

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**

**AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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





Mary Taylor, CPA  
Auditor of State

Board of Commissioners  
Cincinnati Metropolitan Housing Authority  
16 West Central Parkway  
Cincinnati, Ohio 45202

We have reviewed the *Independent Auditor's Report* of the Cincinnati Metropolitan Housing Authority, Hamilton County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2008 through June 30, 2009. 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 Cincinnati Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

March 2, 2010

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**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**AUDIT REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Cincinnati Metropolitan Housing Authority  
Cincinnati, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited the accompanying financial statements of the Cincinnati Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cincinnati Metropolitan Housing Authority, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

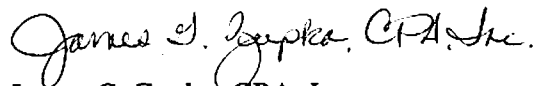
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Cincinnati Metropolitan Housing Authority, Ohio, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2009, on our consideration of the Cincinnati Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cincinnati Metropolitan Housing Authority, Ohio's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Cincinnati Metropolitan Housing Authority, Ohio. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



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

December 9, 2009



**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2009**

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This discussion and analysis provides the reader with a narrative overview and financial analysis of Cincinnati Metropolitan Housing Authority's (CMHA) financial activities and performance for the year ended June 30, 2009. This section should be read in conjunction with the audited financial statements and accompanying notes.

**Financial Highlights**

- CMHA's total assets and liabilities were \$289,536,981 and \$38,686,369, respectively; therefore, net assets were \$250,850,612 as of June 30, 2009.
- Total revenues, including capital contributions and total expenses, were \$115,038,293 and \$112,477,612, respectively, resulting in a \$2,560,681 change in net assets for fiscal year 2009.
- Fiscal year 2009 resulted in a net decrease in cash and cash equivalents of \$1,916,186, a decrease in investments of \$2,766,799, and an increase of \$544,201 in capital assets, which includes Construction in Progress.

**Overview of the Financial Statements**

*Management's Discussion and Analysis* - The Management's Discussion and Analysis is intended to serve as an introduction to the Authority-wide financial statements. The Authority-wide financial statements and Notes to Financial Statements included in the Audit Report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for Proprietary Fund types and in compliance with the regulations set forth in GASB Statement No. 34.

*Authority-wide Financial Statements* - The Authority-wide financial statements are designed to provide readers with a broad overview of CMHA's finances in a manner similar to a private-sector business. The statements consist of the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows.

*Notes to Financial Statements* - The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the Authority-wide financial statements.

# CINCINNATI METROPOLITAN HOUSING AUTHORITY

## Management's Discussion and Analysis

June 30, 2009

(Continued)

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### Overview of the Financial Statements

CMHA has many programs that are consolidated into a single enterprise fund. The major programs consist of the following:

*Conventional Public Housing* - Under the Conventional or Low Rent Housing Program, CMHA rents units that it owns to low income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD), and HUD provides Operating Subsidy and Capital Grant Funding to enable CMHA to provide the housing at a rent that is based upon approximately 30 percent of household income.

*Capital Fund Program* - The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to CMHA's properties. The formula funding methodology used is based upon the number of units, including the bedroom sizes and the age of the buildings/units.

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

*HOPE VI Grant* - The HOPE VI grants are programs funded by HUD for redevelopment of CMHA's properties. It is a mixed financing and mixed-use development with homeownership opportunities for public housing residents.

### Overview of CMHA's Financial Position and Operations

#### Net Assets

CMHA's total assets decreased by \$3.1 million during fiscal year 2009. The combination of cash and cash equivalents and investments decreased by \$4.7 million over fiscal year 2008. The decrease in cash and equivalents resulted from the drawing down of escrow funds used for Capital Fund financing activities. This net change is represented within the Business Activities Program.

Total liabilities decreased in fiscal year 2009 by \$5.6 million. This was primarily due to the payment of long term debt and the timing of the disbursement of payables.

The change in invested capital assets and net of related debt reflects a reclassification of equity to restricted net assets from the prior year.

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2009**  
(Continued)

<b>Statement of Net Assets (in Millions)</b>			
(Condensed)			
	2009	2008	Change
<b><u>ASSETS</u></b>			
Current Assets	\$ 40.7	\$ 49.6	\$ (8.9)
Other Assets	38.5	33.3	5.2
Capital Assets	210.3	209.7	0.6
<b>TOTAL ASSETS</b>	<b>289.5</b>	<b>292.6</b>	<b>(3.1)</b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>			
<b><u>Liabilities</u></b>			
Current Liabilities	9.7	13.0	(3.3)
Long-term Liabilities	29.0	31.3	(2.3)
<b>Total Liabilities</b>	<b>38.7</b>	<b>44.3</b>	<b>(5.6)</b>
 <b><u>Net Assets</u></b>			
Invested in Capital Assets, Net of Related Debt	178.8	174.7	4.1
Restricted Net Assets	15.9	16.6	(0.7)
Unrestricted Net Assets	56.1	57.0	(0.9)
<b>Total Net Assets</b>	<b>250.8</b>	<b>248.3</b>	<b>2.5</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 289.5</b>	<b>\$ 292.6</b>	<b>\$ (3.1)</b>

**Revenues, Expenses, and Changes in Net Assets**

CMHA's operational income for fiscal year 2009 increased by \$4.3 million on a consolidated basis. This is largely due to an increase in Governmental Grants revenue. As a result of funding shortfalls from HUD, CMHA was forced to implement a reduction in staffing agency-wide. The direct result was a reduction in salaries and benefits. During fiscal year 2009, CMHA completed the demolition of English Woods, which resulted in a reduction of depreciable assets from the prior year.

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2009**  
(Continued)

<b>Statement of Revenues, Expenses, and Changes in Net Assets (in Millions)</b>			
(Condensed)			
	2009	2008	Change
<b><u>Operating Revenues</u></b>			
Operating/Other Revenues	\$ 13.1	\$ 14.1	\$ (1.0)
Governmental Revenues	99.9	96.6	3.3
<b>Total Operating Revenues</b>	<b>113.0</b>	<b>110.7</b>	<b>2.3</b>
<b><u>Operating Expenses</u></b>			
Operating Expenses	103.3	103.1	0.2
Depreciation Expense	8.0	11.0	(3.0)
<b>Total Operating Expenses</b>	<b>111.3</b>	<b>114.1</b>	<b>(2.8)</b>
Net Operating Income	1.7	(3.4)	5.1
<b>Total Non-Operating Revenues/Expenses</b>	<b>0.8</b>	<b>1.6</b>	<b>(0.8)</b>
Change in Net Assets	2.5	(1.8)	4.3
Net Assets, Beginning of Year	248.3	250.9	(2.6)
Prior Year Adjustment	0.0	(0.4)	0.4
Adjusted Net Assets, Beginning of Year	248.3	250.5	(2.2)
Equity Transfers for Development	0.0	(0.4)	0.4
<b>Net Assets, End of Year</b>	<b>\$ 250.8</b>	<b>\$ 248.3</b>	<b>\$ 2.5</b>

**Budgetary Highlights**

For the year ended June 30, 2009, individual program or grant budgets were prepared by CMHA and were approved by the Board of Commissioners. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with accounting procedures prescribed by the applicable funding agency.

The greatest budgetary challenges faced by CMHA involved the reduction of operating funds due to the pro-ration factors used in the funding calculations by HUD.

**Capital Assets and Debt Administration**

As of June 30, 2009, CMHA's investment in capital assets for its Proprietary Fund was \$210,277,275 (net of accumulated depreciation). This represents an increase of \$0.6 million from fiscal year 2008.

Major capital assets purchased increased \$9.1 million during fiscal year 2009. The increase pertained to new construction and construction in progress as it relates to CMHA's Capital Fund and HOPE VI programs.

# CINCINNATI METROPOLITAN HOUSING AUTHORITY

## Management's Discussion and Analysis

June 30, 2009

(Continued)

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CMHA's long-term portion of debt as of June 30, 2009 was \$27,017,224. The long-term debt decreased \$1.4 million from fiscal year 2008. This reduction in long-term debt was primarily due to payments on existing debt and CMHA refraining from incurring additional long-term debt.

### **Economic Factors**

The following factors were considered in preparing CMHA's budget for the fiscal year 2010:

- Anticipated the banking environment having an adverse impact on interest revenue and bank fees associated with the economic downturn.
- Higher occupancy and utilization, as well as lower tenant rental contributions in association with the economic downturn.
- Planning for increasing reserve levels in anticipation of significant decreases in Operating Subsidy for Low Income Public Housing with the end of the frozen rolling base as part of an energy savings contract set to expire in 2013.
- Change in funding methods, levels, and pro-ration factors for Housing Choice Voucher, Low Income Public Housing, Capital Fund, and Replacement Housing Factor programs.
- Anticipated cost increases within the Housing Choice Voucher Program and reductions in revenue were projected.
- Inflationary and weather condition factors which affect utility rates and cost of operational materials and supplies.

### **Contacting CMHA**

Questions concerning any of the information provided in this report or requests for additional information should be addressed to Richard Rust, Executive Director, Cincinnati Metropolitan Housing Authority, 16 West Central Parkway, Cincinnati, Ohio 45202.

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents - Unrestricted	\$ 11,469,418
Cash and Cash Equivalents - Restricted	15,409,638
Investments at Fair Value - Unrestricted	1,023,312
Investments at Fair Value - Restricted	4,756,986
Accounts Receivable, Net of Allowance for Doubtful Accounts	4,585,598
Due from Other Governments	2,750,351
Inventory, Net of Allowance of Obsolescence	342,641
Prepaid Expenses	357,842
<b>Total Current Assets</b>	<b>40,695,786</b>

**Property and Equipment**

Land	26,998,554
Buildings and Building Improvements	232,359,200
Furniture, Equipment, and Machinery	3,042,869
Construction in Progress	125,023,962
	387,424,585

Less Accumulated Depreciation	(177,147,310)
<b>Total Property and Equipment</b>	<b>210,277,275</b>

**Other Assets**

Interest Receivable	28,829,383
Insurance Deposits	9,559,314
Insurance Deposits	175,223
<b>Total Other Assets</b>	<b>38,563,920</b>

<b>TOTAL ASSETS</b>	<b>\$ 289,536,981</b>
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**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(Continued)**

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 1,502,626
Accrued Wages and Taxes Payable	617,986
Accrued Compensated Absences	203,114
Other Accrued Liabilities	766,185
Due to Other Governments	1,198,889
Notes and Bonds Payable - Current Portion	4,421,652
Prepaid Rents	10,691
Payable from Restricted Assets:	
Resident Security Deposits	1,015,609

<b>Total Current Liabilities</b>	<b>9,736,752</b>
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**Noncurrent Liabilities**

Notes Payable, Net of Current Portion	27,017,224
Workers' Compensation Contingency	188,405
Accrued Compensated Absences	1,074,248
Payable from Restricted Assets:	
Family Self-Sufficiency Escrows	669,740

<b>Total Noncurrent Liabilities</b>	<b>28,949,617</b>
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<b>Total Liabilities</b>	<b>38,686,369</b>
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**Net Assets**

Investment in Capital Assets, Net of Related Debt	178,838,399
Restricted Net Assets	15,947,276
Unrestricted Net Assets	56,064,937

<b>Total Net Assets</b>	<b>250,850,612</b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 289,536,981</b>
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**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**Operating Revenues**

Rental Revenue	\$ 10,497,755
Governmental Revenue	92,934,972
Other Revenue	2,576,031
<b>Total Operating Revenues</b>	<b>106,008,758</b>

**Operating Expenses**

Administrative	18,607,253
Tenant Services	1,183,950
Utilities	8,152,764
Ordinary Maintenance and Operations	9,347,550
Protective Services	714,186
General Expenses	2,888,852
Housing Assistance Payments	62,357,593
Depreciation	8,037,599
<b>Total Operating Expenses</b>	<b>111,289,747</b>
Operating Income	<b>(5,280,989)</b>

**Nonoperating Revenues (Expenses)**

Loss on Sale of Capital Assets	(426,227)
Interest Revenue - Unrestricted	2,102,735
Interest Revenue - Restricted	368,204
Interest Expense	(1,187,865)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>856,847</b>
Change in Net Assets before Capital Grants Revenue	<b>(4,424,142)</b>

Capital Grants Revenue	6,984,823
<b>Net Change in Net Assets</b>	<b>2,560,681</b>

Net Assets - Beginning of the Year as Reported	248,289,931
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<b>Net Assets - End of the Year</b>	<b>\$ 250,850,612</b>
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**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

<b><u>Cash Flows from Operating Activities</u></b>	
Receipts from Residents and Other Deposits	\$ 9,977,798
Governmental Operating Revenues	92,798,596
Other Receipts	2,541,172
Administrative Expenses	(18,600,943)
Other Operating Expenses	(23,200,052)
Housing Assistance Payments	<u>(62,357,593)</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>1,158,978</u></b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Purchases of Capital Assets	(9,069,606)
Principal Paid on Capital Debt	(3,547,095)
Cash from Asset Sales	61,579
Interest Paid	(1,187,865)
Capital Grants	<u>6,984,823</u>
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b><u>(6,758,164)</u></b>
<b><u>Cash Flows from Investing Activities</u></b>	
Investment Proceeds	2,766,799
Investment Income	<u>916,201</u>
<b>Net Cash Used in Investing Activities</b>	<b><u>3,683,000</u></b>
Net Increase in Cash and Cash Equivalents	(1,916,186)
Cash and Cash Equivalents - Beginning of Year	<u>28,795,242</u>
<b>Cash and Cash Equivalents - End of Year</b>	<b><u>\$ 26,879,056</u></b>
<b><u>Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities</u></b>	
Operating Income (Loss)	\$ (5,280,989)
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation	8,037,599
Increase in Tenants Receivable	(525,636)
Decrease in Due To/From Other Governments	772,011
Increase in Other Assets/Receivables	(61,892)
Decrease in Inventory	60,061
Decrease in Prepaid Expenses	233,955
Decrease in Intergovernmental Payable	(908,387)
Increase in Security Deposits	27,033
Decrease in Accounts Payable	(323,611)
Decrease in Compensated Absences	(222,949)
Increase in Accrued Liabilities	156,953
Increase in Deferred Revenue	5,679
Decrease in Other Liabilities	<u>(810,849)</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 1,158,978</u></b>

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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

A. **Organization**

The Cincinnati Metropolitan Housing Authority (CMHA) is a public body corporate and politic created under the laws of the State of Ohio and was organized for the purposes of acquiring, developing, leasing, operating, and administering low-rent housing programs for qualified individuals.

B. **Reporting Entity**

The governing body of CMHA is a Board of Commissioners, which is composed of five members. The members are appointed as follows: Two (2) by the City Manager of Cincinnati, one (1) by the Hamilton County Commissioners, one (1) by the Court of Common Pleas, and one (1) by the Probate Court. The Board appoints a Chief Executive Officer to administer the business of CMHA. CMHA is not considered a component unit of the City of Cincinnati, as the Board independently oversees CMHA's operations.

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, and Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, in that financial statements include all organizations, activities, and functions for which CMHA is financially accountable. Financial accountability is defined by the component unit being fiscally dependent on CMHA. Based upon the application of these criteria, the reporting entity had no component units.

The financial statements of CMHA include Low-Rent Public Housing under Annual Contributions Contract C-984, Section 8 Housing Assistance Program under Annual Contributions Contract C-5034, Local Initiatives Programs, and the Hamilton County Affordable Housing Program.

C. **Summary of HUD Programs**

The accompanying financial statements include the activities of the Housing Programs subsidized by HUD. A summary of the most significant of these programs and the related contracts with HUD is provided below.

1. **Annual Contributions Contract – Low Rent Public Housing**

a. **Low Rent Public Housing**

This type of housing consists of apartments and single-family dwellings owned and operated by CMHA. Funding is provided by tenant rent payments and subsidies provided by HUD.

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(Continued)**

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

C. **Summary of HUD Programs** (Continued)

1. **Annual Contributions Contract – Low Rent Public Housing** (Continued)

b. **Modernization and Development**

Substantially all additions to land, buildings, and equipment are accomplished through the HOPE VI Program or Capital Fund Program. These programs add to, replace, or materially upgrade deteriorated portions of CMHA's housing units. Funding is provided through programs established by HUD.

2. **Annual Contributions Contract – Housing Assistance Payments Program**

**Housing Choice Vouchers and Moderate Rehabilitation**

These are housing programs wherein low-income tenants lease housing units directly from private landlords rather than through CMHA. HUD contracts with private landlords to make assistance payments for the difference between the approved contract rent and the actual rent paid by low-income tenants.

D. **Basis of Presentation of Accounting**

In accordance with uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP).

CMHA uses the proprietary fund type to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities reported in other funds. Funds are classified into three categories: governmental, proprietary, and fiduciary. CMHA uses the proprietary category for its programs.

Based on compelling reasons offered by HUD, CMHA reports under the proprietary fund type (enterprise fund), which uses the accrual basis of accounting. Proprietary funds are used to account for CMHA's ongoing activities, which are similar to those found in the private sector. The proprietary fund type which is used by CMHA is the enterprise fund.

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(Continued)**

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

D. **Basis of Presentation of Accounting** (Continued)

The enterprise 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.

Pursuant to the election option made available by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities That Use Proprietary Fund Accounting*, CMHA has the option of following subsequent FASB guidance for their business-type and enterprise funds issued prior to December 1, 1989, to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. CMHA has elected not to apply those FASB statements and interpretations issued after November 30, 1989 to its enterprise fund.

E. **Budgets**

Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The modernization and development budgets are adopted on a “project length” basis. Budgets are approved by the Board of the Housing Authority and submitted to HUD for approval, when applicable. Budgets are not, however, legally adopted nor required for financial statement presentation.

F. **Revenue Recognition**

Subsidies and grants received from HUD and other grantors are generally recognized during the periods to which they relate and all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which CMHA must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to CMHA on a reimbursement basis. Tenant rental revenues are recognized during the period of occupancy. Other receipts are recognized when the related expenses are incurred. Expenses are recognized as incurred.

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(Continued)**

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

G. **Cash Equivalents**

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

H. **Restricted Cash and Cash Equivalents**

Cash and cash equivalents have been classified as restricted on the statement of net assets for Family Self-Sufficiency escrows, unused HAP income, residents' security deposits, funds escrowed within the Capital Fund Financing Program, and other HUD restricted funds that are to be used for HUD projects and development.

I. **Receivables /Bad Debts**

Bad debts are provided on the allowance method and are based on management's evaluation of the collectability of outstanding tenant receivable balances at year end.

J. **Interprogram Receivables and Payables**

During the course of normal operations, CMHA has numerous transactions between programs. Interprogram receivables/payables are all current and are the result of the use of the Central Office Cost Center bank account as the common paymaster for shared costs of CMHA. Cash settlements are made periodically and all interprogram balances net zero. Interprogram balances are eliminated for financial statement presentation.

K. **Investments**

Investments are recorded at fair value. Fair value generally represents quoted market prices for investments traded in the public marketplace. Investment income, including changes in the fair value of investments, is recorded as non-operating revenue in the operating statements. Investment income is recognized and recorded when earned and is allocated to programs based on monthly investment balances. Investment instruments pertaining to HUD programs consist only of items specifically approved by both HUD requirements and the requirements of the State of Ohio.

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(Continued)**

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

L. **Inventories**

Inventories (consisting of materials and supplies) are valued at cost using the first in, first out (FIFO) method. CMHA establishes an allowance for obsolete inventory, to account for adjustments to cost due to damage, deterioration, or obsolescence. CMHA relies upon its periodic (annual) inventory for financial reporting purposes. In accordance with the consumption method, inventory is expensed when items are actually placed in service.

M. **Prepaid Items**

Payments made to vendors for goods or services that will benefit future periods are recorded as prepaid items.

N. **Restricted Assets**

Certain assets may be classified as restricted assets on the statement of net assets, because their use is restricted by contracts or agreements with outside third parties and lending institutions, or laws and regulations of other governments.

Net assets invested in capital assets – net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition construction or improvement of those assets.

It is CMHA's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of the financial statements and reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

P. **Fair Value of Financial Instrument**

The carrying of CMHA's financial instruments at June 30, 2009, including cash, investments, accounts receivable, and accounts payable closely approximate fair value.

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(Continued)**

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

**Q. Capital Assets**

**Book Value**

All purchased capital assets are valued at cost when historical records are available. When no historical records are available, capital assets are valued at estimated historical cost.

Land values were derived from development closeout documents.

Donated capital assets are recorded at their fair value at the time they are received.

Donor imposed restrictions are deemed to expire as the asset depreciates.

All normal expenditures of preparing an asset for use are capitalized when they meet or exceed the capitalization threshold.

**Depreciation**

Pursuant to the enterprise GAAP method, cost of the buildings and equipment is depreciated over the estimated useful lives of the related assets on a composite basis using the straight-line method.

Depreciation commences on modernization and development additions in the year following completion.

The useful lives of buildings and equipment for purposes of computing depreciation are as follows:

Buildings	40 years
Building Modernization	10 years
Office and Other Equipment	5 years

**Maintenance and Repairs Expenditures**

Maintenance and repairs expenditures are charged to operations when occurred. Betterments in excess of \$5,000 are capitalized. When buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved and any gain or loss is included in operations.

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(Continued)**

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

R. **Compensated Absences**

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, vacation and sick leave are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because the employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of year end. This is computed based on various percentages of sick time accumulated, as defined by their respective bargaining unit contracts, for employees who have completed ample service time with CMHA. These employees are expected to become eligible in the future to receive such payments.

S. **Equity Transfers**

Transfers presented on the accompanying combined statements represent the transfer of equity between programs for approved uses, such as the transfer of unrestricted funds, or the transfer of equity for closed programs/grants to their respective program, as required by HUD reporting guidelines.

T. **Annual Contribution Contracts**

Annual contribution contracts provide that HUD shall audit and examine the records of public housing authorities. Accordingly, final determination of CMHA's financing and contribution status for the annual contribution contracts is the responsibility of HUD based upon financial reports submitted by CMHA.



**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(Continued)**

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**NOTE 2: DEPOSITS AND INVESTMENTS**

The provisions of the Ohio Revised Code, CMHA's written investment policy, and HUD regulations govern the investment and deposit of CMHA monies. Only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. HUD requires authorities to invest excess HUD program funds in obligations of the United States or certificates of deposit of any other federally-insured instruments. CMHA is also generally permitted to invest its monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAROhio), and obligations of certain political subdivisions of Ohio and the United States government and its agencies. These investments must mature within three years of their purchase. CMHA may also enter into repurchase agreements with any eligible depository of any eligible dealer for a period not exceeding thirty days.

Public depositories must give security for all public funds on deposit. HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). Any public depository in which CMHA places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105 percent of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation, or other authority. Obligations furnished as security must be held by CMHA or with an unaffiliated bank or trust company for the account of CMHA.

Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based. These securities must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2 percent and be marked to market daily. State law does not require security for public deposits and investments to be maintained in CMHA's name.

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(Continued)**

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

A. **Deposits**

At year end, the carrying amount of CMHA's deposits was \$26,879,056 (including \$15,409,638 of restricted funds and \$1,600 of petty cash) and the bank balance was \$27,289,732. Of the bank balance, \$27,289,732 was covered by federal depository insurance

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the bank failure, CMHA's deposits may not be returned to it. CMHA does not have a custodial credit risk policy.

B. **Investments**

CMHA's investments at June 30, 2009 are summarized below:

<u>Investment</u>	<u>Maturity Year</u>	<u>Amount</u>	<u>Credit Rating Moody's/S&amp;P</u>
Fifth Third Inst. Gov't. MMkt.		\$ 1,688,096	AAA
Fifth Third Inst. MMkt Core		1,023,312	AAA
Federal Home Loan Bank	12/23/2009	1,015,630	AAA
Federal National Mtg. Assn.	4/28/2010	1,020,310	AAA
Federal Home Loan Mtg. Corp.	11/5/2010	1,032,950	AAA
<b>Total</b>		<u>\$ 5,780,298</u>	

**Custodial Credit Risk**

Custodial credit risk of investments is the risk that, in the event of a failure of a counter-party, CMHA will not be able to recover the value of its investments or collateral securities in the possession of an outside party. CMHA employs the use of "safekeeping" accounts to hold and maintain custody of its investments as identified within this policy and as a means of mitigating this risk.

**Interest Rate Risk**

Interest rate risk is defined as the risk that CMHA will incur fair value losses arising from rising interest rates. Such risk is mitigated by the investment policy which limits investments to certain maximum maturities. As a rule, unless specified otherwise within the policy, investments are to have a maximum maturity of three years unless the investment is matched to a specific expenditure. The context of a specific investment purchase must be weighed in proportion to the remainder of the existing investment portfolio and the "prudent investor" rule to attempt to limit such risk.

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(Continued)**

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

B. **Investments** (Continued)

Interest Rate Risk (Continued)

The three credit risk categories for investments are defined as follows:

1. Insured or registered, or securities held by the government or its agent in the government's name.
2. Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent but not in the government's name.

NOTE 3: **ACCOUNTS RECEIVABLE**

Tenants (Net of Allowance for Doubtful Accounts of \$42,399)	\$ 704,178
The Affiliates/Project Monitoring; Other Receivables	3,881,420
<b>Total Accounts Receivable</b>	<b><u><u>\$4,585,598</u></u></b>

NOTE 4: **INTERPROGRAM TRANSFERS**

CMHA will make cash transfers between its various programs as outlined in the federal regulations and authorized and approved by CMHA's Board of Commissioners. Interprogram balances are eliminated for financial statement presentation.

Fund	Due from Other Fund	Due to Other Fund
Local Business Initiatives	\$ 2,219,352	\$2,284,887
Low Rent Public Housing	2,914,467	317,752
Central Office Cost Center	761,784	48,229
Housing Choice Vouchers	48,088	140,062
Affordable Housing HOME Investment Partnership Program	0	94,160
Section 8 Moderate Rehabilitation M0002SRO001	481	615
Section 8 Moderate Rehabilitation M0004MR0002	672	860
Section 8 Moderate Rehabilitation M0004MR40004	2,906	3,716
Section 8 Moderate Rehabilitation M0004MR0005	144	184
Section 8 Moderate Rehabilitation M0002SC0002	481	615
Revitalization of Severly Distressed Public Housing	0	164,104
Resident Opportunity and Supportive Services	0	21,313
Public Housing Capital Fund	1,322,071	4,193,949
<b>Totals</b>	<b><u><u>\$ 7,270,446</u></u></b>	<b><u><u>\$7,270,446</u></u></b>

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(Continued)**

**NOTE 5: DUE FROM OTHER GOVERNMENTS**

U.S. Department of Housing and Urban Development \$2,750,351

**NOTE 6: NOTES RECEIVABLE**

All notes receivable are the results of financing for the Lincoln Partnership, the Laurel Hope VI Partnership, and the Springdale Senior Ltd. Partnership's Revitalization projects. The majority of these receivables are to be paid 40 years from the date of the note. The first \$50,000 is forgiven at 10 percent per year over 10 years, and any amount over \$50,000 will be due on the sale of the homes or 30 years from the date of the note. No portion of the notes receivable are to be paid within the next year. The following schedule summarizes the details pertaining to the notes receivable.

<u>Amount</u>	<u>Maker</u>	<u>Date of Note</u>	<u>Interest</u>	<u>Maturity Date</u>
	Lincoln Court Partnership	LCI - 3/20/01 LCII - 3/20/01 LCIII - 2/28/02	AFR	40 Years
\$ 10,984,643	Laurel Home Partnership	LCIV - 08/26/03 LHI - 10/24/02 LHII - 12/15/03 LHIV - 11/22/02 LHIV - 11/01/04 LHV - 9/30/06	AFR	40 Years
14,074,942	Springdale Senior Ltd. Partnership	3/27/2007	AFR	50 Years
885,000				
2,884,798	Other			
<u>\$ 28,829,383</u>				

**Ground Lease**

In regards to the above notes receivable, the Lincoln Court Partnership and Laurel Home Partnership entered into a 75-year ground lease in the total amount of \$837,000. Payments totaling \$297,000 were made upon execution of the agreement. The remaining \$540,000 is evidenced by notes receivable from the developer.

The terms commenced November 8, 2000, and will end November 8, 2075. In addition, each Partnership is required to pay an annual rent payment equal to 10 percent of the Project's net income. Other than real estate taxes, for which CMHA has responsibility, each Project is responsible for paying all charges associated with the property. The ground lease contains other restrictive covenants relating to the use of the property as more fully described in the agreement.

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(Continued)**

NOTE 6: **NOTES RECEIVABLE** (Continued)

Pursuant to the ground lease, the Partnerships are to make a PILOT payment each year to 10 percent of rental income, as defined in the agreement.

NOTE 7: **CAPITAL ASSETS**

	Balance June 30, 2008	Additions	Reclass	Deletions	Balance June 30, 2008
<b><u>Capital Assets Not Being Depreciated</u></b>					
Land	\$ 26,998,554	\$ 0	\$ 0	\$ 0	\$ 26,998,554
Construction in Progress	114,862,633	9,056,728	1,104,601	0	125,023,962
<b>Total Capital Assets Not Being Depreciated</b>	<b>141,861,187</b>	<b>9,056,728</b>	<b>1,104,601</b>	<b>0</b>	<b>152,022,516</b>
<b><u>Capital Assets Being Depreciated</u></b>					
Buildings and Improvements	240,958,302	0	(1,104,601)	(7,494,501)	232,359,200
Furniture, Equipment, and Machinery	3,375,681	12,878	0	(345,690)	3,042,869
<b>Subtotal Capital Assets Being Depreciated</b>	<b>244,333,983</b>	<b>12,878</b>	<b>(1,104,601)</b>	<b>(7,840,191)</b>	<b>235,402,069</b>
Accumulated Depreciation -					
Buildings and Improvements	(173,632,104)	(7,948,561)	0	7,006,695	(174,573,970)
Furniture and Equipment	(2,829,992)	(89,038)	0	345,690	(2,573,340)
<b>Subtotal Accumulated Depreciation</b>	<b>(176,462,096)</b>	<b>(8,037,599)</b>	<b>0</b>	<b>7,352,385</b>	<b>(177,147,310)</b>
Depreciable Assets, Net	67,871,887	(8,024,721)	(1,104,601)	(487,806)	58,254,759
<b>Total Capital Assets, Net</b>	<b>\$ 209,733,074</b>	<b>\$ 1,032,007</b>	<b>\$ 0</b>	<b>\$ (487,806)</b>	<b>\$ 210,277,275</b>

NOTE 8: **COMPENSATED ABSENCES PAYABLE**

CMHA follows GASB Statement No.16, *Accounting for Compensated Absences* to account for compensated absences. Accrued vacation is paid upon termination. Sick leave is paid to exempt employees who have at least 10 years service and voluntarily resign, retire, or are laid off from CMHA, at the level of 50 percent of their unused leave balance up to a maximum payment of 1,000 hours less two times the amount of sick usage over the prior three (3) years.

For the AFSCME union, sick leave shall be forfeited upon the employee's separation for any reason except retirement in which the payout will be 50 percent up to a maximum of 600 hours.

For the IUOE union, sick leave shall be forfeited upon the employee's separation for any reason except retirement in which the level of payout will be a percentage of unused leave based on years of service with a maximum of 40 percent with 30 or more years of continuous service.

For the Building Trades union, sick leave shall be forfeited upon the employee's separation for any reason except for retirement, in which the level of payout will be a percentage of unused leave based on years of service with a maximum of 30 percent with 30 or more years of continuous service.

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(Continued)**

**NOTE 8: COMPENSATED ABSENCES PAYABLE** (Continued)

At June 30, 2009, total compensated absences liability is \$1,277,362, of which \$203,114 is current and \$1,074,248 is long-term.

Schedule of Change in Compensated Absences					
June 30, 2009					
Current Portion	Long-Term Portion	Total	Additions	Reductions	June 30, 2009
\$ 286,522	\$ 1,213,789	\$ 1,500,311	\$ 175,979	\$ 398,928	\$ 1,277,362

**NOTE 9: OTHER ACCRUED LIABILITIES**

Accrued Workers' Compensation - Current Portion	\$ 182,398
Contract Retainages	310,855
Insurance Claims	212,255
Other	60,677
<b>Total Other Accrued Liabilities</b>	<b>\$ 766,185</b>

**NOTE 10: DUE TO OTHER GOVERNMENTS**

U.S. Department of Housing and Urban Development	\$ 589,766
City of Cincinnati - Payment in Lieu of Taxes (PILOT)	609,123
<b>Total Due to Other Governments</b>	<b>\$ 1,198,889</b>

**NOTE 11: NOTES PAYABLE – FANNIE MAE**

These notes were acquired to assist in the process of development and are comparable to a line of credit. The proceeds are drawn from Fannie Mae by CMHA and are either used to purchase property while awaiting HUD approval for funding or are re-loaned to a partner during the construction of mixed finance developments. When loaned in conjunction with the construction of mixed finance developments, interest rates and terms with the developer are approximately equal to CMHA's interest rates with Fannie Mae.

At June 30, 2009, CMHA has \$2,927,146 in an outstanding note with Fannie Mae. The note expires on December 05, 2012 and carries a maximum amount of \$10,000,000. The entire amount is considered to be current.

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(Continued)**

**NOTE 12: NOTES PAYABLE**

Authority Program	Principal Balance	Current Portion	Long-Term Portion	Payee	Interest Rate	Note Date
Hamilton County	\$ 1,000,000	\$ 0	\$ 1,000,000	HOME	2.00%	1/1996
Hamilton County	1,018,676	0	1,018,676	CDBG	2.00%	03/1998
Hamilton County	1,200,000	0	1,200,000	HOME	2.00%	11/1998
Hamilton County	900,000	0	900,000	HOME	2.00%	10/1999
Hamilton County	1,150,000	0	1,150,000	HOME	2.00%	06/2002
Hamilton County	1,194,574	55,900	1,138,674	Fifth Third Bank	4.95%	12/2001
Hamilton County	763,264	60,442	702,822	US Bank	5.25%	12/1998
Low Rent Public Housing	2,941,020	660,689	2,280,331	CitiCapital	5.10%	08/2001
Capital Fund Financing	18,344,196	717,475	17,626,721	Fifth Third Bank	4.55%	11/2006
<b>Total All Programs</b>	<b>\$28,511,730</b>	<b>\$ 1,494,506</b>	<b>\$ 27,017,224</b>			

Hamilton County (HOME & CDBG) Loans (Items 1-5)

Hamilton County provided HOME and CDBG funds for the development of low- rent housing units in Hamilton County. These loans (and interest of 2 percent per annum) will be forgiven at the rate of 10 percent annually commencing in the sixteenth year, provided the units are preserved as low-income housing, and has no plans to convert the units to market rate.

Bank Loans (Items 6-7)

These loans were acquired to expand the affordable housing program using locally available funds. There is no capitalized interest.

CitiCapital Loan (Item 8)

This loan is in the form of a lease-purchase agreement between CMHA and CitiCapital. Proceeds of the loan were used to purchase equipment which reduces energy cost. The savings from the conservation will exceed the cost of the loan.

Capital Fund Financing (item 9)

This loan was acquired as part of a Capital Fund Financing Program of is used to fund capital improvements to existing public housing. This loan is repaid through the use of Capital Fund grants.

The following is a summary of CMHA's future annual debt service requirements for the notes payable listed above:

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(Continued)**

**NOTE 12: NOTES PAYABLE** (Continued)

Maturity Date	Principal Amount	Interest Amount	Total
2010	\$ 4,421,652	\$ 1,189,001	\$ 5,610,653
2011	1,532,302	1,151,205	2,683,507
2012	1,700,929	1,082,578	2,783,507
2013	1,772,633	1,010,874	2,783,507
2014	1,298,654	945,711	2,244,365
2015-2019	7,744,958	4,025,860	11,770,818
2020-2024	8,686,452	1,658,403	10,344,855
2025-2029	4,067,418	1,790,746	5,858,164
2030-2033	213,878	43,456	257,334
<b>Total</b>	<b>\$31,438,876</b>	<b>\$ 12,897,834</b>	<b>\$ 44,336,710</b>

**NOTE 13: CHANGES IN LONG-TERM LIABILITIES**

	Balance June 30, 2008			Payments	Additions	Balance June 30, 2009		
	Current	Noncurrent	Total			Total	Current	Noncurrent
Notes Payable	\$ 6,574,565	\$ 28,411,406	\$ 34,985,971	\$ (4,710,095)	\$ 1,163,000	\$ 31,438,876	\$ 4,421,652	\$ 27,017,224
Workers' Comp Contingency	247,090	1,008,078	1,255,168	(884,364)	0	370,804	182,399	188,405
Compensated Absences	286,522	1,213,789	1,500,311	(398,928)	175,979	1,277,362	203,114	1,074,248
Family Self-Sufficiency Funds	0	660,916	660,916	(268,441)	277,265	669,740	0	669,740
<b>Total</b>	<b>\$ 7,108,177</b>	<b>\$ 31,294,189</b>	<b>\$ 38,402,366</b>	<b>\$ (6,261,828)</b>	<b>\$ 1,616,244</b>	<b>\$ 33,756,782</b>	<b>\$ 4,807,165</b>	<b>\$ 28,949,617</b>

**NOTE 14: DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

All full-time CMHA 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.



**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(Continued)**

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NOTE 14: **DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

- 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.

The Ohio Revised Code provides statutory authority for member and employer contributions. Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for CMHA was 14 percent of covered payroll. CMHA's required contributions to OPERS for the years ended June 30, 2009, 2008, and 2007, were \$1,877,092, \$2,075,778, and \$1,990,485.

NOTE 15: **POST-EMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and primary survivor recipients is available with both the Traditional and the Combined plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2008 employer contribution rate was 14.00 percent of covered payroll; 7.00 percent was the portion that was used to fund health care. Contributions to the Member-Directed Plan for CMHA's fiscal year ended June 30, 2009, were \$56,879 made by CMHA and \$40,628 made by the Plan members.

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(Continued)**

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NOTE 15: **OTHER POST-EMPLOYMENT BENEFITS** (Continued)

**Ohio Public Employees Retirement System** (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2007, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 4.00 percent annually for the next 7 years. In subsequent years (8 and beyond), health care costs were assumed to increase at 4.00 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

As of December 31, 2008, the number of active contributing participants in the Traditional Pension and Combined plans totaled 363,503. The number of active contributing participants for both plans used in the December 31, 2007, actuarial valuation was 364,076. Actual CMHA contributions for 2009 which were used to fund post-employment benefits were \$938,546. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS' net assets available for payment of benefits at December 31, 2007 (the latest information available) was \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.8 billion and \$17.0 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 16: **RISK MANAGEMENT**

CMHA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. CMHA maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. CMHA also maintains employee major medical coverage with private carriers. Employee dental coverage is provided through self-insurance.

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(Continued)**

NOTE 16: **RISK MANAGEMENT** (Continued)

Effective December 1, 1998, CMHA entered into a joint insurance pool, Ohio Housing Authority Property and Casualty, Inc (OHAPCI), with other Ohio housing authorities. The pool covers property, general liability, law enforcement liability, automobile liability, crime liability, boiler and machinery, and public officials. The Pool is intended for the public purpose of enabling housing authorities to obtain insurance coverage, to provide methods for paying claims, and to provide for a formalized, jointly administered self-insurance fund for its members.

Effective December 2005, OHAPCI joined the Public Entity Risk Consortium (PERC), a risk consortium composed of OHAPCI and four other public entity risk pools and public entities. The other five members are: 1) the Small Housing Authority Risk Pool (SHARP), composed of 39 Ohio public housing authorities; 2) Buckeye Ohio Risk Management Association, Inc. (BORMA), composed of the cities of Bowling Green, Defiance, Huron, Napoleon, Sandusky, and Willard, Ohio; 3) Midwest Pool Risk Management Agency, Inc. (MPRMA), composed of the counties of Auglaize, Hancock, Mercer, Shelby, and Van Wert, Ohio; 4) Wayne County, Ohio and Tuscarawas County, Ohio; and 5) the City of Lorain, Ohio. Other members will be added as they are approved by the existing members.

OHAPCI is a corporation governed by a Board of Trustees, consisting of a representative appointed by each of the member housing authorities. The Board of Trustees elects the officers of the corporation, with each trustee having a single vote. The Board is responsible for its own financial matters and the corporation maintains its own book of account. Budgeting and financing of OHAPCI is subject to the approval of the Board. Currently, participating housing authorities are Cincinnati, Dayton, and Youngstown. The following is a summary of insurance coverage at year-end:

Primary Property	\$250 Million/ occurrence
Earthquake	\$5 Million
Flood	\$5 Million
Casualty/General Liability	\$2 Million/occurrence
Excess Crime	\$500,000/occurrence /\$2 Million (aggregate)
Excess Liability	\$4 million
Boiler/Machinery	\$50 Million
Pollution	\$1 Million/\$2 million (aggregate)

During the year, settled claims for CMHA did not exceed the coverage provided by OHAPCI.

CMHA also has a self-insured dental and vision plan that covers all employees electing to participate. CMHA makes payments to the Plan Administrator for claims paid during the previous operating month.

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**  
**(Continued)**

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**NOTE 17: COMMITMENTS**

CMHA is engaged in modernization programs funded by HUD. CMHA has entered into construction-type contracts with approximately \$3,283,000 remaining until completion.

**NOTE 18: CONTINGENCIES**

CMHA is a defendant in several lawsuits arising from its normal course of business. Where possible, estimates have been made and reflected in the financial statements for the effect, if any, of such contingencies. Although the outcome of these lawsuits is not presently determinable, it is the opinion of CMHA’s attorney that resolution of these matters will not have a materially adverse effect on the financial condition of CMHA.

Under the terms of Federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although CMHA expects such amounts, if any, to be immaterial.

**NOTE 19: RESTRICTED NET ASSETS**

Section 8 Housing Programs HAP Equity	\$ 13,433,728
CFFP Equity	2,513,548
<b>Total Restricted Net Assets</b>	<b><u><u>\$ 15,947,276</u></u></b>

**NOTE 20: LEASING ACTIVITIES (AS LESSOR)**

CMHA is the lessor of dwelling units mainly to low-income residents. The rents under the resident’s income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. CMHA may cancel the lease only for cause.

Revenues associated with these leases are recorded in the financial statements and schedules as “rental revenue.” Rental revenue per dwelling unit generally remains consistent from year to year, but is affected by general economic conditions, which impact personal income and local job availability.

**CINCINNATI METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>Federal Grant or Program</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Section 8 Project Based Cluster:		
Section 8 Moderate Rehabilitation - Low Income Housing Assistance Program	14.856	\$ 478,363
Section 8 Moderate Rehabilitation - Single Room Occupancy	14.249	51,402
Total Section 8 Project Based Cluster		<u>529,765</u>
Low Rent Public Housing	14.850	25,998,729
Revitalization of Severely Distressed Public Housing	14.866	130,739
Section 8 Housing Choice Vouchers	14.871	65,673,683
Veterans Affairs Supportive Housing	14.871	431,960
Public Housing Capital Fund Program	14.872	6,984,823
Shelter Plus Care	14.238	62,766
<b>Total U.S. Department of Housing and Urban Development</b>		<u>99,812,465</u>
<b><u>U.S. Department of Homeland Security</u></b>		
Disaster Housing Assistance Grant	97.109	107,330
<b>Total U.S. Department of Homeland Security</b>		<u>107,330</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 99,919,795</u>

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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NOTE 1: **BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Cincinnati Metropolitan Housing Authority and is presented on the basis of accounting described in the notes to the financial statements. 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*. Therefore, some amounts were presented in, or used in the preparation of, the financial statements.

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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

Board of Commissioners  
Cincinnati Metropolitan Housing Authority  
Cincinnati, Ohio

Regional Inspector General for Audit  
Department of Housing and Urban  
Development

We have audited the financial statements of the Cincinnati Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

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

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



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

December 9, 2009



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

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners  
Cincinnati Metropolitan Housing Authority  
Cincinnati, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Compliance**

We have audited the compliance of the Cincinnati Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Cincinnati Metropolitan Housing Authority, Ohio's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Cincinnati Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Cincinnati Metropolitan Housing Authority, Ohio's compliance based on our audit.

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

In our opinion, the Cincinnati Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

### **Internal Control Over Compliance**

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

A *control deficiency* is an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the 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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



James G. Zupka CPA, Inc.  
Certified Public Accountants

December 9, 2009

**CINCINNATI METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
JUNE 30, 2009**

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**1. SUMMARY OF AUDITOR’S RESULTS**

2009(i)	Type of Financial Statement Opinion	Unqualified
2009(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2009(ii)	Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2009(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2009(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
2009(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
2009(v)	Type of Major Programs’ Compliance Opinion	Unqualified
2009(vi)	Are there any reportable findings under .510?	No
2009(vii)	Major Programs (list):  Section 8 Housing Choice Voucher Program – CFDA #14.871	
2009(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$2,997,594 Type B: all others
2009(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**STATUS OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS**  
**JUNE 30, 2009**

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The prior audit report, as of June 30, 2008, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.



Mary Taylor, CPA  
Auditor of State

**CINCINNATI METROPOLITAN HOUSING AUTHORITY**  
**HAMILTON 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**  
**MARCH 16, 2010**