HARRISON METROPOLITAN HOUSING AUTHORITY
HARRISON COUNTY
Single Audit
For the Year Ended March 31, 2012

Perry & Associates
Certified Public Accountants, A.C.

Dave Yost • Auditor of State

Board of Commissioners
Harrison Metropolitan Housing
P.O. Box 146
82450 Cadiz-Jewett Road
Cadiz, Ohio 43907

We have reviewed the *Independent Accountants' Report* of the Harrison Metropolitan Housing, Harrison County, prepared by Perry & Associates, Certified Public Accountants, A. C., for the audit period April 1, 2011 through March 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

> ***State ex rel. McClure v. Hagerman,*** 155 Ohio St 320 (1951) provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. As such the decision to expend public funds must be made in accordance with the procedural formalities governing the exercise of legislative power. Specifically, the decision must be memorialized by a duly enacted ordinance or resolution and may have prospective effect only. Auditor of State Bulletin 2003-005 states that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. The Bulletin indicates that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.
>
> Expenditures were made from several accounts that did not have approval of anyone other than Danielle Manbeck. Upon review of the transactions per the bank statements, the following amounts were for purchases determined to not have a proper public purpose or did not have a receipt or other documentation to support the transaction and a legitimate business purpose could not be substantiated. The following chart identifies the various accounts and the amounts not supportable by each account.

Account	**Total**
HRA #9527	$1,096.56
Enterprise Savings #5307	5,500.63
Board Acct #0163	4,568.49
Debit Card	7,944.31
Total	$19,109.99

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Danielle Manbeck in the amount of $19,109 and in favor of Harrison County Metropolitan Housing Authority Enterprise Fund, in the amount of $19,909.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

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. Harrison Metropolitan Housing is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

July 3, 2013

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HARRISON METROPOLITAN HOUSING AUTHORITY
HARRISON COUNTY
FOR THE YEAR ENDED MARCH 31, 2012

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INDEPENDENT ACCOUNTANTS' REPORT

March 15, 2013

Harrison Metropolitan Housing Authority
Harrison County
P.O. Box 146
82450 Cadiz-Jewett Rd.
Cadiz, OH 43907

To the Board of Commissioners:

We have audited the accompanying financial statements of the business-type activities of the **Harrison Metropolitan Housing Authority**, Harrison County, Ohio (the Authority), as of and for the year ended March 31, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion 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 the Comptroller General of the United States' *Government Auditing Standards.* Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards,* we have also issued a report dated March 15, 2013, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Authority's basic financial statements taken as a whole. The financial data schedules presented on pages 23 through 27 and the actual modernization cost certificate presentation on page 28 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements. The schedule of federal awards expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplemental financial data schedules, actual cost modernization certificate, and the schedule of federal awards expenditures are management's responsibility, and were derived from and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. These schedules were subject to the auditing procedures we applied to the basic financial statements. We 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, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Perry & Associates CPA's A.C.

Perry & Associates
Certified Public Accountants, A.C.

HARRISON METROPOLITAN HOUSING AUTHORITY
HARRISON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2012
UNAUDITED

The Harrison Metropolitan Housing Authority's (the "Authority") Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify the single enterprise fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's basic financial statements.

FINANCIAL HIGHLIGHTS

The Authority's programs for the single enterprise fund are: Conventional Public-Housing, Capital Fund Program (CFP), Housing Choice Voucher Program, State/Local, and USDA Rural Development.

- Net assets were $2,131,265 and $2,188,169 for the fiscal years ended March 31, 2012 and 2011, respectively. The Authority's net assets decreased by $56,904 or 2.6% during 2012, based on the current year activity. The net assets for 2011 were restated for a correction of an error as it related to a note receivable to the Authority.

- Revenues decreased by $390,951 (or 21.2%) during 2012, and were $1,455,120 and $1,846,071 for 2012 and 2011, respectively.

- Expenses decreased by $142,983 (or 8.6%) during 2012 and were $1,512,024 and $1,655,007 for 2012 and 2011, respectively.

USING THIS ANNUAL REPORT

The following graphic outlines the format of these financial statements:

MD&A ~ Management Discussion and Analysis ~
Basic Financial Statements ~ Statement of Net Assets ~ ~ Statement of Revenues, Expenses and Changes in Net Assets ~ ~ Statement of Cash Flows ~ ~ Notes to Basic Financial Statements ~

The clearly preferable focus is on the Authority as a single enterprise fund. This format allows the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to be corporate-like in that all business-type programs are consolidated into one single enterprise fund for the Authority.

These statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format that reflects assets, minus liabilities, equals "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories (as applicable):

Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets". This account resembles the old operating reserves account.

The basic financial statements also include a Statement of Revenues, Expenses and Changes in Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, investing activities, and from capital and related financing activities.

The Authority's programs that are consolidated into a single enterprise fund are as follows:

Project (Conventional Public Housing and Capital Fund Program) – Under the Conventional Public Housing Program, the Authority rents units that 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 PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for the Authority's physical and management improvements. Funds are allocated by a formula allocation and based on size and age of the Authority's units.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

State / Local – The State and Local Programs represent the Authority's endeavors to expand operations through Enterprise Housing. Enterprise Housing consists of a duplex home owned and rented by the Authority. It also includes an activity for management of a multi-family project, Bingham Terrace.

USDA Rural Development – Under the USDA Rural Development Program, the Authority rents units that is owns to low-income households. The USDA Rural Development Program is operated under a contract with the United States Department of Agriculture, and the USDA provides Operating Subsidy to enable the PHA to provide housing at a rent that is based upon 30% of adjusted gross household income.

BASIC FINANCIAL STATEMENTS

TABLE 1
STATEMENT OF NET ASSETS

The following table compares the condensed Statement of Net Assets for the current and previous fiscal year.

	2012	Restated 2011
Current and Other Assets	$ 859,714	$ 860,031
Capital Assets	1,721,564	1,809,343
Noncurrent Assets	375,000	375,000
TOTAL ASSETS	2,956,278	3,044,374
Current Liabilities	120,209	116,737
Long-Term Liabilities	704,804	739,468
TOTAL LIABILITIES	825,013	856,205
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,005,951	1,076,608
Restricted	129,398	103,474
Unrestricted	995,916	1,008,087
TOTAL NET ASSETS	$ 2,131,265	$ 2,188,169

MAJOR FACTORS AFFECTING THE STATEMENT OF NET ASSETS

The Capital Assets account changes are reflected in Table 5 and the decrease is $87,779. Long-term liabilities decreased by $34,664 as result of debt principal payments of $17,122 and long-term compensated absences decreasing by $17,359 as the result of a retirement during the year.

HARRISON METROPOLITAN HOUSING AUTHORITY
HARRISON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2012
UNAUDITED

TABLE 2
CHANGE IN NET ASSETS

	Investment in Capital Assets	Restricted Net Assets	Unrestricted Net Assets
Beginning Balance - March 31, 2011	$ 1,076,608	$ 103,474	$ 1,444,087
Prior Period Adjustment	-	-	(436,000)
Beginning Balance - March 31, 2011-Restated	1,076,608	103,474	1,008,087
Results of Operations	-	25,924	(82,828)
Adjustments:			
Current Year Depreciation Expense	(142,267)	-	142,267
Capital Expenditures	54,488	-	(54,488)
Current Year Debt Activities, Net	17,122	-	(17,122)
	$ 1,005,951	$ 129,398	$ 995,916

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Net Assets provides a clearer presentation of financial position

TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The following table compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged in Business-Type Activities only.

	2012	2011
Revenues		
Tenant Revenue - Rents and Other	$ 233,333	$ 235,142
Operating Subsidies	1,104,642	1,127,930
Capital Grants	23,734	47,862
Investment Income/Other Revenues	93,411	435,137
TOTAL REVENUES	1,455,120	1,846,071
Expenses		
Administrative	235,342	319,301
Tenant Services	749	1,592
Utilities	82,953	75,596
Maintenance	154,659	216,991
General, Insurance and Interest Expense	120,604	55,358
Housing Assistance Payments	775,450	830,532
Depreciation	142,267	155,637
TOTAL EXPENSES	1,512,024	1,655,007
NET INCOME (LOSS)	$ (56,904)	$ 191,064

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

Operating subsidies and capital grants will fluctuate from year to year, dependent upon HUD funding and the capital funds activities budgeted for the year. Other revenues consists of fees earned on a tax credit project in the state/local program, the amount listed as other revenue in 2011 for that program was $415,245, for 2012 it was only $82,571.

Housing Assistance Payments are down by $55,082 due to reductions in funding by HUD. The General, Insurance and Interest Expense is up due to an increase in the Compensated Absence expense as a result of the retirement of an employee, $45,902. This category also includes Bad Debt Expense of $9,696 for 2012 and none for 2011. Administrative salaries are down by $44,926, which is the major difference in the Administrative category. Maintenance expenses are down and this will fluctuate from year to year and is dependent on the needs of the projects.

CAPITAL ASSETS

As of year-end, the Authority had $1,721,564 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of $87,779.

TABLE 4
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)

	2012	2011
Land and Land Rights	$ 140,679	$ 140,679
Buildings	4,838,703	4,778,927
Equipment	263,913	245,490
Construction in Progress	-	23,711
Accumulated Depreciation	(3,521,731)	(3,379,464)
TOTAL	$ 1,721,564	$ 1,809,343

The following reconciliation summarizes the change in Capital Assets.

TABLE 5
CHANGE IN CAPITAL ASSETS

BEGINNING BALANCE - NET	$ 1,809,343
Additions - Capital Fund	23,735
Additions	30,753
Depreciation Expense	(142,267)
ENDING BALANCE	$ 1,721,564

Additional information on the Authority's capital assets can be found in note 3 of this report.

DEBT ADMINISTRATION

Debt Outstanding

As of March 31, 2012, the Authority had $715,613 in debt (mortgages) outstanding compared to $732,735 the prior year.

TABLE 6
CONDENSED STATEMENT OF CHANGES IN DEBT OUTSTANDING

Beginning Balance - March 31, 2011	$	732,735
Current Year Principal Payments		(17,122)
Ending Balance - March 31, 2012	$	715,613

Additional information on the Authority's debt can be found in note 5 of this report.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income

IN CONCLUSION

Harrison Metropolitan Housing Authority takes great pride in its financial management and is pleased to report on consistent and sound financial condition of the Authority.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Debra K. Toothman, Finance Officer of the Harrison Metropolitan Housing Authority. Specific requests may be submitted to Debra K. Toothman, Finance Officer, Harrison Metropolitan Housing Authority at Box 146, Cadiz, Ohio 43907.

HARRISON METROPOLITAN HOUSING AUTHORITY
HARRISON COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2012

ASSETS		
Cash and cash equivalents	$	443,282
Cash and cash equivalents - restricted		129,398
Investments		95,581
Receivables - net of allowance		44,359
Prepaid expenses and other assets		22,094
Pledged escrow receivable - current		125,000
TOTAL CURRENT ASSETS		859,714
CAPITAL ASSETS		
Land		140,679
Other capital assets - net		1,580,885
TOTAL CAPITAL ASSETS		1,721,564
PLEDGED ESCROW RECEIVABLE -non-current		375,000
TOTAL ASSETS		2,956,278
LIABILITIES		
Accounts payable		12,706
Intergovernmental payables		19,084
Accrued wages/payroll taxes		24,008
Accrued compensated absences - current		27,395
Tenant security deposits		21,245
Deferred revenues		1,347
Current portion of long-term debt		14,424
TOTAL CURRENT LIABILITIES		120,209
Accrued compensated absences - non-current		3,615
Long-term debt		701,189
TOTAL NON-CURRENT LIABILITIES		704,804
TOTAL LIABILITIES		825,013
NET ASSETS		
Invested in capital assets, net of related debt		1,005,951
Restricted net assets		129,398
Unrestricted net assets		995,916
NET ASSETS	$	2,131,265

See accompanying notes to the basic financial statements

HARRISON METROPOLITAN HOUSING AUTHORITY
HARRISON COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2012

OPERATING REVENUES		
Tenant revenue	$	233,333
Operating subsidies		1,104,642
Other revenues		92,899
TOTAL OPERATING REVENUES		1,430,874
OPERATING EXPENSES		
Administrative		235,342
Tenant services		749
Utilities		82,953
Maintenance		154,659
Insurance		33,346
General		58,776
PILOT		8,568
Bad debts		9,696
Housing assistance payments		775,450
Depreciation		142,267
TOTAL OPERATING EXPENSES		1,501,806
OPERATING LOSS		(70,932)
NON-OPERATING REVENUES (EXPENSES)		
Interest revenue		512
Interest expense		(10,218)
CAPITAL GRANTS		23,734
TOTAL NONOPERATING REVENUE		14,028
CHANGE IN NET ASSETS		(56,904)
Net assets beginning of year, restated (See Note 12)		2,188,169
NET ASSETS END OF YEAR	$	2,131,265

See accompanying notes to the basic financial statements

HARRISON METROPOLITAN HOUSING AUTHORITY
HARRISON COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from HUD	$	1,102,351
Cash received from tenants		214,086
Cash received from other revenue		101,516
Cash payments for housing assistance payments		(775,450)
Cash payments for other operating expenses		(575,708)
NET CASH PROVIDED BY OPERATING ACTIVITIES		66,795
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received		23,734
Acquisition of capital assets		(54,488)
Principal payments on debt		(17,122)
Interest payments on debt		(10,218)
NET CASH (USED) BY CAPITAL AND FINANCING ACTIVITIES		(58,094)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash converted to investments		(99,278)
Interest income		512
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		(98,766)
CHANGE IN CASH AND CASH EQUIVALENTS		(90,065)
CASH AND CASH EQUIVALENTS, BEGINNING		662,745
CASH AND CASH EQUIVALENTS, ENDING	$	572,680
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED) BY OPERATING ACTIVITIES:		
Operating loss	$	(70,932)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation		142,267
(Increase) decrease in:		
Receivables - net of allowance		(12,921)
Prepaid expenses		18,754
Increase (decrease) in:		
Accounts payable		6,082
Accrued wages/payroll taxes		(10,042)
Accrued compensated absences		(9,434)
Accounts payable - other government		8,568
Tenant security deposits		(2,141)
Deferred revenue		(3,406)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	66,795

See accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The basic financial statements of the Harrison Metropolitan Housing Authority (the "Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Authority also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its business-type activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the Authority's accounting policies are described below.

Reporting Entity

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 provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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.

Basis of Presentation

The Authority's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows.

The Authority uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Enterprise Fund

The Authority uses the proprietary 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.

The following are the various programs which are included in the single enterprise fund:

Project (Conventional Public Housing and Capital Fund Program) – Under the Conventional Public Housing Program, the Authority rents units that 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 PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for the Authority's physical and management improvements. Funds are allocated by a formula allocation and based on size and age of the Authority's units.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

State / Local – The State and Local Program represents the Authority's endeavors to expand operations through Enterprise Housing. Enterprise Housing consists of a duplex home owned and rented by the Authority. It also includes an activity for management of a multi-family project, Bingham Terrace.

USDA Rural Development – Under the USDA Rural Development Program, the Authority rents units that is owns to low-income households. The USDA Rural Development Program is operated under a contract with the United States Department of Agriculture, and the USDA provides Operating Subsidy to enable the PHA to provide housing at a rent that is based upon 30% of adjusted gross household income.

Accounting and Reporting for Nonexchange Transactions

Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of nonexchange transactions as follows:

- Derived tax revenues: result from assessments imposed on exchange transactions (i.e., income taxes, sales taxes and other assessments on earnings or consumption).
- Imposed nonexchange revenues: result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (i.e. property taxes and fines).
- Government-mandated nonexchange transactions: occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (i.e., federal programs that state or local governments are mandated to perform).
- Voluntary nonexchange transactions: result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).

PHA grants and subsidies will be defined as a government-mandated or voluntary nonexchange transactions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GASB 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

- Time requirements specify (a) the period when resources are required to be used or when use may begin (for example, operating or capital grants for a specific period) or (b) that the resources are required to be maintained intact in perpetuity or until a specified date or event has occurred (for example, permanent endowments, term endowments, and similar agreements). Time requirements affect the timing of recognition of nonexchange transactions.
- Purpose restrictions specify the purpose for which resources are required to be used. (i.e. capital grants used for the purchase of capital assets). Purpose restrictions do not affect when a nonexchange transaction is recognized. However, PHAs that receive resources with purpose restrictions should report resulting net assets, equity, or fund balance as restricted.

The PHA will recognize assets (liabilities) when all applicable eligibility requirements are met or resources received whichever is first. Eligibility requirements established by the provider may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies.

The PHA will recognize revenues (expenses) when all applicable eligibility requirements are met. For transactions that have a time requirement for the beginning of the following period, PHAs should record resources received prior to that period as deferred revenue and the provider of those resources would record an advance.

The PHA receives government-mandated or voluntary nonexchange transactions, which do not specify time requirements. Upon award, the entire subsidy should be recognized as a receivable and revenue in the period when applicable eligibility requirements have been met.

<u>Cash and Cash Equivalents</u>
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 of less.

<u>Investments</u>
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 ended March 31, 2012 totaled $512.

<u>Receivables – net of allowance</u>
Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for doubtful accounts was $9,420 at March 31, 2012.

<u>Prepaid expenses</u>
Payments made to vendors for services that will benefit periods beyond the year end, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

<u>Capital Assets</u>
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. The Authority's capitalization threshold is $250. The following are the useful lives used for depreciation purposes:

Buildings	40 years
Building improvements	15 years
Furniture, equipment and machinery	7 years

<u>Due From/To Other Programs</u>
On the basic financial statements, inter-program receivables and payables listed on the FDS are eliminated.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accrued Liabilities
All payables and accrued liabilities are reported in the basic financial statements.

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 statement of net assets 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.

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

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

The following is a summary of changes in compensated absences for the year ended March 31, 2012:

	Balance 3/31/11	Increases	Decreases	Balance 3/31/12	Due Within One Year
Compensated Absences Payable	$ 40,444	$ 48,704	$ 58,138	$ 31,010	$ 27,395

Deferred Revenues
Deferred revenue arises when revenues are received before revenue recognition criteria have been satisfied.

Net Assets
Net assets represent the difference between assets and liabilities. Net assets invested in capital assets – net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use either by internal or external restrictions.

Operating Revenues and Expenses
Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are tenant revenues, operating grants from HUD and other miscellaneous revenue.

Operating expenses are those expenses that are expended directly for the primary activity of the proprietary fund. For the Authority, these expenses are administrative, tenant services, utilities, maintenance, PILOT, insurance, general, depreciation, bad debts, and housing assistance payments.

Capital Contributions
This represents contributions made available by HUD with respect to all federally aided projects under an annual contribution contract.

Budgetary Accounting
The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is submitted to the Department of Housing and Urban Development and once approved is adopted by the Board of the Housing Authority.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

2. DEPOSITS AND INVESTMENTS

Deposits
State statutes classify monies held by the Authority into three categories.

Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Authority has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) by eligible securities pledged by the financial institution as security for repayment, but surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of March 31, 2012, the Authority was not exposed to custodial risk because all of the funds on deposit were covered by federal depository insurance or by collateral held by the Authority's agent. Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits.

At March 31, 2012, the carrying amount of the Authority's deposits totaled $572,680 (includes tenant security deposits of $21,245) and its bank balances totaled $575,746

The following show the Authority's deposits (bank balances) in each category:

Category 1:	$250,000 was covered by federal depository insurance
Category 2:	$325,746 was covered by specific collateral pledged by the financial institution in the name of the Authority.

Investments
In accordance with the Ohio Revised Code and HUS investment policy, the Authority is permitted to invest in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, obligations of certain political subdivision of Ohio and the United States government and its agencies, and repurchase agreements with any eligible depository or any eligible dealers. Public depositories must give security for all public funds on deposit. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based.

2. DEPOSITS AND INVESTMENTS - CONTINUED

The Authority is prohibited from investing in any financial instruments, contracts, or obligations whose value or return is based or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse purchase agreements.

Interest Rate Risk – The Authority does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the Authority's practice to limit its investments to Certificate of Deposits (CD's).

Credit Risk – HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. The Authority's depository agreement specifically requires compliance with HUD requirements.

Concentration of Credit Risk – The Authority places no limit on the amount that may be invested with any one issuer.

However, it is the Authority's practice to do business with more than one depository.

The carrying amount of the Authority's investments was $95,581 at March 31, 2012. The investments are held in Huntington National Bank.

3. CAPITAL ASSETS

The following is a summary of capital assets:

	Balance 3/31/2011	Additions	Deletions/ Transfers	Balance 3/31/2012
CAPITAL ASSETS, NOT BEING DEPRECIATED				
Land	$ 140,679	$ -	$ -	$ 140,679
Construction in Progress	23,711	-	(23,711)	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	$ 164,390	$ -	$ (23,711)	$ 140,679
CAPITAL ASSETS BEING DEPRECIATED				
Building and Improvements	$ 4,778,927	$ 36,065	$ 23,711	$ 4,838,703
Furniture and equipment	245,490	18,423	-	263,913
Totals at Historical Costs	5,024,417	54,488	23,711	5,102,616
Less: Accumulated Depreciation	(3,379,464)	(142,267)	-	(3,521,731)
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	$ 1,644,953	$ (87,779)	$ 23,711	$ 1,580,885
TOTAL CAPITAL ASSETS, NET	$ 1,809,343	$ (87,779)	$ -	$ 1,721,564

Accumulated Depreciation by Class:	
Buildings and Improvements	$ 2,741,219
Furniture and Equipment	780,512
TOTAL ACCUMULATED DEPRECIATION	$ 3,521,731

4. RISK MANAGEMENT

The Authority 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 disaster. During the fiscal year ended March 31, 2012, the Authority maintained comprehensive insurance coverage with private carriers for health, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

5. LONG-TERM DEBT

Harrison Metropolitan Housing Authority has the following mortgages outstanding as of March 31, 2012:

Dunfee Court
A first and second mortgage with the United States Department of Agriculture Rural Housing Service for a 12-unit project.

- Original loan amount $373,300 dated January 30, 1985. Term of the loan is 50 years with interest rate of 10.75%, discounted to 1%. Balance outstanding as of March 31, 2012 was $177,841

- Second loan amount $23,580 dated April 25, 1985. Term of the loan is 50 years with interest rate of 11.875%, discounted to 1%. Balance outstanding as of March 31, 2012 was $11,943

Gable Estate
United State Department of Agriculture Rural Housing Service loan for a 16-unit project. The amount of the loan was $541,516 dated April 21, 1993. The term of the loan is 50 years with the interest rate of 7.75%, discounted to 1%. The outstanding balance as of March 31, 2012 was $503,607.

Muskingum Street Duplex
Sky Bank loan to finance the mortgage of the real property located on South Muskingum Ave. The amount of the loan was $42,930 with a 15 year term. The first 60 months bear an interest rate of 6.25%. Thereafter, the interest rate will change based on changes of the United States Treasury Securities adjusted to a constant maturity of five years as made available by the Federal Reserve Bank. The rate for March 31, 2012 was 4.46%. Balance outstanding as of March 31, 2012 was $22,222.

The following is a summary of change in long-term debt for the year ended March 31, 2012:

Description	Balance 3/31/11	Issued	Retired	Balance 3/31/12	Due Within One Year
1st Mortgage Dunfee Court	$ 185,479	$ -	$ 7,638	$ 177,841	$ 7,722
2nd Mortgage Dunfee Court	12,418	-	475	11,943	480
Gable Estate	510,493	-	6,886	503,607	3,974
Muskingum Duplex	24,345	-	2,123	22,222	2,248
Total long-term debt	$ 732,735	$ -	$ 17,122	$ 715,613	$ 14,424

5. LONG-TERM DEBT - CONTINUED

Debt maturities for the next five years are as follows:

Year Ending March 31	Principal	Interest
2013	$ 14,424	$ 6,714
2014	14,429	6,723
2015	14,728	6,124
2016	15,034	5,818
2017	15,573	6,444
2018-2022	87,166	31,089
2023-2027	94,268	25,907
2028-2032	118,099	20,750
2033-2037	109,691	14,861
2038-2042	145,193	8,922
2043-2045	87,008	1,498
Total	$ 715,613	$ 134,850

6. DEFINED BENEFIT PENSION PLAN

All full-time employees of the Authority participate in the Ohio Public Employees Retirements System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board.

1. The Traditional Pension Plan – A cost-sharing, multiple-employer defined benefit pension plan.
2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.

Ohio Public Employees Retirement System administers three separate pension plans as described below:

1. The Combined Plan – A cost-sharing, multiple-employer defined plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits 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 provide retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the member-Direct Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issue a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012 and 2011, member and employer rates were consistent across all three plans. The 2012 and 2011 member contribution rate was 10.0 percent for members and 14.0 percent for employers of covered payroll. The Authority's contribution for the years ended March 31, 2012, 2011, and 2010 were $35,001, $35,672, and $36,605, respectively. All required contributions have been made through March 31, 2012.

7. POST-EMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the member-Direct Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined 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 issue a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, the Authority contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2012, the employer contribution allocated to the health care plan was 4.0 percent of covered payroll. 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 March 31, 2012, which were used to fund post-employment benefits, were $10,001.

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

8. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended March 31, 2012, the Authority electronically submitted an unaudited version of the balance sheet, statement of revenues, expenses and changes in net asset and other data to HUD as required on the GAAP basis.

9. RESTRICTED NET ASSETS

For the fiscal year ended March 31, 2012, the Authority had $129,398 in its HAP reserves for the Section 8 program

10. CONTINGENCIES

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustments by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at March 31, 2012.

Litigation

In the normal course of operations, the Authority may be subject to litigations and claims. At March 31, 2012, the Authority was not aware of any such matters.

11. PLEDGED ESCROW RECEIVABLE

On June 15, 2010 the Authority signed a guarantee agreement to Bingham Terrace Preservation LP, an Ohio Limited Partnership, and Huntington Ohio ARRA Fund LLC, an Ohio Limited Liability Company. The Authority is an affiliate of the General Partner of the Partnership, owner of a low-income housing project to be constructed by the partnership. The obligation of the Authority under the agreement is a pledge of $500,000, which will be paid as follows:

Year Ending March 31	
2013	$ 125,000
2014	125,000
2015	250,000
Total Pledged	500,000
Current	125,000
Long-term	$ 375,000

12. PRIOR PERIOD ADJUSTMENT

A note receivable in the amount of $425,000 was set up for the Authority to be received from the low-income housing project. The settlement statement with the U.S. Department of Housing and Urban Development was dated 6/20/2008. At that time the note receivable was paid to the Authority in the amount of $425,000 and $11,000 of interest was paid for a total of $436,000. The note was not removed from the books and the $436,000 was recognized as income. The equity for the state/local program was reduced by $436,000.

13. SUBSEQUENT EVENT

After the year end March 31, 2012, it was discovered that theft had taken place during FY 2012 by the former Finance Director. The amount stolen was $10,874 and is being pursued by the Harrison County Prosecuting Attorney.

Supplemental Information

HARRISON METROPOLITAN HOUSING AUTHORITY
FDS SCHEDULE SUBMITTED TO REAC
PROPRIETARY FUND TYPE - ENTERPRISE FUND
March 31, 2012

	Project Total CF and PH	Housing Choice Vouchers 14.871	State and Local	10.415 rural housing loans	TOTAL BF ELIM	ELIM	Total
111 Cash - Unrestricted	64,429	37,558	276,207	43,843	422,037		422,037
113 Cash - Other Restricted	-	129,398		-	129,398		129,398
114 Cash - Tenant Security Deposits	9,779		2,205	9,261	21,245		21,245
100 Total Cash	74,208	166,956	278,412	53,104	572,680		572,680
124 Accounts Receivable - HUD	2,291			-	2,291		2,291
125 Accounts Receivable - Miscellaneous	17,879		9,199	-	27,078		27,078
126 Accounts Receivable - Tenants	19,037			3,989	23,026		23,026
126.1 Allowance for Doubtful Accounts -Tenants	(9,420)			-	(9,420)		(9,420)
127 Notes, Loans, & Mortgages Receivable - Current	-		125,000	-	125,000		125,000
128 Fraud Recovery	-	1,634		-	1,634		1,634
128.1 Allowance for Doubtful Accounts - Fraud	-	(250)		-	(250)		(250)
120 Total Receivables, Net of Allowances for Doubtful Accounts	29,787	1,384	134,199	3,989	169,359		169,359
131 Investments - Unrestricted	76,419			19,162	95,581		95,581
142 Prepaid Expenses and Other Assets	16,785	-	2,724	2,585	22,094		22,094
144 Inter Program Due From	58,591	-	5,122	-	63,713	(63,713)	-
150 Total Current Assets	255,790	168,340	420,457	78,840	923,427	(63,713)	859,714
161 Land	75,202		3,500	61,977	140,679		140,679
162 Buildings	3,714,567		61,393	1,052,723	4,828,683		4,828,683
163 Furniture, Equipment & Machinery - Dwellings	69,727		13,729	12,676	96,132		96,132
164 Furniture, Equipment & Machinery - Administration	167,780	-		-	167,780		167,780
165 Leasehold Improvements	-	-		10,020	10,020		10,020
166 Accumulated Depreciation	(2,899,938)	-	(32,640)	(589,152)	(3,521,730)		(3,521,730)

HARRISON METROPOLITAN HOUSING AUTHORITY
FDS SCHEDULE SUBMITTED TO REAC
PROPRIETARY FUND TYPE - ENTERPRISE FUND
March 31, 2012

	Project Total CF and PH	Housing Choice Vouchers 14.871	State and Local	10.415 rural housing loans	TOTAL BF ELIM	ELIM	Total
160 Total Capital Assets, Net of Accumulated Depreciation	1,127,338	-	45,982	548,244	1,721,564		1,721,564
171 Notes, Loans and Mortgages Receivable - Non-Current	-		375,000	-	375,000		375,000
180 Total Non-Current Assets	1,127,338	-	420,982	548,244	2,096,564	-	2,096,564
190 Total Assets	1,383,128	168,340	841,439	627,084	3,019,991	(63,713)	2,956,278
312 Accounts Payable <= 90 Days	10,727	-	686	1,293	12,706		12,706
321 Accrued Wage/Payroll Taxes Payable	-	-	24,008	-	24,008		24,008
322 Accrued Compensated Absences - Current Portion	6,632	12,441	8,322	-	27,395		27,395
333 Accounts Payable - Other Government	19,084			-	19,084		19,084
341 Tenant Security Deposits	9,779		2,205	9,261	21,245		21,245
342 Deferred Revenues	990	-		357	1,347		1,347
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	-		2,248	12,176	14,424		14,424
347 Inter Program - Due To	-	-	45,757	17,956	63,713	(63,713)	-
310 Total Current Liabilities	47,212	12,441	83,226	41,043	183,922	(63,713)	120,209
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-		19,974	681,215	701,189		701,189
354 Accrued Compensated Absences - Non Current	875	1,642	1,098	-	3,615		3,615
350 Total Non-Current Liabilities	875	1,642	21,072	681,215	704,804		704,804
300 Total Liabilities	48,087	14,083	104,298	722,258	888,726	(63,713)	825,013

HARRISON METROPOLITAN HOUSING AUTHORITY
FDS SCHEDULE SUBMITTED TO REAC
PROPRIETARY FUND TYPE - ENTERPRISE FUND
March 31, 2012

	Project Total CF and PH	Housing Choice Vouchers 14.871	State and Local	10.415 rural housing loans	TOTAL BF ELIM	ELIM	Total
508.1 Invested In Capital Assets, Net	1,127,338	-	23,760	(145,147)	1,005,951		1,005,951
511.1 Restricted Net Assets	-	129,398		-	129,398		129,398
512.1 Unrestricted Net Assets	207,703	24,859	713,381	49,973	995,916		995,916
513 Total Equity/Net Assets	1,335,041	154,257	737,141	(95,174)	2,131,265		2,131,265
600 Total Liabilities and Equity/Net Assets	1,383,128	168,340	841,439	627,084	3,019,991	(63,713)	2,956,278
70300 Net Tenant Rental Revenue	144,799		8,740	75,292	228,831		228,831
70400 Tenant Revenue - Other	3,220			1,282	4,502		4,502
70500 Total Tenant Revenue	148,019	-	8,740	76,574	233,333		233,333
70600 HUD PHA Operating Grants	87,817	980,479		36,346	1,104,642		1,104,642
70610 Capital Grants	23,734			-	23,734		23,734
70710 Management Fee	-		14,590	-	14,590	(14,590)	-
71100 Investment Income - Unrestricted	384	-	100	28	512		512
71400 Fraud Recovery- hap	-	2,038		-	2,038		2,038
Fraud recovery adm		2,038		-	2,038		2,038
71500 Other Revenue	5,302	650	82,571	300	88,823		88,823
70000 Total Revenue	265,256	985,205	106,001	113,248	1,469,710	(14,590)	1,455,120
91100 Administrative Salaries	21,517	47,824	18,751	-	88,092		88,092
91200 Auditing Fees	1,572	4,200	3,135	-	8,907		8,907
91300 Management Fee	-	-		14,590	14,590	(14,590)	-
91400 Advertising and Marketing	-	-		46	46		46
Legal fees	369	-		-	369		369
travel	1,680	54		-	1,734		1,734
91500 Employee Benefit contributions - Administrative	21,978	58,529	7,767	-	88,274		88,274

HARRISON METROPOLITAN HOUSING AUTHORITY
FDS SCHEDULE SUBMITTED TO REAC
PROPRIETARY FUND TYPE - ENTERPRISE FUND
March 31, 2012

	Project Total CF and PH	Housing Choice Vouchers 14.871	State and Local	10.415 rural housing loans	TOTAL BF ELIM	ELIM	Total
91600 Office Expenses	12,371	8,241	20,441	6,867	47,920		47,920
91000 Total Operating - Administrative	59,487	118,848	50,094	21,503	249,932	(14,590)	235,342
92400 Tenant Services - Other	749	-		-	749		749
92500 Total Tenant Services	749	-	-	-	749		749
93100 Water	10,837			15,294	26,131		26,131
93200 Electricity	48,877	478	3,037	3,731	56,123		56,123
93300 Gas	-	-		699	699		699
93000 Total Utilities	59,714	478	3,037	19,724	82,953		82,953
94100 Ordinary Maintenance and Operations - Labor	22,884			-	22,884		22,884
94200 Ordinary Maintenance and Operations - Materials and Other	35,524	-		20,517	56,041		56,041
94300 Ordinary Maintenance and Operations Contracts	17,317	-	13,503	22,936	53,756		53,756
94500 Employee Benefit Contributions - Ordinary Maintenance	21,978			-	21,978		21,978
94000 Total Maintenance	97,703	-	13,503	43,453	154,659		154,659
96140 All Other Insurance	22,462	-	2,903	7,981	33,346		33,346
96100 Total insurance Premiums	22,462	-	2,903	7,981	33,346		33,346
Real estate taxes	-		623	15	638		638
96300 Payments in Lieu of Taxes	8,568			-	8,568		8,568
compensated absences expense	25,756	14,473	17,909	-	58,138		58,138
96400 Bad debt - Tenant Rents	9,420			276	9,696		9,696
96000 Total Other General Expenses	43,744	14,473	18,532	291	77,040		77,040

HARRISON METROPOLITAN HOUSING AUTHORITY
FDS SCHEDULE SUBMITTED TO REAC
PROPRIETARY FUND TYPE - ENTERPRISE FUND
March 31, 2012

	Project Total CF and PH	Housing Choice Vouchers 14.871	State and Local	10.415 rural housing loans	TOTAL BF ELIM	ELIM	Total
96710 Interest of Mortgage (or Bonds) Payable	-		1,071	9,147	10,218		10,218
96700 Total Interest Expense and Amortization Cost	-	-		9,147	9,147		9,147
96900 Total Operating Expenses	283,859	133,799	89,140	102,099	608,897	(14,590)	594,307
97000 Excess of Operating Revenue over Operating	(18,603)	851,406	16,861	11,149	860,813		860,813
97300 Housing Assistance Payments	-	775,450		-	775,450		775,450
97400 Depreciation Expense	111,261	-	2,111	28,895	142,267		142,267
90000 Total Expenses	395,120	909,249	91,251	130,994	1,526,614	(14,590)	1,512,024
10093 Transfers between Program and Project - In	18,594			-	18,594		18,594
10094 Transfers between Project and Program - Out	(18,594)			-	(18,594)		(18,594)
10100 Total Other financing Sources (Uses)	-	-	-	-	-		-
10000 Excess (Deficiency) of Total Revenue Over	(129,864)	75,956	14,750	(17,746)	(56,904)		(56,904)
11030 Beginning Equity	1,464,905	78,301	1,158,391	(77,428)	2,624,169		2,624,169
11040 Prior Period Adjustments, Equity Transfers and	-	-	(436,000)	-	(436,000)		(436,000)
Ending Equity	1,335,041	154,257	737,141	(95,174)	2,131,265		2,131,265
11170 Administrative Fee Equity	-	24,859		-	24,859		24,859
11180 Housing Assistance Payments Equity		129,398		-	129,398		129,398
11620 Building Purchases	23,734			-	23,734		23,734

HARRISON METROPOLITAN HOUSING AUTHORITY
HARRISON COUNTY
ACTUAL MODERNIZATION COST CERTIFICATES
FOR THE YEAR ENDED MARCH 31, 2012

Modernization Project Number : OH12P067501-09

Original Funds Approved:	$	60,350
Funds Disbursed:	$	60,350
Funds Expended (Actual Modernization Cost):	$	60,350
Amount to be Recaptured:	Not Applicable	
Excess of Funds Disbursed:	Not Applicable	

Modernization Project Number : OH-16-S010-501-10

Original Funds Approved:	$	59,517
Funds Disbursed:	$	59,517
Funds Expended (Actual Modernization Cost):	$	59,517
Amount to be Recaptured:	Not Applicable	
Excess of Funds Disbursed:	Not Applicable	

HARRISON METROPOLITAN HOUSING AUTHORITY
HARRISON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2012

FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
DIRECT FROM U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
Low Rent Public Housing	14.850a	$ 51,139
Public Housing Capital Fund Program	14.872	60,412
Housing Choice Vouchers	14.871	980,479
Total U.S.Department of Housing and Urban Development		1,092,030
DIRECT FROM U.S. DEPARTMENT OF AGRICULTURE - RURAL HOUSING SERVICE:		
Rural Rental Housing Loan	10.415	36,346
Total U.S. Department of Agriculture - Rural Housing Service		36,346
TOTAL - FEDERAL AWARDS EXPENDITURES		$ 1,128,376

The accompanying notes to this schedule are an integral part of this schedule

HARRISON METROPOLITAN HOUSING AUTHORITY
HARRISON COUNTY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED MARCH 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures, the “schedule,” is a summary of the activity of the Authority’s federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

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

March 15, 2013

Harrison Metropolitan Housing Authority
Harrison County
P.O. Box 146
82450 Cadiz-Jewett Rd.
Cadiz, OH 43907

To the Board of Commissioners:

We have audited the financial statements of the business-type activities of the **Harrison Metropolitan Housing Authority**, Harrison County, Ohio (the Authority), as of and for the year ended March 31, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 15, 2013. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of audit findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and other deficiencies we consider to be significant deficiencies.

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 more than a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and timely corrected. We consider findings 2012-001 through 2012-002 described in the accompanying schedule of audit findings to be material weaknesses.

Internal Control Over Financial Reporting (Continued)

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. We consider findings 2012-003 through 2012-004 described in the accompanying schedule of audit findings to be significant deficiencies.

Compliance and Other Matters

As part of reasonably assuring whether the 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

The Board's responses to the findings identified in our audit are described in the accompanying schedule of audit findings. We did not audit the Board's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, members of the Board of Commissioners, federal awarding agencies and others within the Authority. It is not intended for anyone other than these specified parties.

Respectfully Submitted,

Perry & Associates CPA's A.C.

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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

March 15, 2013

Harrison Metropolitan Housing Authority
P.O. Box 146
82450 Cadiz-Jewett Rd.
Cadiz, OH 43907

To the Board of Commissioners:

Compliance

We have audited the compliance of the **Harrison Metropolitan Housing Authority**, Harrison County, Ohio (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Harrison Metropolitan Housing Authority's major federal program for the year ended March 31, 2012. The summary of auditor's results section of the accompanying schedule of audit findings identifies the Authority's major federal program. The Authority's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Authority's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to 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 that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Board's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended March 31, 2012. However, the result of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of audit findings lists this instance as finding 2012-005.

Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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 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.

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

The Board's response to the finding identified in our audit is described in the accompanying schedule of audit findings. We did not audit the Board's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, members of the Board of Commissioners, federal awarding agencies and others within the Authority. It is not intended for anyone other than these specified parties.

Respectfully submitted,

Perry & Associates CPA's A.C.

Perry & Associates
Certified Public Accountants, A.C.

HARRISON METROPOLITAN HOUSING AUTHORITY
HARRISON COUNTY
FOR THE YEAR ENDED MARCH 31, 2012

SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A -133 § .505

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Housing Choice Vouchers CFDA # 14.871
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

HARRISON METROPOLITAN HOUSING AUTHORITY
HARRISON COUNTY
FOR THE YEAR ENDED MARCH 31, 2012

SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A -133 § .505

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

FINDING NUMBER 2012-001

Material Weakness

Improper Expenditures/Lack of Supporting Documentation for Expenditures

The Authority held a checking account that allowed certain employees access to a debit card to pay expenditures related to the Authority. These expenditures were to be for various purposes such as meals, hotels, and supplies.

During Fiscal Year 2012, the Finance Officer made expenditures determined to be improper and for personal items with Authority funds in the amount of $10,874. Also, additional expenditures in the amount of $7,944 had no supporting documentation. It was unable to be determined through alternative procedures if these expenditures were for a proper public purpose. These amounts were purchased using the Authorities debit card and through electronic funds transfer.

This practice and lack of adequate supporting documentation resulted in loss of Authority funds and could lead to additional personal liability of the Authority Officials.

We recommend that all expenditures be supported by adequate documentation; a complete voucher packages including the voucher signed by the appropriate officials to document their approval, the original invoice approved by the receiving employee or official to document the receipt of goods or services and the accuracy of the quantity and price, a copy of the requisition or purchase order to document the prior certification, to help insure that all expenditures are for goods or services received, properly approved, and for a proper public purpose. We also recommend that all expenditures be approved by the Executive Director and Board.

Management's Response – Upon discovery of the improper spending of funds, Housing Authority Management took immediate action and terminated the Finance Officer. Management has sense hired a new Finance Officer who has retroactively reconciled the checking account and debit card transactions from April 2012 to current. Upon reconciliation the checking account was closed and all debit cards associated with the account were destroyed. The Executive Director authorized a company credit card which will be used for hotels and other travel expense. Each expense made on the company credit card will be supported by an original receipt for the credit card purchase, and will be written up by the Finance Officer on a voucher request for payment form that will be approved by the Executive Director prior to issuance of payment. The credit card is paid in full monthly.

SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A -133 § .505

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

FINDING NUMBER 2012-002

Material Weakness

Board Monitoring/Bank Reconciliations

The Finance Manager did not prepare accurate monthly reconciliations of bank balances to the Housing Authorities trial balances. This required the Authority to have to contract with an outside accounting firm to provide accurate bank reconciliations and to prepare the year end GAAP financial statements. The lack of proper reconciliations among the bank statements and trial balances resulted in numerous errors. Reconciliations were not presented to the Executive Director or Board each month for approval, resulting in a lack of monitoring of activity in these accounts. Lack of accurate bank reconciliations and appropriate monitoring of these accounts also led to numerous improper expenditures being made from bank accounts without being detected.

We recommend the Finance Manager prepare detailed bank reconciliations that include all bank account balances being reconciled to each trial balance. Copies of bank reconciliations should be presented to the Executive Director and Board for review and approval each month, and for use in managing the Housing Authority.

Management's Response – Housing Authority Management hired a new Finance Officer who immediately created a bank account listing of all HMHA bank accounts. All bank accounts have been set-up within the agencies new PHA Web software and have been reconciled to the general ledger. The Finance Officer developed a list of routine items that are included with each bank reconciliation, these items support each deposit and withdraw made from the account. The bank reconciliation is complete and compared to the detailed cash account within the general ledger to assure accuracy of the reconciliation, all bank reconciliations are then approved by the Executive Director. All bank reconciliations are completed by the 10th day of each month.

FINDING NUMBER 2012-003

Significant Deficiency

Tax Related Penalties

During 2009, federal taxes were not remitted to the Internal Revenue Service correctly. The Housing Authority incurred penalties for W-2's not agreeing with 941's and the W-3 filed at the end of calendar year 2012. This resulted in the Authority being charged with unnecessary penalties incurred over 3 years. The prior Finance Manager did not reveal these penalties to the Executive Director or Board, and thus they accumulated over 3 years. These penalties in the amount of $21,922 have currently not been paid. The Authority is currently in contact with the IRS and attempting to negotiate a repayment amount.

We recommend the Finance Manager take steps to ensure payroll tax reports and withholdings are timely remitted in order to avoid the unnecessary expense of penalties in the future.

SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A -133 § .505

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

FINDING NUMBER 2012-003 (Continued)

Significant Deficiency (Continued)

Tax Related Penalties (Continued)

Management's Response – Prior to the audit being conducted the New Finance Officer had discovered the above, immediately reported the finding to the Executive Director and instantly began to reconcile the W-2's to the 941's and the W-3, this information has been presented to the Internal Revenue Service along with a request that said penalties be abated. Housing Authority Management procured and implemented a new payroll system on January 1, 2013 that will allow for better tracking and reporting of agency payroll taxes, withholdings, and deductions, both at the employee and employer level. All federal and state tax payments are made electronically and are then recorded into the general ledger through the accounts payable system instead of entering them with a journal entry, Management will be able to thoroughly track the payments through vendor history reports.

FINDING NUMBER 2012-004

Significant Deficiency

Policies and Procedures

The Authority had a debit card that was used for various expenditures. These expenditures did not go through the normal expenditure process, therefore proper review and approval was not obtained. It was determined the Authority did not have a formal policy over debit card purchases.

We recommend the Authority either establish a formal policy pertaining to debit card usage or discontinue the practice of using debit cards. If the Authority elects to adopt a formal policy on usage, we recommend, the policy should, at a minimum, identify authorized users; guidelines for allowable use purchases; method of reimbursement (if personal use is allowed); specific unallowable uses; reporting; monitoring of use by appropriate levels of management to ensure proper public purpose; and other guidelines deemed appropriate by the Board.

Management's Response - Housing Authority Management has discontinued the use of debit cards, the account associated with these cards has been reconciled, the account closed and the cards destroyed.

SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A -133 § .505

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 2012-005

Noncompliance

31 U.S.C 7502(a)(1)(A) requires non-federal entities that expend $500,000 or more in a year in Federal Awards shall have an annual Single or Program-Specific audit conducted for that year and filed with the Federal Audit Clearinghouse within nine months after year end.

The Authority did not file their annual audit with the Federal Audit Clearinghouse within the nine month period after year end.

We recommend that the Authority file their annual audit with the Federal Audit Clearinghouse within the required timelines.

Management's Response – The Harrison County Housing Authority has undergone a change in management and has experienced some unforeseen circumstances which caused a delay in meeting the nine month requirement. HMHA management will file its unaudited statements and audited statements within the imposed time frames.

HARRISON METROPOLITAN HOUSING AUTHORITY
HARRISON COUNTY
FOR THE YEAR ENDED MARCH 31, 2012

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .505

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2011-001	Financial Statements – Inaccurate Bank Reconciliations	No	Repeated as Finding 2012-002

HARRISON METROPOLITAN HOUSING AUTHORITY

HARRISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 16, 2013