

PORTAGE METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

December 31, 2013

Together with Auditors' Report



Dave Yost • Auditor of State

Board of Trustees
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 Kevin L. Penn, Inc., for the audit period January 1, 2013 through December 31, 2013. 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, 2014

This page intentionally left blank.

**PORTAGE METROPOLITAN HOUSING AUTHORITY
PORTAGE, OHIO**

Table of Content

| | |
|--|----|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis | 4 |
| Statement of Net Position | 9 |
| Statement of Revenues and Expenses and Changes in Net Position | 10 |
| Statement of Cash Flows | 11 |
| Notes to Financial Statements | 12 |
| Statement of Modernization and Grant Cost | 24 |
| Financial Data Schedule – Statement of Net Position | 25 |
| Financial Data Schedule – Statement of Revenue and Expenses | 33 |
| Financial Data Schedule – Additional Information Required by HUD | 41 |
| Schedule of Expenditures of Federal Awards | 43 |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards | 44 |
| Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance With OMB Circular A-133 | 46 |
| Schedule of Findings | 48 |
| Summary Schedule of Prior Audit Findings | 52 |



Certified Public Accountant
11811 Shaker Boulevard, Suite 421
Cleveland, Ohio 44120
(216)421-1000
Fax:(216)421-1001
Email: klpenncpa@aol.com

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Portage Metropolitan Housing Authority
Ravenna, Ohio 44266

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, 2013, 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, 2013, 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 and Statement of Modernization and Grant Cost present additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Supplemental Financial Data Schedules, Statement of Modernization and Grant Cost 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 July 18, 2014 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.

July 18, 2014

**PORTAGE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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, 2013, 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 Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position 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, 2013; 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, 2013, and what Net Position (equity) the Authority has at December 31, 2013. 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 Position (or equity) part. In the statement, the Net Position are broken out into three broad categories:

Net Investment Capital Assets
Restricted Net Position
Unrestricted Net Position

The balance in Net Investment in Capital Assets, 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 Position 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 Position is the remainder of Net Position after what is classified in the two previously mentioned components of Net Position. 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, 2013
(Unaudited)**

The Statement of Revenues, Expenses, and Changes in Fund Balance (or Net Position or equity) 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 Position 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 Position or equity). The ending total Net Position is what is referred to in the above discussion of the Statement of Net Position 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, 2013
(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 Position compared to prior year. The Authority is engaged only in business type activities.

**Table 1 - Condensed Statement of Net Position Compared to Prior Year
(Values rounded to nearest Thousand)**

| | 2012 | 2013 |
|---|---------------------|---------------------|
| Assets | | |
| Current and Other Assets | \$ 4,160,000 | \$ 3,800,000 |
| Capital Assets | <u>7,308,000</u> | <u>6,825,000</u> |
| Total Assets | <u>\$11,468,000</u> | <u>\$10,625,000</u> |
| Liabilities | | |
| Current Liabilities | \$ 497,000 | \$ 420,000 |
| Long-Term Liabilities | <u>92,000</u> | <u>80,000</u> |
| Total Liabilities | <u>\$ 589,000</u> | <u>\$ 500,000</u> |
| Net Position | | |
| Net Investment in Capital Assets | \$ 7,308,000 | \$ 6,823,000 |
| Restricted Net Position | 0 | 45,000 |
| Unrestricted Net Position | <u>3,571,000</u> | <u>3,257,000</u> |
| Total Net Position | <u>10,879,000</u> | <u>10,125,000</u> |
| Total Liabilities and Net Position | <u>\$11,468,000</u> | <u>\$10,625,000</u> |

For more detailed information, see the Statement of Net Position presented on page 9 of this report.

**PORTAGE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Unaudited)**

Major Factors Affecting the Statement of Net Position

The total net assets decreased 6.6% from year-end 2012 to year-end 2013. See the discussion in the next section of factors contributing to this change. During 2013, current and other assets decreased by \$360,000 while current liabilities decreased by \$77,000. Capital assets decreased \$485,000 reflecting that additions in capital assets were less than disposals and depreciation on assets held by the agency.

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

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

| | <u>2012</u> | <u>2013</u> |
|---|----------------------------|-----------------------------|
| <u>Revenues</u> | | |
| Tenant Revenues - Rents and Other | \$ 797,000 | \$ 823,000 |
| Operating Subsidies and Grants | 12,755,000 | 12,418,000 |
| Capital Grants | 439,000 | 249,000 |
| Investment Income | 7,000 | 8,000 |
| Other Revenues | <u>226,000</u> | <u>307,000</u> |
| Total Revenues | \$ 14,224,000 | \$ 13,805,000 |
| <u>Expenses</u> | | |
| Administrative | \$ 1,778,000 | \$ 1,665,000 |
| Tenant Services | 74,000 | 68,000 |
| Utilities | 312,000 | 311,000 |
| Ordinary Maintenance and Operations | 725,000 | 728,000 |
| General and Interest Expenses | 217,000 | 213,000 |
| Housing Assistance Payments | 10,745,000 | 10,926,000 |
| Protective Services | 3,000 | 3,000 |
| Depreciation | <u>752,000</u> | <u>654,000</u> |
| Total Expenses | <u>14,606,000</u> | <u>\$ 14,568,000</u> |
| Net Increases (Decreases) in Net Position | <u>\$ (382,000)</u> | <u>\$ (763,000)</u> |

For 2013, the Authority revenues decreased 3% while expenses increased 0.3%. The Authority increased Tenant Revenues and Other Revenues, which were able to offset decreases in Operating Subsidies and Capital Grants.

**PORTAGE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Unaudited)**

The following is a condensed Statement of Changes in Capital Assets comparing balances in capital assets for 2013 and 2012.

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

| | <u>2012</u> | <u>2013</u> |
|---------------------------|----------------------------|----------------------------|
| Land and Land Rights | \$ 1,623,000 | \$ 1,623,000 |
| Building and Improvements | 20,853,000 | 20,969,000 |
| Equipment | 489,000 | 439,000 |
| Construction in Progress | 124,000 | 135,000 |
| Accumulated Depreciation | <u>(15,781,000)</u> | <u>(16,341,000)</u> |
| Total | <u>\$ 7,308,000</u> | <u>\$ 6,825,000</u> |

The Authority's Capital Assets decreased 7%, as a result of depreciation expenses and the disposal of assets.

Debt

The Authority eliminated all current and long-term debt in 2012. It has no debt outstanding at year-end 2013.

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development has decreased.
- The Federal sequestration of the budget further cut program and administrative funding.
- The Federal Government shut-down in 2013
- 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 POSITION
DECEMBER 31, 2013

ASSETS

Current Assets

| | |
|---|----------------|
| Cash and Cash Equivalents - Unrestricted (Note 2) | \$ 3,340,608 |
| Cash and Cash Equivalents - Restricted (Note 3) | 109,286 |
| Accounts Receivable, (Net of Allowance for Doubtful Accounts) | 143,708 |
| Inventory (Net of Allowance for obsolete) | 61,828 |
| Prepaid Expenses and Other Assets | <u>145,024</u> |
| Total Current Assets | 3,800,454 |

Non-Current Assets

| | |
|---------------------------------|-----------------------------|
| Notes Receivable | 145 |
| Capital Assets: (Note 4) | |
| Non-Depreciable Capital Assets | 1,758,733 |
| Depreciable Capital Assets, Net | <u>5,066,040</u> |
| Total Non-Current Assets | <u>6,824,918</u> |
| TOTAL ASSETS | <u><u>\$ 10,625,372</u></u> |

LIABILITIES AND NET POSITION

Current Liabilities

| | |
|--|---------------|
| Accounts Payable | \$ 94,369 |
| Accrued Wages/Payroll | 71,981 |
| Intergovernmental Payables | 35,794 |
| Tenant Security Deposits | 71,892 |
| Accrued Compensated Absences - Current Portion | 73,695 |
| Unearned Revenue and Other Liabilities | <u>73,333</u> |
| Total Current Liabilities | 421,064 |

Non-Current Liabilities

| | |
|--|--------------------------|
| Noncurrent Liabilities - Other | 37,394 |
| Accrued Compensated Absences, Net of Current Portion | <u>42,242</u> |
| Total Non-Current Liabilities | <u>79,636</u> |
| Total Liabilities | <u><u>\$ 500,700</u></u> |

Net Position

| | |
|----------------------------------|-----------------------------|
| Net Investment in Capital Assets | \$ 6,824,773 |
| Restricted | 44,627 |
| Unrestricted | <u>3,255,272</u> |
| Total Net Position | <u><u>\$ 10,124,672</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 POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

Operating Revenue:

| | |
|------------------------------------|----------------|
| HUD Operating Subsidies and Grants | \$ 12,418,981 |
| Tenant Revenue | 823,188 |
| Other Revenue | <u>310,958</u> |
| Total Operating Revenue | 13,553,127 |

Operating Expenses:

| | |
|-----------------------------|-------------------|
| Administrative Expense | 1,664,626 |
| Tenant Services | 68,372 |
| Utilities | 311,295 |
| Maintenance and Operations | 727,810 |
| General Expenses | 213,025 |
| Protective Services | 3,397 |
| Housing Assistance Payments | 10,926,428 |
| Depreciation Expense | <u>654,262</u> |
| Total Operating Expenses | <u>14,569,215</u> |

Net Operating Income (Loss) (1,016,088)

Non-Operating Revenues (Expenses)

| | |
|---|----------------|
| Interest Income | 8,274 |
| Gain(Loss) on Sale of Capital Assets | <u>(4,574)</u> |
| Total Non-Operating Revenues (Expenses) | 3,700 |

Excess of Revenue Over(Under) Expenses before Capital Grants (1,012,388)

Capital Grants 249,337

Change in Net Position (763,051)

Net Position - Beginning of Year as previously stated 10,878,430

Prior Period Adjustment (Note 15) 9,293

Net Position - Beginning of Year as restated 10,887,723

Net Position - End of Year \$ 10,124,672

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, 2013

| | |
|--|---------------------|
| Cash Flows From Operating Activities: | |
| Cash Received from HUD | \$ 12,668,318 |
| Cash Received from Tenant | 823,188 |
| Cash Received from Other Income | 314,658 |
| Cash Payments for Housing assistance payments | (10,926,428) |
| Cash Payments for Administrative | (1,664,626) |
| Cash Payments for Other Operating Expenses | <u>(1,672,799)</u> |
| Net Cash Provided (Used) by Operating Activities | (457,689) |
| Cash Flows From Capital and Related Financing Activities: | |
| Acquisition of Capital Assets | (192,058) |
| Gain(Loss) on Sale of Capital Assets | (4,574) |
| Capital Grant Funds Received | <u>249,337</u> |
| Net Cash Provided (Used) by Capital and Related Financing Activities | 52,705 |
| Cash Flows From Investing Activities: | |
| Interest Income | <u>8,274</u> |
| Net Cash Provided (Used) by Investing Activities | 8,274 |
| Increase (Decrease) in Cash and Cash Equivalents | (396,710) |
| Cash and Cash Equivalents - Beginning of Year | <u>3,846,604</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 3,449,894</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities: | |
| Operating Income (Loss) | \$ (1,016,088) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities: | |
| Depreciation | 654,262 |
| (Increase) decrease in: | |
| Accounts Receivable | 6,484 |
| Notes Receivable | (145) |
| Inventory | 2,073 |
| Prepaid Expenses | (45,339) |
| Increase (decrease) in: | |
| Accounts Payable | (35,095) |
| Accrued Wages/Payroll | (6,523) |
| Intergovernmental Payables | (399) |
| Compensated Absences | (8,676) |
| Unearned Revenue and Other Liabilities | (1,642) |
| Tenant Security Deposits | (1,594) |
| Noncurrent Liabilities - Other | <u>(5,007)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (457,689)</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, 2013**

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 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 provisions of GASB Statement No. 39, *Determining Whether Organizations are Component Units*, 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, 2013
(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, 2013
(CONTINUED)

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

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount reported as restricted net position at fiscal year end represents the amounts restricted by HUD for future Housing Assistance Payments. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. Net Position restricted by HUD was \$44,627.

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 2013 totaled \$8,274.

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, 2013
(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, 2013.

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.

PORTAGE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

NOTE 2: **DEPOSITS AND INVESTMENTS**

Deposits

At fiscal year end, the carrying amount of the Authority's deposits were \$3,449,894 and the bank balance was \$3,481,199. Included in the carrying amount of deposits at December 31, 2013 is \$75 in petty cash. Based on criteria described in GASB Statement No. 40, Deposits and Investments Risk Disclosures, as of December 31, 2013, \$921,399 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, 2013, were limited to certificates of deposit.

Interest Rate Risk

The Authority's investment policy limits investments to 1 year 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, 2013
(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, 2013, 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 | \$3,340,608 | \$3,340,608 |
| Carrying Amount of Deposits – Restricted | <u>109,286</u> | <u>109,286</u> |
| Totals | <u>\$3,449,894</u> | <u>\$3,449,894</u> |

NOTE 3: RESTRICTED CASH

The restricted cash balance of \$109,286 on the financial statements represents the following:

| | |
|--------------------------|-------------------|
| FSS Escrow Funds | \$ 37,394 |
| Tenant Security Deposits | <u>71,892</u> |
| Total Restricted Cash | <u>\$ 109,286</u> |

NOTE 4: CAPITAL ASSETS

A summary of capital assets at December 31, 2013, by class is as follows:

| | <u>12/31/2012</u> | Reclasses | <u>Additions</u> | <u>Disposals</u> | <u>12/31/2013</u> |
|--|---------------------|--------------------|---------------------|-------------------|---------------------|
| Capital Assets Not Being Depreciated | | | | | |
| Land | \$1,623,261 | \$ 0 | \$ 0 | \$ 0 | \$ 1,623,261 |
| Construction in Progress | <u>124,307</u> | <u>(124,307)</u> | <u>135,472</u> | <u>0</u> | <u>135,472</u> |
| Total Capital Assets Not Being Depreciated | <u>1,747,568</u> | <u>(124,307)</u> | <u>135,472</u> | <u>0</u> | <u>1,758,733</u> |
| Capital Assets Being Depreciated | | | | | |
| Buildings and Improvements | 20,852,679 | 103,342 | 12,610 | | 20,968,631 |
| Furniture, Equipment, and Machinery- Administrative | <u>489,298</u> | <u>0</u> | <u>48,550</u> | <u>(99,266)</u> | <u>438,582</u> |
| Subtotal Capital Assets Being Depreciated | 21,341,977 | 103,342 | 61,160 | (99,266) | 21,407,213 |
| Accumulated Depreciation: | | | | | |
| Buildings and Improvements | (15,416,281) | 0 | (626,044) | 0 | (16,042,325) |
| Furniture, Equipment and Machinery- Administrative | <u>(365,322)</u> | <u>0</u> | <u>(28,218)</u> | <u>94,692</u> | <u>(298,848)</u> |
| Total Accumulated Depreciation | <u>(15,781,603)</u> | <u>0</u> | <u>(654,262)</u> | <u>94,692</u> | <u>(16,341,173)</u> |
| Depreciable Assets, Net | <u>5,560,374</u> | <u>0</u> | <u>(593,102)</u> | <u>0</u> | <u>5,066,040</u> |
| Total Capital Assets, Net | <u>\$ 7,307,942</u> | <u>\$(20,965)</u> | <u>\$(457,630)</u> | <u>\$(4,574)</u> | <u>\$ 6,824,773</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, 2013 was \$654,262. In addition, \$20,965 was reclassified as contract retention.

PORTAGE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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 2013, 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, 2013, 2012 and 2011, were \$162,896, \$167,569 and \$163,108, respectively. The full amount has been contributed for 2013, 2012, and 2011.

PORTAGE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(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 2013, 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, 2013
(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 2013, and allocated to health care for members in the Combined Plan was 6.05 percent for calendar year 2013.

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, 2013, 2012, and 2011, which were used to fund post-employment benefits were \$46,542, \$47,877 and \$46,602 respectively.

Effective January 1, 2013, the portion of employer contributions allocated to health care was lowered to 1 percent for both plans, as recommended to the OPERS Actuary. Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care coverage, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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, 2013, based on the vesting method, \$115,937 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, 2013
(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 SummaCare 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, 2013, 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, 2013.

NOTE 10: RESTRICTED NET POSITION

Portage Metropolitan Housing Authority reported Restricted Net Position (HAP Equity) for their Veterans Affairs Supportive Housing in the amount of \$44,627 as of December 31, 2013. No restriction has been reported for the 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 July 18, 2014, 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, 2013
(CONTINUED)**

NOTE 12 INTERPROGRAM RECEIVABLES/PAYABLES

Interprogram balance at December 31, 2013, consists of the following receivables and payables:

| | <u>Due From</u> | <u>Due to</u> |
|--|-----------------|---------------|
| Resident Opportunity and Supportive Services | | \$ 150 |
| Supportive Housing for Persons with Disabilities | | \$ 91,106 |
| Moving to Work Demonstration | \$ 91,106 | |
| COCC | \$ 150 | |

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 Position on page 9.

NOTE 13 CHANGE IN ACCOUNTING PRINCIPLES

For 2013, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 61, The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34.

The objective of GASB Statement No. 61, The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 34, is to improve financial reporting for a governmental financial reporting entity.

GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements,” Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” Statement No. 65, “Items Previously Reported as Assets and Liabilities,” and Statement No. 66, “Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62.”

GASB Statement No. 62 incorporates into GASB’s authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the Authority’s financial statements.

GASB Statement No. 63 provides for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related note disclosures. The changes were incorporated in the Authority’s calendar year 2013 financial statements, however, there was no effect on beginning net position.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The implementation of this statement did not result in any change in the Authority’s financial statements.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the Authority’s financial statements.

PORTAGE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

NOTE 14 **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.

NOTE 15 **PRIOR PEIROD ADJUSTMENT**

The Authority adjusted prior period Net Position as follows:

| | |
|---|---------------------|
| Net Position as of December 31, 2012 | \$10,878,430 |
| Adjustment: | |
| Decrease in accounts payable (State & Local) | 2,955 |
| Decrease in accounts payable (Public Housing) | 290 |
| Decrease in accrued expenses (MTW) | <u>6,048</u> |
| Restated Net Position as of December 31, 2012 | <u>\$10,887,723</u> |

The adjustments to prior period Net Position were necessary to properly reflect the overstatement of accounts payable and accrued expenses.

**PORTAGE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION AND GRANT COST - COMPLETED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2013**

Annual Contributions Contract C-5501

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

OH12P03150111

| | |
|---------------------------------------|----------------|
| Funds Approved | \$ 388,442 |
| Funds Expended | <u>388,442</u> |
| Excess (Deficiency) of Funds Approved | <u>\$ 0</u> |

| | |
|---------------------------------------|----------------|
| Funds Advanced | \$ 388,442 |
| Funds Expended | <u>388,442</u> |
| Excess (Deficiency) of Funds Advanced | <u>\$ 0</u> |

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2013

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 | \$ 851,714 | | 54,040 | |
| 112 | Cash - Restricted | | | | |
| 114 | Cash - Tenant Security Deposits | 69,789 | | | |
| 100 | Total Cash | 921,503 | - | 54,040 | - |
| 122 | Acct. Rec. - HUD | 4,199 | 150 | 1,977 | |
| 125 | Acct. Rec. - Misc. | | | | 712 |
| 126 | Acct. Rec. - Tenants | 22,982 | | | 24 |
| 126.1 | Allowance Doubtful Accts. - Tenants | (9,230) | | | |
| 126.2 | Allowance Doubtful Accts. - Other | | | | (206) |
| 127 | Notes, Loans, & Mortgages Rec. - Current | 2,926 | | | |
| 128 | Fraud Recovery | 4,118 | | | 789 |
| 128.1 | Allowance Doubtful Accts. | (1,434) | | | (40) |
| 129 | Accrued Interest Receivable | 825 | | | |
| 120 | Net Total Receivables | 24,386 | 150 | 1,977 | 1,279 |
| 142 | Prepaid Expenses | 60,583 | | | 1,779 |
| 143 | Inventories | 63,140 | | | |
| 143.1 | Allowance for Obsolete Inventories | (2,000) | | | |
| 144 | Inter Program Due From | | | | |
| 150 | Total Current Assets | 1,067,612 | 150 | 56,017 | 3,058 |
| 161 | Land | 1,413,461 | | | |
| 162 | Buildings | 19,046,638 | | | |
| 164 | Furniture, Equip. & Mach. - Admin. | 162,414 | | | |
| 166 | Accumulated Depreciation | (14,945,141) | | | |
| 167 | Construction in Progress | 135,472 | | | |
| 160 | Net Fixed Assets | 5,812,844 | - | - | - |
| 171 | Notes Receivable - Non-Current | 145 | | | |
| 190 | TOTAL ASSETS | \$ 6,880,601 | \$ 150 | \$ 56,017 | \$ 3,058 |

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2013

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 |
|--------------|--|----------------------------|---|------------------------------|--|
| 312 | A/P <= 90 days | \$ 18,110 | \$ 357 | \$ 191 | \$ 988 |
| 313 | A/P <= 90 days Past Due | | | | |
| 321 | Accrued Wage/Taxes Payable | 9,993 | | | 523 |
| 322 | Accrued Compensated Absences - Current Portion | 22,339 | | | 1,149 |
| 331 | Accounts Payable - HUD PHA | | | | 7,928 |
| 333 | Accounts Payable - Other Government | 35,794 | | | |
| 341 | Tenant Security Deposits | 69,789 | | | |
| 342 | Unearned Revenue | 9,821 | | | 90 |
| 345 | Other Current Liabilities | 25,780 | | | |
| 346 | Accrued Liabilities - Other | 29,249 | | | 54 |
| 347 | Inter Program - Due To | | 150 | | 91,106 |
| 310 | Total Current Liabilities | <u>220,875</u> | <u>507</u> | <u>191</u> | <u>101,838</u> |
| 353 | Non-current Liabilities - Other | | | | |
| 354 | Accrued Comp. Abs. - Noncurrent | <u>12,658</u> | | | <u>863</u> |
| | TOTAL Liabilities | 233,533 | 507 | 191 | 102,701 |
| 508.1 | Invested in Capital Assets Net | 5,812,844 | | | |
| 511.1 | Restricted Net Position | | | 44,627 | |
| 512.1 | Unrestricted Net Position | <u>834,224</u> | <u>(357)</u> | <u>11,199</u> | <u>(99,643)</u> |
| 513 | TOTAL Equity/Net Position | <u>6,647,068</u> | <u>(357)</u> | <u>55,826</u> | <u>(99,643)</u> |
| 600 | TOTAL LIAB. & EQUITY | <u>\$ 6,880,601</u> | <u>\$ 150</u> | <u>\$ 56,017</u> | <u>\$ 3,058</u> |

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2013

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 | 1,012,321 | 12,039 | 453,045 | 445,873 |
| 112 | Cash - Restricted | 37,394 | | | |
| 114 | Cash - Tenant Security Deposits | | | | 2,103 |
| 100 | Total Cash | <u>1,049,715</u> | <u>12,039</u> | <u>453,045</u> | <u>447,976</u> |
| 122 | Acct. Rec. - HUD | | | | |
| 125 | Acct. Rec. - Misc. | 33,577 | 1,211 | 41,135 | |
| 126 | Acct. Rec. - Tenants | 40,039 | | | 5,526 |
| 126.1 | Allowance Doubtful Accts. - Tenants | (23,843) | | | (5,156) |
| 126.2 | Allowance Doubtful Accts. - Other | (27,564) | (1,211) | | |
| 127 | Notes, Loans, & Mortgages Rec. - Current | | | | 1,756 |
| 128 | Fraud Recovery | 27,842 | 418 | | |
| 128.1 | Allowance Doubtful Accts. | (3,982) | | | |
| 129 | Accrued Interest Receivable | 215 | | 256 | 292 |
| 120 | Net Total Receivables | <u>46,284</u> | <u>418</u> | <u>41,391</u> | <u>2,418</u> |
| 142 | Prepaid Expenses | 54,598 | 360 | 1,329 | 4,814 |
| 143 | Inventories | | | 688 | |
| 143.1 | Allowance for Obsolete Inventories | | | | |
| 144 | Inter Program Due From | 91,106 | | | |
| 150 | Total Current Assets | <u>1,241,703</u> | <u>12,817</u> | <u>496,453</u> | <u>455,208</u> |
| 161 | Land | | | 100,713 | 19,187 |
| 162 | Buildings | 250,058 | | 198,477 | 1,067,030 |
| 164 | Furniture, Equip. & Mach. - Admin. | 116,989 | | | 4,204 |
| 166 | Accumulated Depreciation | (122,522) | | (149,845) | (784,044) |
| 167 | Construction in Progress | | | | |
| 160 | Net Fixed Assets | <u>244,525</u> | <u>-</u> | <u>149,345</u> | <u>306,377</u> |
| 171 | Notes Receivable - Non-Current | | | | |
| 190 | TOTAL ASSETS | <u><u>\$ 1,486,228</u></u> | <u><u>\$ 12,817</u></u> | <u><u>\$ 645,798</u></u> | <u><u>\$ 761,585</u></u> |

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2013

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 |
|--------------|--|---|-------------------------|--------------------------|--------------------------|
| 312 | A/P <= 90 days | \$ 33,701 | \$ 372 | \$ 2,228 | \$ 767 |
| 313 | A/P <= 90 days Past Due | 65 | 160 | | |
| 321 | Accrued Wage/Taxes Payable | 55,863 | 75 | 452 | 356 |
| 322 | Accrued Compensated Absences - Current Portion | 30,902 | 193 | 1,402 | 896 |
| 331 | Accounts Payable - HUD PHA | | | | |
| 333 | Accounts Payable - Other Government | | | | |
| 341 | Tenant Security Deposits | | | | 2,103 |
| 342 | Unearned Revenue | | | | 332 |
| 345 | Other Current Liabilities | 1,297 | | | |
| 346 | Accrued Liabilities - Other | | 11 | | 6,201 |
| 347 | Inter Program - Due To | | | | |
| 310 | Total Current Liabilities | <u>121,828</u> | <u>811</u> | <u>4,082</u> | <u>10,655</u> |
| 353 | Non-current Liabilities - Other | 37,394 | | | |
| 354 | Accrued Comp. Abs. - Noncurrent | <u>21,023</u> | <u>203</u> | <u>738</u> | <u>563</u> |
| | TOTAL Liabilities | 180,245 | 1,014 | 4,820 | 11,218 |
| 508.1 | Invested in Capital Assets Net | 244,525 | | 149,345 | 306,377 |
| 511.1 | Restricted Net Position | | | | |
| 512.1 | Unrestricted Net Position | <u>1,061,458</u> | <u>11,803</u> | <u>491,633</u> | <u>443,990</u> |
| 513 | TOTAL Equity/Net Position | <u>1,305,983</u> | <u>11,803</u> | <u>640,978</u> | <u>750,367</u> |
| 600 | TOTAL LIAB. & EQUITY | <u>\$ 1,486,228</u> | <u>\$ 12,817</u> | <u>\$ 645,798</u> | <u>\$ 761,585</u> |

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2013

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

| Line item | Account Description | Section 8 Moderate | COCC | Subtotal |
|--------------|--|--------------------------|--------------------------|-----------------------------|
| 111 | Cash - Unrestricted | 479,744 | 31,832 | \$ 3,340,608 |
| 112 | Cash - Restricted | | | 37,394 |
| 114 | Cash - Tenant Security Deposits | | | 71,892 |
| 100 | Total Cash | <u>479,744</u> | <u>31,832</u> | <u>3,449,894</u> |
| 122 | Acct. Rec. - HUD | 23,453 | | 29,779 |
| 125 | Acct. Rec. - Misc. | 1,027 | | 77,662 |
| 126 | Acct. Rec. - Tenants | 125 | | 68,696 |
| 126.1 | Allowance Doubtful Accts. - Tenants | (100) | | (38,329) |
| 126.2 | Allowance Doubtful Accts. - Other | (971) | | (29,952) |
| 127 | Notes, Loans, & Mortgages Rec. - Current | | | 4,682 |
| 128 | Fraud Recovery | 2,177 | | 35,344 |
| 128.1 | Allowance Doubtful Accts. | (306) | | (5,762) |
| 129 | Accrued Interest Receivable | | | <u>1,588</u> |
| 120 | Net Total Receivables | 25,405 | - | 143,708 |
| 142 | Prepaid Expenses | 4,063 | 17,498 | 145,024 |
| 143 | Inventories | | | 63,828 |
| 143.1 | Allowance for Obsolete Inventories | | | (2,000) |
| 144 | Inter Program Due From | | 150 | 91,256 |
| 150 | Total Current Assets | <u>509,212</u> | <u>49,480</u> | <u>3,891,710</u> |
| 161 | Land | | 89,900 | 1,623,261 |
| 162 | Buildings | | 406,428 | 20,968,631 |
| 164 | Furniture, Equip. & Mach. - Admin. | | 154,975 | 438,582 |
| 166 | Accumulated Depreciation | | (339,621) | (16,341,173) |
| 167 | Construction in Progress | | | <u>135,472</u> |
| 160 | Net Fixed Assets | - | 311,682 | 6,824,773 |
| 171 | Notes Receivable - Non-Current | | | <u>145</u> |
| 190 | TOTAL ASSETS | <u><u>\$ 509,212</u></u> | <u><u>\$ 361,162</u></u> | <u><u>\$ 10,716,628</u></u> |

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2013

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

| Line item | Account Description | Section 8 Moderate | COCC | Subtotal |
|--------------|--|--------------------------|--------------------------|-----------------------------|
| 312 | A/P <= 90 days | 1,092 | \$ 6,511 | \$ 64,317 |
| 313 | A/P <= 90 days Past Due | 24 | | 249 |
| 321 | Accrued Wage/Taxes Payable | 1,601 | 3,118 | 71,981 |
| 322 | Accrued Compensated Absences - Current Portion | 2,666 | 14,148 | 73,695 |
| 331 | Accounts Payable - HUD PHA | 21,875 | | 29,803 |
| 333 | Accounts Payable - Other Government | | | 35,794 |
| 341 | Tenant Security Deposits | | | 71,892 |
| 342 | Unearned Revenue | 3 | | 10,246 |
| 345 | Other Current Liabilities | | | 27,077 |
| 346 | Accrued Liabilities - Other | 125 | 370 | 36,010 |
| 347 | Inter Program - Due To | | | 91,256 |
| 310 | Total Current Liabilities | <u>27,386</u> | <u>24,147</u> | 512,320 |
| 353 | Non-current Liabilities - Other | | | 37,394 |
| 354 | Accrued Comp. Abs. - Noncurrent | <u>2,007</u> | <u>4,187</u> | <u>42,242</u> |
| | TOTAL Liabilities | 29,393 | 28,334 | 591,956 |
| 508.1 | Invested in Capital Assets Net | | 311,682 | 6,824,773 |
| 511.1 | Restricted Net Position | | | 44,627 |
| 512.1 | Unrestricted Net Position | <u>479,819</u> | <u>21,146</u> | <u>3,255,272</u> |
| 513 | TOTAL Equity/Net Position | <u>479,819</u> | <u>332,828</u> | <u>10,124,672</u> |
| 600 | TOTAL LIAB. & EQUITY | <u>\$ 509,212</u> | <u>\$ 361,162</u> | <u>\$ 10,716,628</u> |

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2013

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

| Line item | Account Description | Elimination | Total |
|--------------|--|--------------------|----------------------|
| 111 | Cash - Unrestricted | \$ - | \$ 3,340,608 |
| 112 | Cash - Restricted | | 37,394 |
| 114 | Cash - Tenant Security Deposits | | 71,892 |
| 100 | Total Cash | - | 3,449,894 |
| 122 | Acct. Rec. - HUD | | 29,779 |
| 125 | Acct. Rec. - Misc. | | 77,662 |
| 126 | Acct. Rec. - Tenants | | 68,696 |
| 126.1 | Allowance Doubtful Accts. - Tenants | | (38,329) |
| 126.2 | Allowance Doubtful Accts. - Other | | (29,952) |
| 127 | Notes, Loans, & Mortgages Rec. - Current | | 4,682 |
| 128 | Fraud Recovery | | 35,344 |
| 128.1 | Allowance Doubtful Accts. | | (5,762) |
| 129 | Accrued Interest Receivable | | 1,588 |
| 120 | Net Total Receivables | | 143,708 |
| 142 | Prepaid Expenses | | 145,024 |
| 143 | Inventories | | 63,828 |
| 143.1 | Allowance for Obsolete Inventories | | (2,000) |
| 144 | Inter Program Due From | (91,256) | - |
| 150 | Total Current Assets | (91,256) | 3,800,454 |
| 161 | Land | | 1,623,261 |
| 162 | Buildings | | 20,968,631 |
| 164 | Furniture, Equip. & Mach. - Admin. | | 438,582 |
| 166 | Accumulated Depreciation | | (16,341,173) |
| 167 | Construction in Progress | | 135,472 |
| 160 | Net Fixed Assets | - | 6,824,773 |
| 171 | Notes Receivable - Non-Current | | 145 |
| 190 | TOTAL ASSETS | \$ (91,256) | \$ 10,625,372 |

Portage Metropolitan Housing Authority
Statement of Net Position
December 31, 2013

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

| Line item | Account Description | Elimination | Total |
|--------------|--|--------------------|----------------------|
| 312 | A/P <= 90 days | | \$ 64,317 |
| 313 | A/P <= 90 days Past Due | | 249 |
| 321 | Accrued Wage/Taxes Payable | | 71,981 |
| 322 | Accrued Compensated Absences - Current Portion | | 73,695 |
| 331 | Accounts Payable - HUD PHA | | 29,803 |
| 333 | Accounts Payable - Other Government | | 35,794 |
| 341 | Tenant Security Deposits | | 71,892 |
| 342 | Unearned Revenue | | 10,246 |
| 345 | Other Current Liabilities | | 27,077 |
| 346 | Accrued Liabilities - Other | | 36,010 |
| 347 | Inter Program - Due To | (91,256) | - |
| 310 | Total Current Liabilities | (91,256) | 421,064 |
| 353 | Non-current Liabilities - Other | | 37,394 |
| 354 | Accrued Comp. Abs. - Noncurrent | | 42,242 |
| | TOTAL Liabilities | (91,256) | 500,700 |
| 508.1 | Invested in Capital Assets Net | | 6,824,773 |
| 511.1 | Restricted Net Position | | 44,627 |
| 512.1 | Unrestricted Net Position | | 3,255,272 |
| 513 | TOTAL Equity/Net Position | - | 10,124,672 |
| 600 | TOTAL LIAB. & EQUITY | \$ (91,256) | \$ 10,625,372 |

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2013

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 | \$ 604,249 | | | |
| 704 | Tenant Revenue - Other | 50,821 | | 10 | |
| 705 | Total Tenant Revenue | 655,070 | - | 10 | - |
| 706 | HUD PHA Operating Grants | | 73,971 | 63,868 | 401,043 |
| 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 | 2,041 | | | |
| 714 | Fraud Recovery | 21,386 | | 3,088 | 1,374 |
| 715 | Other Revenue | 12,738 | | | 245 |
| 716 | Gain or Loss on Sale of Capital Assets | | | | |
| 700 | TOTAL REVENUE | 691,235 | 73,971 | 66,966 | 402,662 |
| 911 | Admin Salaries | 232,159 | 56,446 | | 19,490 |
| 912 | Audit | 3,666 | | | 221 |
| 913 | Management Fee | 188,552 | | | |
| 913.1 | Bookkeeping Fee | 26,896 | | | |
| 914 | Advertising and Marketing | 204 | | | 43 |
| 915 | Employee Benefits | 104,669 | 7,920 | | 8,967 |
| 916 | Office Expenses | 8,620 | | 2,412 | 8,632 |
| 917 | Legal Expense | 7,511 | | | 1,247 |
| 918 | Travel | 272 | | 63 | 121 |
| | Total Operating - Admin. | 572,549 | 64,366 | 2,475 | 38,721 |
| 920 | Asset Management Fee | 36,600 | | | |
| 921 | Tenant Services – Salaries | | | | |
| 922 | Relocation Costs | 191 | | | |
| 923 | Employee Benefit Contributions - Tenant Services | | | | |
| 924 | Tenant Services – Other | 12,391 | 9,962 | | |
| 925 | Total Tenant Services | 12,582 | 9,962 | - | - |
| 931 | Water | 68,541 | | | |
| 932 | Electricity | 89,877 | | | 297 |
| 933 | Gas | 15,141 | | | 142 |
| 936 | Sewer | 91,261 | | | |
| 930 | Total Utilities | 264,820 | - | - | 439 |

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2013

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 | 128,495 | | | |
| 942 | Ordinary Maint. & Operations - Materials & Other | 136,386 | | | 861 |
| 943 | Ordinary Maint. & Operations - Contracts | 151,483 | | 4 | 2,061 |
| 945 | Employee Benefits Contributions - Ordinary Maint. | 80,449 | | | |
| 940 | Total Maintenance | <u>496,813</u> | - | 4 | 2,922 |
| 952 | Protective Services - Other Contract Costs | <u>3,397</u> | | | |
| 950 | Total Protective Services | 3,397 | - | - | - |
| 961.1 | Property Insurance | | | | |
| 961.2 | Liability Insurance | 41,922 | | | 354 |
| 961.3 | Workmen's Compensation | 7,493 | | | 492 |
| 961.4 | All Other Insurance | | | | 8 |
| 961 | Total Insurance | <u>49,415</u> | - | - | 854 |
| 962 | Other General Expenses | 1,457 | | | |
| 962.1 | Compensated Absences | (6,778) | | 84 | 187 |
| 963 | Payments in Lieu of Taxes | 35,794 | | | |
| 964 | Bad Debt - Tenant Rents | 25,065 | | 3,045 | 40 |
| 966 | Bad Debt - Other | | | | 206 |
| 960 | Total Other General Expenses | <u>55,538</u> | - | 3,129 | 433 |
| 967.2 | Interest on Notes Payable | | | | |
| 967 | Total Interest Expense and Amortization Costs | - | - | - | - |
| | TOTAL OPERATING EXPENSES | <u>1,491,714</u> | <u>74,328</u> | <u>5,608</u> | <u>43,369</u> |
| 970 | Excess Operating Revenue over Expenses | (800,479) | (357) | 61,358 | 359,293 |
| 971 | Extraordinary Maintenance | 2,226 | | | |
| 972 | Casualty Losses - Non Capital | | | | |
| 973 | Housing Assistance Payments | | | 106,115 | 344,271 |
| 973.5 | HAP Portability-In | | | | |
| 974 | Depreciation Expense | <u>561,944</u> | | | |
| 900 | TOTAL EXPENSES | 2,055,884 | 74,328 | 111,723 | 387,640 |
| 1001 | Operating Transfer In | 1,122,225 | | | |
| 1002 | Operating Transfer Out | <u>(22,147)</u> | | | |
| 1010 | Total Other Financing Sources (Uses) | <u>1,100,078</u> | - | - | - |
| 1000 | Excess (Deficiency) of Total Revenue Over (Under) | | | | |
| | Total Expenses | <u>\$ (264,571)</u> | <u>\$ (357)</u> | <u>\$ (44,757)</u> | <u>\$ 15,022</u> |

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2013

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

| <u>Line item</u> | <u>Account Description</u> | <u>Moving to Work Demonstration Program</u> | <u>Shelter Plus Care</u> | <u>State & Local</u> | <u>Business Activities</u> |
|------------------|--|---|----------------------------------|--------------------------|--------------------------------|
| 703 | Net Tenant Rental Revenue | 580 | | | 165,305 |
| 704 | Tenant Revenue - Other | | | | 2,223 |
| 705 | Total Tenant Revenue | 580 | - | - | 167,528 |
| 706 | HUD PHA Operating Grants | | 214,706 | | |
| 706.1 | Capital Grants | | | | |
| 707.1 | Management Fee | | | | |
| 707.2 | Asset Management Fee | | | | |
| 707.3 | Bookkeeping Fee | | | | |
| 708 | Other Government Grants | | | 8,225 | |
| 711 | Investment Income – Unrestricted | 4,351 | | 1,249 | 633 |
| 714 | Fraud Recovery | 66,113 | 498 | | |
| 715 | Other Revenue | 29,120 | 49 | 105,243 | 55,950 |
| 716 | Gain or Loss on Sale of Capital Assets | | | | |
| 700 | TOTAL REVENUE | 100,164 | 215,253 | 114,717 | 224,111 |
| 911 | Admin Salaries | 525,146 | 4,342 | 27,670 | 17,889 |
| 912 | Audit | 5,274 | 44 | 200 | 111 |
| 913 | Management Fee | | | | |
| 913.1 | Bookkeeping Fee | | | | |
| 914 | Advertising and Marketing | 1,028 | 8 | | 16 |
| 915 | Employee Benefits | 216,024 | 1,824 | 10,221 | 5,738 |
| 916 | Office Expenses | 76,674 | 3,981 | 1,149 | 1,661 |
| 917 | Legal Expense | 17,164 | 229 | | 1,098 |
| 918 | Travel | 4,827 | 19 | 559 | 52 |
| | Total Operating - Admin. | 846,137 | 10,447 | 39,799 | 26,565 |
| 920 | Asset Management Fee | | | | |
| 921 | Tenant Services – Salaries | 32,577 | | | |
| 922 | Relocation Costs | | | | |
| 923 | Employee Benefit Contributions - Tenant Services | 12,909 | | | |
| 924 | Tenant Services – Other | | | 342 | |
| 925 | Total Tenant Services | 45,486 | - | 342 | - |
| 931 | Water | | | | 4,509 |
| 932 | Electricity | 7,087 | 59 | | 5,983 |
| 933 | Gas | 3,384 | 28 | | 13,112 |
| 936 | Sewer | | | | 7,879 |
| 930 | Total Utilities | 10,471 | 87 | - | 31,483 |

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2013

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

| <u>Line item</u> | <u>Account Description</u> | <u>Moving to Work Demonstration Program</u> | <u>Shelter Plus Care</u> | <u>State & Local</u> | <u>Business Activities</u> |
|------------------|---|---|----------------------------------|--------------------------|--------------------------------|
| 941 | Ordinary Maint. & Operations - Labor | 4,476 | | 14,386 | 10,425 |
| 942 | Ordinary Maint. & Operations - Materials & Other | 20,995 | 151 | 17,777 | 11,175 |
| 943 | Ordinary Maint. & Operations - Contracts | 48,581 | 394 | 13,344 | 22,929 |
| 945 | Employee Benefits Contributions - Ordinary Maint. | 1,900 | | 2,394 | 4,233 |
| 940 | Total Maintenance | 75,952 | 545 | 47,901 | 48,762 |
| 952 | Protective Services - Other Contract Costs | | | | |
| 950 | Total Protective Services | - | - | - | - |
| 961.1 | Property Insurance | | | 2,000 | 3,312 |
| 961.2 | Liability Insurance | 8,429 | 48 | | |
| 961.3 | Workmen's Compensation | 13,329 | 195 | 572 | 551 |
| 961.4 | All Other Insurance | 202 | 2 | | 3,790 |
| 961 | Total Insurance | 21,960 | 245 | 2,572 | 7,653 |
| 962 | Other General Expenses | | | 2,350 | |
| 962.1 | Compensated Absences | 3,219 | (20) | (849) | (788) |
| 963 | Payments in Lieu of Taxes | | | | |
| 964 | Bad Debt - Tenant Rents | 10,268 | 1,211 | | 2,752 |
| 966 | Bad Debt - Other | 27,564 | | | |
| 960 | Total Other General Expenses | 41,051 | 1,191 | 1,501 | 1,964 |
| 967.2 | Interest on Notes Payable | | | | |
| 967 | Total Interest Expense and Amortization Costs | - | - | - | - |
| | TOTAL OPERATING EXPENSES | 1,041,057 | 12,515 | 92,115 | 116,427 |
| 970 | Excess Operating Revenue over Expenses | (940,893) | 202,738 | 22,602 | 107,684 |
| 971 | Extraordinary Maintenance | | | | |
| 972 | Casualty Losses - Non Capital | | | | |
| 973 | Housing Assistance Payments | 9,094,312 | 198,734 | | |
| 973.5 | HAP Portability-In | 17,911 | | | |
| 974 | Depreciation Expense | 15,218 | | 3,897 | 46,926 |
| 900 | TOTAL EXPENSES | 10,168,498 | 211,249 | 96,012 | 163,353 |
| 1001 | Operating Transfer In | 9,519,698 | | | |
| 1002 | Operating Transfer Out | | | | |
| 1010 | Total Other Financing Sources (Uses) | 9,519,698 | - | - | - |
| 1000 | Excess (Deficiency) of Total Revenue Over (Under) | | | | |
| | Total Expenses | \$ (548,636) | \$ 4,004 | \$ 18,705 | \$ 60,758 |

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2013

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

| Line item | <u>Account Description</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 | 1,294,954 | | 45,470 |
| 706.1 | Capital Grants | | | 249,337 |
| 707.1 | Management Fee | | 188,552 | |
| 707.2 | Asset Management Fee | | 36,600 | |
| 707.3 | Bookkeeping Fee | | 26,896 | |
| 708 | Other Government Grants | | | |
| 711 | Investment Income - Unrestricted | | | |
| 714 | Fraud Recovery | 2,808 | | |
| 715 | Other Revenue | 2,428 | 1,692 | |
| 716 | Gain or Loss on Sale of Capital Assets | | (4,574) | |
| 700 | TOTAL REVENUE | 1,300,190 | 249,166 | 294,807 |
| 911 | Admin Salaries | 46,539 | 126,366 | |
| 912 | Audit | 506 | 79 | |
| 913 | Management Fee | | | |
| 913.1 | Bookkeeping Fee | | | |
| 914 | Advertising and Marketing | 99 | 317 | |
| 915 | Employee Benefits | 20,642 | 51,601 | |
| 916 | Office Expenses | 5,956 | 17,772 | |
| 917 | Legal Expense | 2,850 | 5,125 | |
| 918 | Travel | 276 | 890 | |
| | Total Operating - Admin. | 76,868 | 202,150 | - |
| 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 | 679 | 2,024 | |
| 933 | Gas | 325 | 967 | |
| 936 | Sewer | | | |
| 930 | Total Utilities | 1,004 | 2,991 | - |

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2013

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

| <u>Line item</u> | <u>Account Description</u> | <u>Section 8 Moderate</u> | <u>COCC</u> | <u>CFP Moving to Work Demonstration Program</u> |
|------------------|---|-------------------------------|--------------------|---|
| 941 | Ordinary Maint. & Operations - Labor | | 2,011 | |
| 942 | Ordinary Maint. & Operations - Materials & Other | 2,092 | 29,521 | |
| 943 | Ordinary Maint. & Operations - Contracts | 4,707 | 13,497 | |
| 945 | Employee Benefits Contributions - Ordinary Maint. | | 857 | |
| 940 | Total Maintenance | <u>6,799</u> | <u>45,886</u> | - |
| 952 | Protective Services - Other Contract Costs | | | |
| 950 | Total Protective Services | <u>-</u> | <u>-</u> | <u>-</u> |
| 961.1 | Property Insurance | | | |
| 961.2 | Liability Insurance | 808 | 6,788 | |
| 961.3 | Workmen's Compensation | 1,151 | 3,240 | |
| 961.4 | All Other Insurance | 19 | 58 | |
| 961 | Total Insurance | <u>1,978</u> | <u>10,086</u> | - |
| 962 | Other General Expenses | | | |
| 962.1 | Compensated Absences | 435 | (4,085) | |
| 963 | Payments in Lieu of Taxes | | | |
| 964 | Bad Debt - Tenant Rents | | | |
| 966 | Bad Debt - Other | 971 | | |
| 960 | Total Other General Expenses | <u>1,406</u> | <u>(4,085)</u> | - |
| 967.2 | Interest on Notes Payable | | | |
| 967 | Total Interest Expense and Amortization Costs | <u>-</u> | <u>-</u> | <u>-</u> |
| | TOTAL OPERATING EXPENSES | <u>88,055</u> | <u>257,028</u> | <u>-</u> |
| 970 | Excess Operating Revenue over Expenses | 1,212,135 | (7,862) | 294,807 |
| 971 | Extraordinary Maintenance | | | |
| 972 | Casualty Losses - Non Capital | | 16,130 | |
| 973 | Housing Assistance Payments | 1,165,085 | | |
| 973.5 | HAP Portability-In | | | |
| 974 | Depreciation Expense | | 26,277 | |
| 900 | TOTAL EXPENSES | <u>1,253,140</u> | <u>299,435</u> | - |
| 1001 | Operating Transfer In | | | |
| 1002 | Operating Transfer Out | | | (294,807) |
| 1010 | Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>(294,807)</u> |
| 1000 | Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | <u>\$ 47,050</u> | <u>\$ (50,269)</u> | <u>\$ -</u> |

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2013

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 | Subtotal | Elimination | Total |
|--------------|--|--|--|------------|-------------|------------|
| 703 | Net Tenant Rental Revenue | | | \$ 770,134 | \$ - | \$ 770,134 |
| 704 | Tenant Revenue - Other | | | 53,054 | | 53,054 |
| 705 | Total Tenant Revenue | - | - | 823,188 | - | 823,188 |
| 706 | HUD PHA Operating Grants | 9,519,698 | 805,271 | 12,418,981 | | 12,418,981 |
| 706.1 | Capital Grants | | | 249,337 | | 249,337 |
| 707.1 | Management Fee | | | 188,552 | (188,552) | - |
| 707.2 | Asset Management Fee | | | 36,600 | (36,600) | - |
| 707.3 | Bookkeeping Fee | | | 26,896 | (26,896) | - |
| 708 | Other Government Grants | | | 8,225 | | 8,225 |
| 711 | Investment Income - Unrestricted | | | 8,274 | | 8,274 |
| 714 | Fraud Recovery | | | 95,267 | | 95,267 |
| 715 | Other Revenue | | | 207,465 | | 207,465 |
| 716 | Gain or Loss on Sale of Capital Assets | | | (4,574) | | (4,574) |
| 700 | TOTAL REVENUE | 9,519,698 | 805,271 | 14,058,211 | (252,048) | 13,806,163 |
| 911 | Admin Salaries | | | 1,056,047 | | 1,056,047 |
| 912 | Audit | | | 10,101 | | 10,101 |
| 913 | Management Fee | | | 188,552 | (188,552) | - |
| 913.1 | Bookkeeping Fee | | | 26,896 | (26,896) | - |
| 914 | Advertising and Marketing | | | 1,715 | | 1,715 |
| 915 | Employee Benefits | | | 427,606 | | 427,606 |
| 916 | Office Expenses | | | 126,857 | | 126,857 |
| 917 | Legal Expense | | | 35,224 | | 35,224 |
| 918 | Travel | | | 7,079 | | 7,079 |
| | Total Operating - Admin. | - | - | 1,880,077 | (215,448) | 1,664,629 |
| 920 | Asset Management Fee | | | 36,600 | (36,600) | - |
| 921 | Tenant Services - Salaries | | | 32,577 | | 32,577 |
| 922 | Relocation Costs | | | 191 | | 191 |
| 923 | Employee Benefit Contributions - Tenant Services | | | 12,909 | | 12,909 |
| 924 | Tenant Services - Other | | | 22,695 | | 22,695 |
| 925 | Total Tenant Services | - | - | 68,372 | | 68,372 |
| 931 | Water | | | 73,050 | | 73,050 |
| 932 | Electricity | | | 106,006 | | 106,006 |
| 933 | Gas | | | 33,099 | | 33,099 |
| 936 | Sewer | | | 99,140 | | 99,140 |
| 930 | Total Utilities | - | - | 311,295 | - | 311,295 |

Portage Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended December 31, 2013

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

| <u>Line item</u> | <u>Account Description</u> | HVC Moving to Work Demonstration Program | Low Rent Moving to Work Demonstration Program | Total | Elimination | Total |
|------------------|---|---|--|------------------|--------------------|------------------|
| 941 | Ordinary Maint. & Operations - Labor | | | 159,793 | | 159,793 |
| 942 | Ordinary Maint. & Operations - Materials & Other | | | 218,958 | | 218,958 |
| 943 | Ordinary Maint. & Operations - Contracts | | | 257,000 | | 257,000 |
| 945 | Employee Benefits Contributions - Ordinary Maint. | | | 89,833 | | 89,833 |
| 940 | Total Maintenance | - | - | 725,584 | - | 725,584 |
| 952 | Protective Services - Other Contract Costs | | | 3,397 | | 3,397 |
| 950 | Total Protective Services | - | - | 3,397 | - | 3,397 |
| 961.1 | Property Insurance | | | 5,312 | | 5,312 |
| 961.2 | Liability Insurance | | | 58,349 | | 58,349 |
| 961.3 | Workmen's Compensation | | | 27,023 | | 27,023 |
| 961.4 | All Other Insurance | | | 4,079 | | 4,079 |
| 961 | Total Insurance | - | - | 94,763 | - | 94,763 |
| 962 | Other General Expenses | | | 3,807 | | 3,807 |
| 962.1 | Compensated Absences | | | (8,595) | | (8,595) |
| 963 | Payments in Lieu of Taxes | | | 35,794 | | 35,794 |
| 964 | Bad Debt - Tenant Rents | | | 42,381 | | 42,381 |
| 966 | Bad Debt - Other | | | 28,741 | | 28,741 |
| 960 | Total Other General Expenses | - | - | 102,128 | - | 102,128 |
| 967.2 | Interest on Notes Payable | | | | | - |
| 967 | Total Interest Expense and Amortization Costs | - | - | - | - | - |
| | TOTAL OPERATING EXPENSES | - | - | 3,222,216 | (252,048) | 2,970,168 |
| 970 | Excess Operating Revenue over Expenses | 9,519,698 | 805,271 | 10,835,995 | - | 10,835,995 |
| 971 | Extraordinary Maintenance | | | 2,226 | | 2,226 |
| 972 | Casualty Losses - Non Capital | | | 16,130 | | 16,130 |
| 973 | Housing Assistance Payments | | | 10,908,517 | | 10,908,517 |
| 973.5 | HAP Portability-In | | | 17,911 | | 17,911 |
| 974 | Depreciation Expense | | | 654,262 | | 654,262 |
| 900 | TOTAL EXPENSES | - | - | 14,821,262 | (252,048) | 14,569,214 |
| 1001 | Operating Transfer In | | | 10,641,923 | | 10,641,923 |
| 1002 | Operating Transfer Out | (9,519,698) | (805,271) | (10,641,923) | | (10,641,923) |
| 1010 | Total Other Financing Sources (Uses) | (9,519,698) | (805,271) | - | - | - |
| 1000 | Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | \$ - | \$ - | \$ (763,051) | \$ - | \$ (763,051) |

Portage Metropolitan Housing Authority
 Additional Information Required by HUD
 For the Year Ended December 31, 2013

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

| Line item | Account Description | Public Housing | Section 8 Moderate | Moving to Work Demonstration Program | Supportive Housing for Persons with Disabilities |
|----------------------|-----------------------------|---------------------------|-------------------------------|---|---|
| 11190 | Unit Months Available | 3,624 | 2,064 | 18,504 | 900 |
| 11210 | Number of Unit Month Leased | 3,555 | 2,064 | 18,069 | 890 |

Portage Metropolitan Housing Authority
 Additional Information Required by HUD
 For the Year Ended December 31, 2013

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

| Line item | Account Description | Business Activities | Veterans Affairs Supportive Housing | Shelter Plus Care |
|----------------------|-----------------------------|--------------------------------|--|----------------------------------|
| 11190 | Unit Months Available | 324 | 300 | 600 |
| 11210 | Number of Unit Month Leased | 299 | 248 | 425 |

**PORTAGE METROPOLITAN HOUSING AUTHORITY
 HEDULLE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2013**

| 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>805,271</u> |
| Total PHA Owned Housing | | 805,271 |
| CFP Cluster: | | |
| Capital Fund Program | 14.872 | <u>294,807</u> |
| Total CFP Cluster | | 294,807 |
| Section 8 Programs: | | |
| Section 8 Project Based Cluster: | | |
| Annual Contribution – Mod. Rehab. | 14.856 | <u>1,251,497</u> |
| Total Section 8 Project Based Cluster | | 1,251,497 |
| Supportive Housing for Persons with Disabilities | 14.181 | 387,640 |
| Annual Contribution – Housing Choice Voucher | 14.871 | <u>10,180,760</u> |
| Total Section 8 Program | | 11,819,897 |
| Resident Opportunity and Supportive Services | 14.870 | 74,328 |
| Shelter Plus Care | 14.238 | <u>211,249</u> |
| Total U.S. Department of Housing and Urban Development | | <u>13,205,552</u> |
| TOTAL ALL PROGRAMS | | <u><u>\$13,205,552</u></u> |

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



Kevin L.
Penn, Inc.

Certified Public Accountant
11811 Shaker Boulevard, Suite 421
Cleveland, Ohio 44120
(216)421-1000
Fax:(216)421-1001
Email: klpenncpa@aol.com

**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 44266

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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued my report thereon dated July 18, 2014.

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 2013-1; 2013-2 and 2013-3 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 July 18, 2014.

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.

July 18, 2014



Kevin L.
enn, Inc.

Certified Public Accountant
11811 Shaker Boulevard, Suite 421
Cleveland, Ohio 44120
(216)421-1000
Fax:(216)421-1001
Email: klpenncpa@aol.com

**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 44266

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, 2013. 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, 2013.

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.

July 18, 2014

Portage Metropolitan Housing Authority
 Schedule of Findings
 December 31, 2013

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 |
| 14.181 | Supportive Housing for Persons with Disabilities |
| 14.238 | Shelter Plus Care |
| Dollar threshold used to distinguish between Type A and Type B programs: | Type A: > \$396,167 Type B: all others |
| Auditee qualified as low-risk auditee? | Yes |

Portage Metropolitan Housing Authority
Schedule of Findings
December 31, 2013

Section II - Financial Statement Findings

2013-1

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 is assessing the adequacy of the design of existing policies and procedures as well as controls and formally documenting all policies and procedures related to financial activities that will impact financial statement preparation and possibly lead to material deficiencies in any financial reporting.

Portage Metropolitan Housing Authority
Schedule of Findings
December 31, 2013

Section II - Financial Statement Findings

2013-2

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 update and document its methods used to allocate indirect costs during 2014, and apply this procedure to 2014 financial data and statements.

2013-3

Disaster Recovery Plan

Condition:

A contingency plan to ensure the continued operation of data processing in the event of a localized disaster or hardware failure has not been developed.

Portage Metropolitan Housing Authority
Schedule of Findings
December 31, 2013

2013-3

Disaster Recovery Plan (continued)

Criteria:

A well-defined, written disaster recovery plan should be approved by Portage Metropolitan Housing Authority.

Effect:

The financial data for the months of November and December had to be reentered in order to prepare the year-end financial statements.

Cause:

Lack of internal controls over the computer environment.

Recommendation:

The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing IT facilities. I recommend that management develop a disaster recovery plan that includes, but is not limited to, the following matters:

- Location of, and access to, off-site storage.
- A listing of all data files that would have to be obtained from the off-site storage location.
- Identification of a backup location (name and telephone number) with similar or compatible equipment for emergency processing. (Management should make arrangements for such backup with another company, a computer vendor, or a service center. The agreement should be in writing.)
- Responsibilities of various personnel in an emergency.
- Priority of critical applications and reporting requirements during the emergency period.

The plan should be tested periodically through actual "forced" offline processing to ensure adequate familiarity by all employees.

Auditee's Response:

PMHA has an overall emergency plan for the agency, and will include and enhance the section specifically related to IT functions to resolve this finding. In the meantime, PMHA has established practices related to off-site storage to improve access to and recovery of data in cases of disaster or emergency situation.

Section III - Federal Award Findings

There were no audit findings.

Portage Metropolitan Housing Authority
Status of Prior Year Findings
December 31, 2013

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.

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.

Current Status:

This finding will be repeated in the 2013 audit.

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.

Portage Metropolitan Housing Authority
Status of Prior Year Findings
December 31, 2013

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 (continued)

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.

Current Status:

This finding will be repeated in the 2013 audit.



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
SEPTEMBER 30, 2014**