

**CLINTON METROPOLITAN HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2010**

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





# Dave Yost • Auditor of State

Board of Directors  
Clinton Metropolitan Housing Authority  
478 Thorne Avenue  
Wilmington, Ohio 45177

We have reviewed the *Independent Auditor's Report* of the Clinton Metropolitan Housing Authority, Clinton County, prepared by James G. Zupka, CPA, Inc. for the audit period January 1, 2010 through December 31, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

September 27, 2011

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**CLINTON METROPOLITAN HOUSING AUTHORITY  
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Clinton Metropolitan Housing Authority  
478 Thorne Avenue  
Wilmington, Ohio 45177-1222

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited the accompanying financial statements of the business-type activities of the Clinton Metropolitan Housing Authority, Ohio as of and for the year ended December 31, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Clinton 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 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 business-type activities of the Clinton Metropolitan Housing Authority, as of December 31, 2010, 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 our report dated July 21, 2011, on our consideration of the Clinton 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Clinton Metropolitan Housing Authority, Ohio's financial statements as a whole. 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 Governments and Non-Profit Organizations*, and is also not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

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

July 21, 2011



**CLINTON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Unaudited)**

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This Management's Discussion and Analysis (MD&A) for the Clinton Metropolitan Housing Authority (Clinton MHA) is intended to assist the reader identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify and offer a discussion about changes in Clinton Metropolitan Housing Authority's financial position. It is designed to focus on the financial activity for the fiscal year ended December 31, 2010, resulting changes and currently known facts. Please read it in conjunction with the financial statements found elsewhere in this report.

**Financial Highlights**

- The Authority's net assets increased by \$65,629 (or 12.73%) during 2010, resulting from changes in operations. Since the Authority engages in only business-type activities, the increase is all in the category of business-type net assets.
- Revenues increased by \$317,139 (or 22.06%) during 2010.
- The total expenses of all Authority programs increased by \$3,992 (or .24%).

**Overview of the Authority's Financial Statements**

The Basic Financial Statements included elsewhere in this report are:

The Statement of Net Assets,  
The Statement of Revenues, Expenses and Changes in Net Assets, and  
The Statement of Cash Flows.

The **Statement of Net Assets** is very similar to, and what most people would think of as, a Balance Sheet. In the first half it reports the value of assets Clinton Metropolitan Housing Authority holds at December 31, 2010, that is, the cash Clinton Metropolitan Housing Authority has, the amounts that are owed Clinton Metropolitan Housing Authority from others, and the value of the equipment Clinton Metropolitan Housing Authority owns. In the other half of the report it shows the liabilities Clinton Metropolitan Housing Authority has, that is what Clinton Metropolitan owes others at December 31, 2010; and what Net Assets (or what is commonly referred to as Equity) Clinton Metropolitan Housing Authority has at December 31, 2010. The two parts of the report are in balance, thus why many might refer to this type of report as a balance sheet, in that the total of the assets part equals the total of the liabilities plus net assets (or equity) part.

In the statement, the Net Assets part is broken out into three broad categories:

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

**CLINTON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Unaudited)**

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

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

The balance in Unrestricted Net Assets is what is left over of Net Assets after what is classified in the two previously mentioned components of Net Assets. It reflects the value of assets available to Clinton Metropolitan Housing to use to further its purposes.

The Authority's financial statements also include a Statement of Revenues, Expenses, and Changes in Net Assets, which is similar to an Income Statement. It is in essence a report showing what Clinton Metropolitan Housing Authority earned, that is what its revenues or incomes were, versus what expenses Clinton Metropolitan Housing Authority had over the same period. It shows how the Fund Balance (or net assets or equity) changed because of how the incomes exceeded or were less than what expenses were. It helps the reader to determine if Clinton Metropolitan Housing Authority had more in revenues than in expenses or vice-versa, and then how that net gain or net loss affected the Fund Balance (or net assets or equity). The bottom line of the report, the Ending Total Net Assets, is what is referred to in the above discussion of the Statement of Net Assets that when added to the liabilities Clinton Metropolitan Housing Authority has equals the total assets Clinton Metropolitan Housing Authority has.

The Statement of Cash Flows is a report that shows how the amount of cash Clinton Metropolitan Housing Authority had at the end of the previous year was impacted by the activities of the current year. It breaks out in general categories the cash coming in, and the cash going out. It helps the reader to understand the sources and uses of cash by Clinton Metropolitan Housing Authority during the year, to include a measurement of cash gained or used by operating activities, by activities related to acquiring capital assets, and by activities related to investing activities.

### **Clinton Metropolitan Housing Authority's Business-Type Funds**

The financial statements included elsewhere in this report are presented using the Authority-wide perspective meaning the activity reported reflects the summed results of all the programs, or business-type funds of Clinton Metropolitan Housing Authority. Clinton Metropolitan Housing Authority consists exclusively of Enterprise Funds. The full accrual basis of accounting is used for Enterprise Funds. That method of accounting is very similar to accounting used in the private sector.

Clinton Metropolitan Housing Authority's programs include the following:

- The Housing Choice Voucher program, and
- The Business Activities.

**CLINTON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Unaudited)**

**Housing Choice Voucher Program**

Under the Section 8 Housing Choice Voucher Program, Clinton Metropolitan Housing Authority subsidizes the rent of low to moderate income families and individuals via Housing Assistance Payments Contracts with private, independent landlords. The Program is “tenant-based”, meaning the subsidy is attached to the family, not the property. The Program is administered under and funds flow from HUD by virtue of an Annual Contributions Contract (“ACC”). HUD provides funding adequate to assure that participating families pay no more than 30 percent of household income for rent.

**Business Activity**

The activities in this Program represent the revenue and expenses from the single family home acquired with the proceeds from the sale of Public Housing units. It is Clinton Metropolitan Housing Authority’s goal to promote home-ownership utilizing this property.

Also reflected here are activities from the Tenant-Based Rental Assistance Program (“TBRA”), funded by State CHIP money, flowing to the Clinton County Commissioners and awarded to CMHA for administration of the Program. It is operated in form and substance identical to the Section 8 Housing Choice Voucher Program, even utilizing the Section 8 HCV Program existing waiting list.

**Condensed Financial Statements**

The following is a condensed **Statement of Net Assets** compared to the prior year-end. Clinton Metropolitan Housing Authority is engaged only in business-type activities.

**Table 1 - Condensed Statement of Net Assets Compared to Prior Year  
(Values Rounded to Nearest Thousand)**

	2010	2009
<b><u>Assets</u></b>		
Current and Other Assets	\$ 305,816	\$ 350,423
Capital Assets	153,573	162,876
<b>Total Assets</b>	<b>\$ 459,389</b>	<b>\$ 513,299</b>
<b><u>Liabilities</u></b>		
Current Liabilities	\$ 16,125	\$ 143,045
Long-term Liabilities	27,500	20,119
<b>Total Liabilities</b>	<b>43,625</b>	<b>163,164</b>
<b><u>Net Assets</u></b>		
Invested in Capital Assets, Net of Related Debt	153,573	162,876
Restricted Net Assets	113,867	61,205
Unrestricted Net Assets	148,325	126,054
<b>Total Net Assets</b>	<b>415,764</b>	<b>350,135</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 459,389</b>	<b>\$ 513,299</b>

For more detail information, see Statement of Net Assets presented on page 8.

**CLINTON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Unaudited)**

Total Net Assets were increased from the prior year-end by \$65,629. The changes in income and expense from the period causing that change is discussed more in the next section where we discuss Table 2, the Modified Statement of Revenues, Expenses and Changes in Net Assets.

During 2010, Current and Other Assets, primarily cash, decreased by \$44,607. This was due to HUD advance payments received in December 2009 which were used in 2010. Current liabilities decreased by \$126,920, as there were no HUD advance payments in 2010. Non-current liabilities increased due to increasing individual tenant balances in FSS escrow accounts.

Capital Assets decreased due to the current year's depreciation.

An increase in Restricted Net Assets arose as a result of HUD funding mechanisms. An increase in Unrestricted Net Assets is a result of positive operations.

The following is a modified **Statement of Revenues, Expenses and Changes in Net Assets**. Clinton Metropolitan Housing Authority is engaged only in business-type activities.

**Table 2 - Modified Statement of Revenues, Expenses, and Changes in Net Assets  
(Values Rounded to Nearest Thousand)**

	2010	2009
<b><u>Revenues</u></b>		
Total Tenant Revenues	\$ 4,722	\$ 4,440
Operating Subsidies	1,736,147	1,422,122
Investment Income	130	652
Other Revenues	14,025	10,671
<b>Total Revenues</b>	<b>1,755,024</b>	<b>1,437,885</b>
<b><u>Expenses</u></b>		
Administrative	172,913	174,058
Utilities	3,625	4,016
Maintenance	10,141	3,808
General Expenses	19,509	35,050
Housing Assistance Payments	1,473,904	1,453,589
Depreciation	9,303	14,882
<b>Total Expenses</b>	<b>1,689,395</b>	<b>1,685,403</b>
Net Increases (Decreases)	<b>\$ 65,629</b>	<b>\$ (247,518)</b>

For more information see Combined Statement of Revenues, Expenses and Changes in Net Assets presented on page 9.

**CLINTON METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(Unaudited)**

Operating subsidies from HUD increased \$314,025, as 100 percent lease-up was attained over the course of the fiscal year. Investment income dropped notably due to market conditions. Other revenues increased due to the addition of Administration Fees from the county-funded TBRA Program.

Expenses increased in 2010 by \$3,992. This was primarily due to an increase in Housing Assistance Payments expense.

Maintenance Expense increased by \$6,333, due to the aforementioned long-standing, hidden water leak, necessitating a one-time repair.

The following is a condensed **Statement of Changes in Capital Assets** comparing the balance in capital assets at the year-end versus at the end of the prior year.

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

	2010	2009
Land	\$ 6,750	\$ 6,750
Buildings	353,190	353,190
Equipment	46,773	46,773
Leasehold Improvements	52,534	52,534
Accumulated Depreciation	(305,674)	(296,371)
<b>Total Capital Assets, Net</b>	<u>\$ 153,573</u>	<u>\$ 162,876</u>

The Authority purchased no new assets or had any disposals in 2010.

The Authority has no debt outstanding at the year-end.

**Economic Factors**

Significant economic factors affecting Clinton Metropolitan Housing Authority are as follows:

- Highest unemployment rate in the State of Ohio, affecting resident incomes and employment opportunities, which, therefore, impact the amount of their rental assistance;
- Inflationary trends toward higher utility rates, supply and other costs;
- Federal funding supplied by HUD via Congressional action;
- Market conditions creating both decreased opportunity for investment income and increased employee health insurance rates

**Financial Contact**

The individual to be contacted regarding this report is Kathy Collins, Executive Director of Clinton Metropolitan Housing Authority, at 937-382-5749, extension #3. Specific requests may be submitted to Clinton Metropolitan Housing Authority at 478 Thorne Avenue, Wilmington, Ohio 45177.

**CLINTON METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2010**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents - Unrestricted	\$ 147,235
Restricted Cash and Cash Equivalents	141,737
Receivables, Net	10,166
Prepaid Expenses	<u>6,678</u>
<b>Total Current Assets</b>	<b><u>305,816</u></b>

**Noncurrent Assets**

Non-depreciable Capital Assets	6,750
Depreciable Capital Assets, Net	<u>146,823</u>
<b>Total Noncurrent Assets</b>	<b><u>153,573</u></b>

<b>TOTAL ASSETS</b>	<b><u>\$ 459,389</u></b>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 2,638
Accrued Compensated Absences - Current	5,874
Tenant Security Deposits	370
Accrued Wages and Payroll Taxes	6,047
Intergovernmental Payable	<u>1,196</u>
<b>Total Current Liabilities</b>	<b><u>16,125</u></b>

**Noncurrent Liabilities**

FSS Escrow	<u>27,500</u>
<b>Total Noncurrent Liabilities</b>	<b><u>27,500</u></b>
<b>Total Liabilities</b>	<b><u>43,625</u></b>

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	153,573
Unrestricted Net Assets	148,324
Restricted Net Assets	<u>113,867</u>
<b>Total Net Assets</b>	<b><u>415,764</u></b>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 459,389</u></b>
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See accompanying notes to the basic financial statements.

**CLINTON METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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<b><u>Operating Revenues</u></b>	
Government Grants	\$ 1,736,147
Tenant Revenue	4,722
Other Revenue	<u>14,025</u>
<b>Total Operating Revenues</b>	<b><u>1,754,894</u></b>
<b><u>Operating Expenses</u></b>	
Housing Assistance Payments	1,473,904
Administrative	172,913
Utilities	3,625
Maintenance	10,141
General	<u>19,509</u>
<b>Total Operating Expenses Before Depreciation</b>	<b><u>1,680,092</u></b>
Income Before Depreciation	74,802
Depreciation	<u>9,303</u>
<b>Operating Income (Loss)</b>	<b><u>65,499</u></b>
<b><u>Non-Operating Revenues (Expenses)</u></b>	
Interest and Investment Revenue	<u>130</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<b><u>130</u></b>
Change in Net Assets	65,629
Total Net Assets, Beginning of Year	<u>350,135</u>
<b>Net Assets, End of Year</b>	<b><u>\$ 415,764</u></b>

See accompanying notes to the basic financial statements.

**CLINTON METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**Cash Flows from Operating Activities**

Cash Received from HUD and Other Grants	\$ 1,600,197
Cash Received From Tenants	4,722
Cash Payments for Housing Assistance	(1,473,904)
Cash Payments for Administrative Expenses	(166,399)
Cash Payments for Other Operating Expenses	(33,208)
Cash Received - Other	20,934
<b>Net Cash (Provided) by Operating Activities</b>	<b><u>(47,658)</u></b>

**Cash Flows from Investing Activities**

Interest Income	<u>130</u>
<b>Net Cash Provided by Investing Activities</b>	<b><u>130</u></b>
Net Increase (Decrease) in Cash and Cash Equivalents	(47,528)

Cash and Cash Equivalents, Beginning	<u>336,500</u>
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<b>Cash and Cash Equivalents, Ending</b>	<b><u>\$ 288,972</u></b>
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**Reconciliation of Operating Loss to Net**

**Cash Provided by Operating Activities**

Net Operating (Loss)	\$ 65,499
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	9,303
(Increase) Decrease in:	
Accounts Receivable	(5,480)
Prepaid Expenses	2,559
Increase (Decrease) in:	
Accounts Payable	2,638
Accounts Payable HUD and Other Governments	(12)
Accrued Compensated Absences - Current	120
Accrued Wages and Payroll Taxes	1,276
Deferred Revenue	(130,942)
FSS Escrow	7,381
<b>Net Cash Used by Operating Activities</b>	<b><u>\$ (47,658)</u></b>

See accompanying notes to the basic financial statements.



**CLINTON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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

**Organization and Reporting Entity**

The Clinton Metropolitan Housing Authority ( the Authority) was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development leasing, and administration of a low-rent housing program. An Annual Contributions Contract (ACC) was signed by the Authority and the U.S. Department of Housing and Urban Development (HUD) under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring, constructing, maintaining, operating, improving, extending, and repairing housing facilities.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the “primary government”. A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity. The Authority has no component units based on the above considerations.

**Basis of Presentation**

The financial statements of 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 has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of Statements and Interpretations of the Financial Accounting Standards Board issued on or before November 30, 1989 that do not conflict with GASB pronouncements. The Authority will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board. The Authority has elected not follow FASB guidance issued after November 30, 1989.

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

**CLINTON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

**Basis of Presentation** (Continued)

The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. 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.

**Measurement Focus and Basis of Accounting**

The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Authority considers all highly liquid investments (including restricted assets) with a maturity of one year or less when purchased to be cash equivalents.

**CLINTON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

**Capital Assets**

Capital assets are recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. Depreciation is computed on the straight line method based on the following estimated useful lives:

Buildings	40 years
Improvements	15-27.5 years
Equipment	7 years
Computers	3 years

**Capitalization of Interest**

The Authority's policy is not to capitalize interest related to the construction or purchase of capital assets.

**Compensated Absences**

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

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; and **(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 liability. Information regarding compensated absences is detailed in Note 8.

**CLINTON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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NOTE 2: **DEPOSITS AND INVESTMENTS**

**Cash on Hand**

At December 31, 2010, the Authority had undeposited cash on hand (petty cash) of \$100.

At December 31, 2010, the carrying amount of the Authority's cash deposits was \$288,872 and the bank balance was \$297,718. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2010, deposits totaling \$297,718 were covered by Federal Depository Insurance.

Custodial credit is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 110 percent of deposits. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 110 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve system in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at a Federal Reserve bank in the name of the Authority.

**Investments**

The Authority has no investments at December 31, 2010.

**Interest Rate Risk**

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires that operating funds be invested primarily in short-term investments maturing within 2 years from the date of purchase and that its investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**CLINTON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

**Credit Risk**

The credit risk of the Authority's investments are in the table below. The Authority has no investment policy that would further limit its investment choices.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the controller or qualified trustee.

**Concentration of Credit Risk**

The Authority places no limit on the amount it may invest in any one insurer. The Authority's deposits in financial institutions represents 100 percent of its deposits.

NOTE 3: **RESTRICTED CASH**

The restricted cash balance of \$305,346 on the financial statements represents the following:

Excess cash advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments	\$ 113,867
FSS Escrow Funds	27,500
Tenant Security Deposits	<u>370</u>
Total Restricted Cash	<u>\$ 141,737</u>

*This space intentionally left blank.*

**CLINTON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

**NOTE 4: CAPITAL ASSETS**

A summary of capital assets at December 31, 2010 by class is as follows:

	Balance 01/01/2010	Reclasses/ Adjustments	Additions	Deletions	Balance 12/31/2010
<b><u>Capital Assets Not Being Depreciated</u></b>					
Land	\$ 6,750	\$ 0	\$ 0	\$ 0	\$ 6,750
<b>Total Capital Assets Not Being Depreciated</b>	<u>6,750</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,750</u>
<b><u>Capital Assets Being Depreciated</u></b>					
Buildings and Improvements	353,190	0	0	0	353,190
Furniture, Equipment, and Machinery - Administrative	46,773	0	0	0	46,773
Leasehold Improvement	<u>52,534</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>52,534</u>
<b>Capital Assets Being Depreciated</b>	<u>452,497</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>452,497</u>
<b><u>Accumulated Depreciation</u></b>					
Buildings	(236,729)	(3,762)	(5,289)	0	(245,780)
Furniture & Equipment - Administration	(49,135)	3,762	(681)	0	(46,054)
Leasehold Improvement	<u>(10,507)</u>	<u>0</u>	<u>(3,333)</u>	<u>0</u>	<u>(13,840)</u>
<b>Total Accumulated Depreciation</b>	<u>(296,371)</u>	<u>0</u>	<u>(9,303)</u>	<u>0</u>	<u>(305,674)</u>
<b>Capital Assets Being Depreciated, Net</b>	<u>156,126</u>	<u>0</u>	<u>(9,303)</u>	<u>0</u>	<u>146,823</u>
<b>Total Capital Assets ,Net</b>	<u>\$ 162,876</u>	<u>\$ 0</u>	<u>\$ (9,303)</u>	<u>\$ 0</u>	<u>\$ 153,573</u>

**NOTE 5: RESTRICTED NET ASSETS**

The Authority's restricted net assets are as follows:

Unspent Funding Provided by HUD to pay Section 8 Housing Choice Voucher Housing Assistance Payments	\$ 113,867
Total	<u>\$ 113,867</u>

*This space intentionally left blank.*

**CLINTON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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NOTE 6: **DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

All full-time employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer public employee retirement system administered by the Ohio Public Employees Retirement Board. OPERS provides basic retirement, disability, and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information for OPERS. 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 (800) 222-PERS.

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

- The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan.
- The Member-Directed Plan (MD) - a benefit contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings.
- The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

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

**CLINTON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 10.00 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14.00 percent of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2010, 2009, and 2008, were \$14,721, \$14,115, and \$13,890, respectively. The full amount has been contributed for 2010, 2009, and 2008. The Authority had no employees participating in the Member-Directed or Combined Plans for the years ended 2010, 2009, and 2008.

NOTE 7: **POST-EMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System**

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care.

The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2010 employer contribution rate (identified above) that was used to fund health care for the months of January and February was 5.5 percent, and was 5.0 percent for the months of March through December. Actual Authority contributions for 2010 which were used to fund post-employment benefits were \$5,783. Authority contributions used to fund post-employment benefits for 2009 and 2008 were \$5,913 and \$6,945, respectively. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2008. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used.

Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2007 was 6.5 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent



**CLINTON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

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

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

base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from .5 percent to 5 percent for the next 8 years.

In subsequent years (9 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate). Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 357,584. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2008 was \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.6 billion and \$18.9 billion, respectively.

NOTE 8: **COMPENSATED ABSENCES**

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

All permanent employees will earn 15 days sick leave per year of service. Unused sick leave may be accumulated without limit. At the time of separation, employees receive payment for up to fifty (50) days of unused sick leave. All permanent employees will earn vacation hours accumulated based on length of service. Vacation shall not be accrued to exceed 240 hours. Any vacation accrued in excess of 240 hours shall be forfeited.

At December 31, 2010, based on the vesting method, \$5,874 was accrued by the Authority for unused vacation and sick time. All is considered to be current.

A summary of changes in the compensated absences liability follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Used</u>	<u>Ending Balance</u>	<u>Current Portion</u>
\$ 5,754	\$ 12,777	\$ 12,657	\$ 5,874	\$ 5,874

**CLINTON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
**(CONTINUED)**

**NOTE 9: INSURANCE**

The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public officials liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance risk pool comprised of thirty-six (36) Ohio housing authorities, of which Clinton is one. Deductibles and coverage limits are summarized below:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limits</u>
Property	\$ 1,500	\$ 967,600 (Per Occurrence)
Boiler and Machinery	1,000	50,000,000
General Liability	0	6,000,000
Automobile Liability	0	6,000,000
Law Enforcement	0	6,000,000
Public Officials	0	6,000,000
Crime	500	1,000,000

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

**NOTE 10: CONSTRUCTION AND OTHER COMMITMENTS**

The Authority had no material construction commitments at December 31, 2010.

**NOTE 11: CONTINGENCIES**

The Authority is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

The Authority has received several Federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

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

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
<i>Direct Programs:</i>		
<b><u>Section 8 Tenant Based Programs</u></b>		
Section 8 Housing Choice Voucher Program	14.871	\$ 1,695,652
<b>Total Section 8 Tenant Based Programs</b>		<u>1,695,652</u>
<b><u>Pass Through Program from Clinton County</u></b>		
Community Housing Improvement Programs	14.239	<u>40,495</u>
<b>Total Pass Through Programs</b>		<u>40,495</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>1,736,147</u>
<b>Total Federal Expenditures</b>		<u>\$ 1,736,147</u>

This schedule is prepared on the accrual basis of accounting.

**CLINTON METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

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**NOTE A: SIGNIFICANT ACCOUNTING POLICIES**

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

**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
5240 East 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 Directors  
Clinton Metropolitan Housing  
Wilmington, Ohio

Regional Inspector General for Audit  
Department of Housing and Urban  
Development

We have audited the financial statements of the business-type activities of the Clinton Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2010, which collectively comprise the Clinton Metropolitan Housing Authority, Ohio's basic financial statements and have issued our report thereon dated July 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Clinton 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 Clinton Metropolitan Housing Authority, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Clinton Metropolitan Housing Authority, Ohio's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting as **Finding 2010-1**.

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 charges with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Clinton 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*.

We noted certain matters that are reported to management of the Clinton Metropolitan Housing Authority, in a separate letter dated July 21, 2011.

The Clinton Metropolitan Housing Authority, Ohio's response to the finding identified in our audit is contained in the accompanying Schedule of Findings and Questioned Costs. We did not audit Clinton Metropolitan Housing Authority's response and, accordingly, we express not opinion on it.

This report is intended solely for the information and use of the management, Board of Directors, others within the entity, pass through entities, 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

July 21, 2011

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

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

Board of Directors  
Clinton Metropolitan Housing Authority  
Wilmington, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Compliance**

We have audited the compliance of the Clinton Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Clinton Metropolitan Housing Authority, Ohio's major federal programs for the year ended December 31, 2010. The Clinton Metropolitan Housing Authority, Ohio's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Clinton Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Clinton 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 Clinton 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 Clinton Metropolitan Housing Authority, Ohio's compliance with those requirements.

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

### **Internal Control Over Compliance**

The management of the Clinton 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 Clinton 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 to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Clinton Metropolitan Housing Authority, Ohio's internal control over compliance.

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

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

This report is intended solely for the information and use of the management, the Board of Directors, others within the entity, pass through entities 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

July 21, 2011



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

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

2010(i)	Type of Financial Statement Opinion	Unqualified
2010(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2010(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	Yes
2010(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2010(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2010(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2010(v)	Type of Major Programs' Compliance Opinion	Unqualified
2010(vi)	Are there any reportable findings under .510?	No
2010(vii)	Major Programs (list):	
	Section 8 Housing Choice Voucher - CFDA# 14.871	
2010(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
2010(ix)	Low Risk Auditee?	No

**CLINTON METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
(CONTINUED)  
DECEMBER 31, 2010**

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

**Finding 2010-1: Significant Deficiency in Internal Control - Preparation of Financial Statements**

**Condition**

Financial reporting to HUD's Real Estate Assessment Center was not made within the required time frame. In addition, periodic reporting of financial performance is often not completed because financial accounting is not completed in a timely manner to prepare periodic reports for sharing with the Board.

**Criteria**

A proper system of internal control would ensure that the accounting system would provide for financial statements to be prepared reflecting the capture of complete and accurate financial data on a timely basis.

**Cause**

This condition is the result of the lack of an effective financial reporting system.

**Effect**

This deficiency resulted in untimely financial reporting to HUD's Real Estate Assessment Center and a lack of periodic reporting of financial activity to the Authority's Board.

**Recommendation**

We recommend that an effective system of internal controls be implemented to ensure that financial reporting to HUD's Real Estate Assessment Center is done in a timely manner and that financial activity is reported to the Board periodically.

**Auditee Response**

Clinton Metropolitan Housing Authority is working to implement changes in our financial reporting process to eliminate late filing of reports in the future.

**CLINTON METROPOLITAN HOUSING AUTHORITY  
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain</u>
<b>2006-1</b>	FSS Program	Yes	Fully Corrected
<b>2009-1</b>	Negative Admin Equity	No	Partially corrected - as of December 31, 2010 the negative admin. equity is \$48,938. Per discussion with the Executive Director, the Authority is requesting a transfer of funds from their business activities to eliminate the negative equity.

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# Dave Yost • Auditor of State

CLINTON METROPOLITAN HOUSING AUTHORITY

CLINTON COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 11, 2011