

Financial Data Schedule Submitted to U.S. Department of HUD

<u>Line item</u>	<u>Account Description</u>	<u>Veterans Affairs Supportive Housing</u>	<u>Section 8 Moderate</u>	<u>COCC</u>	<u>CFP Moving to Work Demonstration Program</u>
703	Net Tenant Rental Revenue				
704	Tenant Revenue - Other				
705	Total Tenant Revenue	-	-	-	-
706	HUD PHA Operating Grants	151,716	1,284,526		155,363
706.1	Capital Grants				438,781
707.1	Management Fee			180,592	
707.2	Asset Management Fee			36,600	
707.3	Bookkeeping Fee			26,408	
708	Other Government Grants				
711	Investment Income - Unrestricted			228	
714	Fraud Recovery		3,252		
715	Other Revenue		26	77	
720	Investment Income - Restricted				
700	TOTAL REVENUE	151,716	1,287,804	243,905	594,144
911	Admin Salaries		50,752	89,633	
912	Audit		580	1,419	
913	Management Fee				
913.1	Bookkeeping Fee				
914	Advertising and Marketing		42	112	
915	Employee Benefits		22,317	46,705	
916	Office Expenses		7,250	41,218	
917	Legal Expense		2,847	5,433	
918	Travel		199	1,726	
919	Other				
	Total Operating - Admin.	-	83,987	186,246	-
920	Asset Management Fee				
921	Tenant Services - Salaries				
922	Relocation Costs				
923	Employee Benefit Contributions - Tenant Services				
924	Tenant Services - Other				
925	Total Tenant Services	-	-	-	-
931	Water				
932	Electricity		685	2,016	
933	Gas		227	677	
936	Sewer				
930	Total Utilities	-	912	2,693	-

Statement of Revenues and Expenses
For the Year Ended December 31, 2012

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Veterans Affairs Supportive Housing	Section 8 Moderate	COCC	CFP Moving to Work Demonstration Program
941	Ordinary Maint. & Operations - Labor			1,325	
942	Ordinary Maint. & Operations - Materials & Other		1,461	47,243	
943	Ordinary Maint. & Operations - Contracts		2,484	7,290	
945	Employee Benefits Contributions - Ordinary Maint.			601	
940	Total Maintenance	-	3,945	56,459	-
952	Protective Services - Other Contract Costs				
950	Total Protective Services	-	-	-	-
961.1	Property Insurance				
961.2	Liability Insurance		778	6,666	
961.3	Workmen's Compensation		1,536	3,708	
961.4	All Other Insurance		166	170	
961	Total Insurance	-	2,480	10,544	-
962	Other General Expenses		10	31	
962.1	Compensated Absences		(925)	3,281	
963	Payments in Lieu of Taxes				
964	Bad Debt - Tenant Rents		4,930		
960	Total Other General Expenses	-	4,015	3,312	-
967.2	Interest on Notes Payable				
967	Total Interest Expense and Amortization Costs	-	-	-	-
	TOTAL OPERATING EXPENSES	-	95,339	259,254	-
970	Excess Operating Revenue over Expenses	151,716	1,192,465	(15,349)	594,144
971	Extraordinary Maintenance				
972	Casualty Losses - Non Capital			(12,899)	
973	Housing Assistance Payments	54,672	1,156,393		
973.5	HAP Portability-In				
974	Depreciation Expense			23,357	
900	TOTAL EXPENSES	54,672	1,251,732	269,712	-
1001	Operating Transfer In			18,269	
1002	Operating Transfer Out				(594,144)
1010	Total Other Financing Sources (Uses)	-	-	18,269	(594,144)
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 97,044	\$ 36,072	\$ (7,538)	\$ -

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2012

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	HVC Moving to Work Demonstration Program	Low Rent Moving to Work Demonstration Program	Total
703	Net Tenant Rental Revenue			\$ 757,683
704	Tenant Revenue - Other			39,695
705	Total Tenant Revenue	-	-	797,378
706	HUD PHA Operating Grants	9,898,790	609,933	12,754,992
706.1	Capital Grants			438,781
707.1	Management Fee			180,592
707.2	Asset Management Fee			36,600
707.3	Bookkeeping Fee			26,408
708	Other Government Grants			6,811
711	Investment Income - Unrestricted			7,270
714	Fraud Recovery			53,793
715	Other Revenue			165,045
720	Investment Income - Restricted			301
700	TOTAL REVENUE	9,898,790	609,933	14,467,971
911	Admin Salaries			1,092,341
912	Audit			10,972
913	Management Fee			18,592
913.1	Bookkeeping Fee			26,408
914	Advertising and Marketing			1,018
915	Employee Benefits			455,811
916	Office Expenses			160,400
917	Legal Expense			46,603
918	Travel			5,330
919	Other			6,610
	Total Operating - Admin.	-	-	1,824,085
920	Asset Management Fee			36,600
921	Tenant Services – Salaries			26,216
922	Relocation Costs			42
923	Employee Benefit Contributions - Tenant Services			10,956
924	Tenant Services – Other			36,724
925	Total Tenant Services	-	-	73,938
931	Water			74,828
932	Electricity			102,513
933	Gas			32,108
936	Sewer			102,493
930	Total Utilities	-	-	311,942

Statement of Revenues and Expenses
For the Year Ended December 31, 2012

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	HVC Moving to Work Demonstration Program	Low Rent Moving to Work Demonstration Program	Total
941	Ordinary Maint. & Operations - Labor			150,228
942	Ordinary Maint. & Operations - Materials & Other			206,442
943	Ordinary Maint. & Operations - Contracts			263,515
945	Employee Benefits Contributions - Ordinary Maint.			103,597
940	Total Maintenance	-	-	723,782
952	Protective Services - Other Contract Costs			2,620
950	Total Protective Services	-	-	2,620
961.1	Property Insurance			5,965
961.2	Liability Insurance			63,619
961.3	Workmen's Compensation			36,071
961.4	All Other Insurance			3,090
961	Total Insurance	-	-	108,745
962	Other General Expenses			7,388
962.1	Compensated Absences			9,272
963	Payments in Lieu of Taxes			36,301
964	Bad Debt - Tenant Rents			53,793
960	Total Other General Expenses	-	-	106,754
967.2	Interest on Notes Payable			1,674
967	Total Interest Expense and Amortization Costs	-	-	1,674
	TOTAL OPERATING EXPENSES	-	-	3,351,140
970	Excess Operating Revenue over Expenses	9,898,790	609,933	11,116,831
971	Extraordinary Maintenance			16,211
972	Casualty Losses - Non Capital			(14,699)
973	Housing Assistance Payments			10,743,372
973.5	HAP Portability-In			2,070
974	Depreciation Expense			751,813
900	TOTAL EXPENSES	-	-	14,849,907
1001	Operating Transfer In			11,144,433
1002	Operating Transfer Out	(9,898,790)	(609,933)	(11,144,433)
1010	Total Other Financing Sources (Uses)	(9,898,790)	(609,933)	-
1000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ -	\$ -	\$ (381,936)

Additional Information Required by HUD
 For the Year Ended December 31, 2012

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Public Housing	Section 8 Moderate	Housing Choice Voucher	Supportive Housing for Persons with Disabilities	Moving to Work Demonstration Program
11190	Unit Months Available	3,612	2,064	300	900	18,504
11210	Number of Unit Month Leased	3,477	1,900	109	831	17,589

Portage Metropolitan Housing Authority
 Additional Information Required by HUD
 For the Year Ended December 31, 2012

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Business Activities	Veterans Affairs Supportive Housing	Shelter Plus Care	Business Activities
11190	Unit Months Available	324	300	300	324
11210	Number of Unit Month Leased	273	109	300	273

**PORTAGE METROPOLITAN HOUSING AUTHORITY
 HEDULLE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2012**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	Federal CFDA Number	Fund Expended
U.S. Department of Housing and Urban Development		
Direct Programs:		
PHA Owned Housing:		
Public and Indian Housing Operating Subsidy	14.850	\$ <u>609,933</u>
Total PHA Owned Housing		609,933
CFP Cluster:		
Capital Fund Program	14.872	<u>594,144</u>
Total CFP Cluster		594,144
Section 8 Programs:		
Section 8 Project Based Cluster:		
Annual Contribution – Mod. Rehab.	14.856	<u>2,184,526</u>
Total Section 8 Project Based Cluster		2,184,526
Supportive Housing for Persons with Disabilities	14.181	362,432
Annual Contribution – Housing Choice Voucher	14.871	<u>9,898,790</u>
Total Section 8 Program		12,445,748
Resident Opportunity and Supportive Services	14.870	108,661
Shelter Plus Care	14.238	178,515
Veterans Affairs Supportive Housing	14.235	<u>151,716</u>
Total U.S. Department of Housing and Urban Development		<u>14,088,717</u>
TOTAL ALL PROGRAMS		<u>\$14,088,717</u>



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Portage Metropolitan Housing Authority
Ravenna, Ohio

I have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Portage Metropolitan Housing Authority, Portage County, Ohio as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated May 31, 2013.

Internal Control Over Financial Reporting

As part of my financial statement audit, I considered the Portage Metropolitan Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support my opinion(s) on the financial statements, but not to the extent necessary to opine on the effectiveness of the Portage Metropolitan Housing Authority's internal control. Accordingly, I have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Portage Metropolitan Housing Authority's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, I did not identify any deficiencies in internal control that I consider material weaknesses. However, unidentified material weaknesses may exist.

I did identify certain deficiencies in internal control, described in the accompanying schedule of findings that I consider significant deficiencies in internal control. I consider findings 2012-1 and 2012-2 to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the Portage Metropolitan Housing Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of my audit and accordingly, I do not express an opinion. The results of my tests disclosed no instances of noncompliance or other matters I must report under *Government Auditing Standards*.

I noted certain matters that I reported to management of Portage Metropolitan Housing Authority's in a separate letter dated May 31, 2013.

Entity's Response to Findings

The Portage Metropolitan Housing Authority's response to the finding identified in my audit is described in the accompanying schedule of findings. I did not audit the Portage Metropolitan Housing Authority's response and, accordingly, I express no opinion on it.

Purpose of this Report

This report only describes the scope of my internal control and compliance testing and my testing results, and does not opine on the effectiveness of the Portage Metropolitan Housing Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Portage Metropolitan Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kevin L. Penn, Inc.

May 31, 2013



Kevin L.
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Trustees
Portage Metropolitan Housing Authority
Ravenna, Ohio

Report on Compliance for Each Major Federal Program

I have audited the Portage Metropolitan Housing Authority compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Portage Metropolitan Housing Authority's major federal programs for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Portage Metropolitan Housing Authority's major federal programs.

Management's Responsibility

The Portage Metropolitan Housing Authority's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to opine on the Portage Metropolitan Housing Authority's compliance for each of the Portage Metropolitan Housing Authority's major federal programs based on my audit of the applicable compliance requirements referred to above. My compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require me to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Portage Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my compliance opinion on the Portage Metropolitan Housing Authority's major programs. However, my audit does not provide a legal determination of the Portage Metropolitan Housing Authority's compliance.

Opinion on Each Major Federal Program

In my opinion, the Portage Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

The Portage Metropolitan Housing Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing my compliance audit, I considered the Portage Metropolitan Housing Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine my auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, I have not opined on the effectiveness of the Portage Metropolitan Housing Authority'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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of my internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Kevin L. Penn, Inc.

May 31, 2013

Portage Metropolitan Housing Authority
 Schedule of Findings
 December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over compliance:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
Identification of major programs:	
14.871	Housing Choice Vouchers
14.856	Section 8 – Mod. Rehab.
14.850	Low Rent Public Housing
Dollar threshold used to distinguish between Type A and Type B programs:	Type A: > \$422,662 Type B: all others
Auditee qualified as low-risk auditee?	Yes

Portage Metropolitan Housing Authority
Schedule of Findings
December 31, 2012

Section II - Financial Statement Findings

2012-1

U.S. Department of HUD
Low Rent Public Housing (CFDA # 14.850)
Section 8 – Mod. Rehab. (CFDA # 14.856)
Housing Choice Voucher Program (CFDA # 14.871)

Preparation of Financial Statements

Condition:

The year-end financial statements that management prepared and presented for the audit contained a number of errors and inconsistencies, resulting in adjusting journal entries.

Criteria:

The internal controls established by management, pertaining to the year-end financial statements should operate in a manner which should prevent or detect errors and inconsistencies.

Effect:

The summary schedules provided for accounts receivable; fixed assets; accounts payable; accrued expenses and security deposit, did not agree to the general ledger.

Cause:

Lack of internal controls over financial statement preparation.

Recommendation:

I recommend that management should assess the adequacy of the design of its policies and procedures related to preparation of financial statements and the design appropriate controls as necessary to rectify inadequacies. Furthermore, management should consider where errors or inconsistencies could occur that would cause a material misstatement in the financial statements and which policies or procedures would prevent or detect the error or inconsistencies on a timely basis.

Auditee's Response:

Portage Metropolitan Housing Authority will assess its financial controls policies and procedures to strive to eliminate errors and inconsistencies, especially those that may cause a material misstatement in the financial statements. General ledger data will be expected to agree with summary schedules for PMHA accounts.

Portage Metropolitan Housing Authority
Schedule of Findings
December 31, 2012

Section II - Financial Statement Findings

2012-2

U.S. Department of HUD
Low Rent Public Housing (CFDA # 14.850)
Section 8 – Mod. Rehab. (CFDA # 14.856)
Housing Choice Voucher Program (CFDA # 14.871)

Indirect Cost Allocation Plan

Condition:

During the testing of payroll and non-payroll transactions, the percentages used to allocate payroll and non-payroll transactions to the various federal programs were based on the percentages used in the prior fiscal year, which was not documented by financial data.

Criteria:

Percentages used to allocate indirect costs should be established for the current or multiple future period(s) based on current data (usually data from the most recently ended fiscal year, known as the base period).

Effect:

Indirect costs percentage was not documented.

Cause:

Lack of internal controls over financial statement preparation.

Recommendation:

The Authority needs to document the percentages used to allocate indirect cost, based on current data (usually data from the most recently ended fiscal year, known as the base period).

Auditee's Response:

Portage Metropolitan Housing Authority will take measures to determine and document indirect costs for employees using current data related to current workloads and programs for individual employees, to ensure appropriate allocation of indirect costs among the Authority's multiple programs.

Section III - Federal Award Findings

There were no audit findings.

Portage Metropolitan Housing Authority
Status of Prior Year Findings
December 31, 2012

The prior year report contained no findings.

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Dave Yost • Auditor of State

PORTAGE COUNTY 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
OCTOBER 1, 2013**