

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

of the

**MORGAN METROPOLITAN
HOUSING AUTHORITY**

for the

Year Ended June 30, 2010



Dave Yost • Auditor of State

January 11, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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

DAVE YOST
Auditor of State

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Mary Taylor, CPA
Auditor of State

Board of Directors
Morgan Metropolitan Housing Authority
4580 SR 376 NW
McConnelsville, Ohio 43765

We have reviewed the *Independent Auditors' Report* of the Morgan Metropolitan Housing Authority, Morgan County, prepared by Jones, Cochenour & Co., for the audit period July 1, 2009 through June 30, 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 Morgan Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 29, 2010

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**MORGAN METROPOLITAN HOUSING AUTHORITY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Morgan Metropolitan Housing Authority
McConnelsville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying basic financial statements of Morgan Metropolitan Housing Authority, as of and for the year ended June 30, 2010, as listed in the table of contents. These basic financial statements are the responsibility of the Morgan Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Morgan Metropolitan Housing Authority, as of June 30, 2010, and the results of its operations and the cash flows of its proprietary fund type activities 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 November 16, 2010, on our consideration of Morgan Metropolitan Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis information 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 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 assurance.

much more than an accounting firm

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority taken as a whole. The supplemental data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Morgan Metropolitan Housing Authority. 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 not a required part of 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 taken as a whole.



**Jones, Cochenour & Co.
November 16, 2010**

**MORGAN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2010**

Unaudited

It is a privilege to present for you the financial picture of Morgan Metropolitan Housing Authority. The Morgan 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 changes), 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 financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Net assets were \$2,450,294 and \$2,425,600 for 2010 and 2009, respectively. The statements reflect an increase in total net assets of \$24,694 (or 1%), during 2010. This increase is reflective of the year's activities.
- The total revenues were \$1,151,739 and \$1,197,971 for 2010 and 2009, respectively. The statements reflect a decrease in total revenues of \$46,232 (or 3.9%), during 2010.
- The total expenses were \$1,127,045 and \$1,092,217 for 2010 and 2009, respectively. The statements reflect an increase in total expenses of \$34,828 (or 3.2%), during 2010.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

MD&A ~ Management's Discussion and Analysis ~
Basic Financial Statements ~ Statement of Net Assets ~ ~ Statement of Revenues, Expenses and Change in Net Assets ~ ~ Statement of Cash Flows ~ ~ Notes to Financial Statements ~
Other Required Supplementary Information ~ Required Supplementary Information (other than the MD&A) ~

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

**MORGAN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2010**

Unaudited

BASIC FINANCIAL STATEMENTS

The basic financial statements, beginning on page 8 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 where assets, minus liabilities, equal "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):

Net Assets, 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 "Net Assets 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 Change 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 Change 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, non-capital financing activities, and from capital and related financing activities.

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

Conventional Public Housing (PH) – 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 and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Formula Stimulus Grant – The Authority received funding through the American Recovery and Reinvestment Act as part of the Capital Fund Program. These funds were for physical improvements to the Authority's properties.

Housing Choice Voucher Program (HCVP) – 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.

Resident Opportunities and Self Sufficiency (ROSS) – A grant program that provides funds for job training and supportive services to help residents of public housing transition from welfare to work. ROSS also provides funding to link elderly/disabled residents to critical services which can help them continue to live independently.

**MORGAN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2010**

Unaudited

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

The following table reflects the condensed Statement of Net Assets compared to prior year.

**TABLE 1
STATEMENT OF NET ASSETS**

	<u>FYE 6/30/10</u>	<u>FYE 6/30/09</u>
Current and Other Assets	\$ 278,443	\$ 247,874
Capital Assets	<u>2,251,822</u>	<u>2,267,304</u>
<i>TOTAL ASSETS</i>	<u>\$ 2,530,265</u>	<u>\$ 2,515,178</u>
Other Liabilities	\$ 50,962	\$ 65,507
Long-Term Liabilities	<u>29,009</u>	<u>24,071</u>
<i>TOTAL LIABILITIES</i>	<u>\$ 79,971</u>	<u>\$ 89,578</u>
Net Assets:		
Invested in Capital Assets, net of Related Debt	\$ 2,251,822	\$ 2,267,306
Restricted Net Assets	28,989	-
Unrestricted	<u>169,483</u>	<u>158,294</u>
<i>TOTAL NET ASSETS</i>	<u>\$ 2,450,294</u>	<u>\$ 2,425,600</u>

NOTE: For more detailed information, see the *Statement of Net Assets*.

Major factors affecting the Statement of Net Assets: Total Assets increased by \$15,089. Liabilities decreased by \$9,607. Capital Assets decreased by \$15,482 and unrestricted net assets increased by \$11,189. The majority of these changes were due to increased HAP and Admin funding for the Section 8 program. Public Housing funding also was used to purchase land during this fiscal year..

**TABLE 2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

The following schedule compares the revenues and expenses for the current and previous fiscal year:

	<u>FYE 6/30/10</u>	<u>FYE 6/30/09</u>
Revenue:		
Tenant Revenue (Rent and Other)	\$ 78,508	\$ 84,385
Operating Subsidies and Grants	937,941	922,522
Capital Grants	110,575	166,513
Fraud Recovery	935	6,282
Investment Income	3,249	3,885
Other Revenues	<u>20,531</u>	<u>14,384</u>
<i>TOTAL REVENUE</i>	<u>\$1,151,739</u>	<u>\$1,197,971</u>
Expenses:		
Administration	\$ 191,559	\$ 195,817
Tenant Services	9,251	1,136
Utilities	52,911	60,952
Insurance	9,374	18,887
Maintenance	174,501	159,888
General Expenses	23,289	25,425
Housing Assistance Payments	517,102	487,754
Depreciation	<u>149,058</u>	<u>142,358</u>
<i>TOTAL EXPENSES</i>	<u>\$1,127,045</u>	<u>\$1,092,217</u>

**MORGAN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2010**

Unaudited

Major factors affecting the Statement of Revenue, Expenses, and Changes in Net Assets include: decrease in rent collected due to poor economic conditions, increase in Operating Subsidy, decrease in capital expenditures and an increase in HAP costs due to increased leasing.

CAPITAL ASSETS

As of year end, the Authority had \$2,251,822 invested in net capital assets as reflected in the following schedule which represents a net decrease (addition, deductions and depreciation) of \$15,482 from the end of last year.

**TABLE 3
CAPITAL ASSETS AT YEAR-END
(Net of Depreciation)**

	<u>FYE 6/30/10</u>	<u>FYE 6/30/09</u>
Land and Land Rights	\$ 279,150	\$ 251,650
Buildings	3,931,660	3,825,585
Equipment-Administrative	153,367	153,368
Equipment-Dwellings	118,863	118,863
Leasehold Improvements	247,623	247,623
Accumulated Depreciation	<u>(2,478,841)</u>	<u>(2,329,785)</u>
TOTAL	<u>\$ 2,251,822</u>	<u>\$ 2,267,304</u>

**TABLE 4
CHANGE IN CAPITAL ASSETS**

The following reconciliation summarizes the change in Capital Assets. Capital fund projects and land purchase were the main factors affecting a change in capital assets.

Beginning Balance	\$ 2,267,304	
Additions	133,575	
Depreciation	<u>(149,057)</u>	
Ending Balance:	<u>\$ 2,251,822</u>	

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
- Inflationary pressure on utility rates, supplies and other costs

**MORGAN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2010**

Unaudited

IN CONCLUSION

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

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Kelly Hardman, Executive Director of the Morgan Metropolitan Housing Authority at (740) 962-4930.

Respectfully submitted,

Kelly Hardman, Executive Director

**Morgan Metropolitan Housing Authority
Statement of Net Assets
June 30, 2010**

ASSETS

Cash and cash equivalents	\$	109,780
Cash and cash equivalents - restricted		77,406
Investments		53,355
Receivables - net of allowance		14,216
Inventories - net of allowance		10,984
Prepaid expenses and other assets		<u>12,702</u>
TOTAL CURRENT ASSETS		278,443

Land		279,150
Capital assets - net		<u>1,972,672</u>
TOTAL CAPITAL ASSETS		2,251,822

TOTAL ASSETS **2,530,265**

LIABILITIES

Accounts payable		12,814
Accrued wages / payroll taxes		4,478
Intergovernmental payables		2,545
Tenant security deposits		24,550
Accrued compensated absences		<u>6,575</u>

TOTAL CURRENT LIABILITIES **50,962**

Accrued compensated absences		5,142
FSS and ROSS liability		<u>23,867</u>

TOTAL LONG TERM LIABILITIES **29,009**

TOTAL LIABILITIES **79,971**

NET ASSETS

Invested in capital assets - net of related debt		2,251,822
Restricted net assets		28,989
Unrestricted net assets		<u>169,483</u>

NET ASSETS **\$ 2,450,294**

See accompanying notes to the basic financial statements

**Morgan Metropolitan Housing Authority
Statement of Revenues, Expenses and Change in Net Assets
Year Ended June 30, 2010**

OPERATING REVENUE		
Tenant revenue	\$	78,508
HUD operating grants		937,941
Other revenue		20,531
Fraud Recovery		<u>935</u>
TOTAL OPERATING REVENUE		1,037,915
OPERATING EXPENSES		
Administrative		191,559
Tenant services		9,251
Utilities		52,911
Insurance		9,374
Maintenance		174,501
General		23,289
Housing assistance payments		517,102
Depreciation		<u>149,058</u>
TOTAL OPERATING EXPENSES		<u>1,127,045</u>
OPERATING LOSS		(89,130)
NON-OPERATING INCOME		
Interest income		3,249
HUD capital grants		<u>110,575</u>
TOTAL NON-OPERATING REVENUE		<u>113,824</u>
CHANGE IN NET ASSETS		24,694
NET ASSETS BEGINNING OF YEAR		<u>2,425,600</u>
NET ASSETS END OF YEAR		<u><u>\$ 2,450,294</u></u>

See accompanying notes to the basic financial statements

**Morgan Metropolitan Housing Authority
Statement of Cash Flows
Year Ended June 30, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from tenants	\$	70,015
Cash received from HUD		930,420
Cash received from capital grants		30,147
Cash payments for administrative		(463,140)
Cash payments for HUD and other governments		2,650
Cash payments for housing assistance payments		(517,102)
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>52,990</u>

CASH FLOWS FROM CAPITAL ACTIVITIES

Capital funds received		110,575
Acquisition of capital assets		(133,575)
NET CASH (USED) BY OPERATING ACTIVITIES		<u>(23,000)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment purchases		(2,540)
Interest income		3,249
NET CASH PROVIDED BY FINANCING ACTIVITIES		<u>709</u>

INCREASE IN CASH AND CASH EQUIVALENTS

30,699

CASH AND CASH EQUIVALENTS, BEGINNING

156,487

CASH AND CASH EQUIVALENTS, ENDING

\$ 187,186

**RECONCILIATION OF OPERATING LOSS
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating loss	\$	(89,130)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		149,058
(Increase) decrease in:		
Receivables - net of allowance		3,831
Inventories - net of allowance		2,531
Prepaid expenses and other assets		(3,693)
Increase (decrease) in:		
Accounts payable		(13,566)
Accrued compensated absences		(2,114)
Intergovernmental payables		(105)
Accrued wages/payroll taxes		(117)
Tenant security deposits		1,000
FSS and ROSS liabilities		5,295
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	<u><u>52,990</u></u>

See accompanying notes to the basic financial statements

Morgan Metropolitan Housing Authority
Notes to the basic financial statements
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Morgan 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 financial statements comply with the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, and Statement No. 39, *Determining Whether Certain Organizations are Component Units*, in that the financial statements include all organizations, activities, and functions for which the Authority is financially accountable. Financial accountability is defined by the component unit being fiscally dependent on the Authority. The Authority is not a component unit of any larger entity.

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.

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:

Conventional Public Housing (PH) – 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Fund Program (CFP) – This is the current primary funding source for the Authority’s physical and management improvements. While the formula funding methodology used for the CFP was revised for the CFP, funds are still provided by formula allocation and based on the size and age of the units. The Authority received funding through this program as a result of the American Reinvestment and Recovery Act funds.

Housing Choice Voucher Program (HCVP) – 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 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.

Ross Program (ROSS) – A grant program that provides funds for job training and supportive services to help residents of public housing transition from welfare to work. ROSS also provides funding to link elderly/disabled residents to critical services which can help them continue to live independently.

Accounting and Reporting for Nonexchange Transactions

The Authority adopted GASB 33. 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 government-mandated or voluntary nonexchange transactions.

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.

Morgan Metropolitan Housing Authority
Notes to the basic financial statements
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2010 for both programs totaled \$3,249. At June 30, 2010, the Authority's only investment was a certificate of deposit for \$53,355 with a maturity date of July 17, 2013.

Deferred Revenue

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

Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2010, 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.

Capital Assets

Fixed 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 policy is \$500. The following are the estimated useful lives used for depreciation purposes:

Buildings – residential	27.5
Buildings – non residential	40
Building improvements	15
Furniture – dwelling	7
Furniture – non-dwelling	7
Equipment – dwelling	5
Equipment – non-dwelling	7
Autos and trucks	5
Computer hardware	3
Computer software	3
Leasehold improvements	15
Land improvements	15

Cash and Cash Equivalents

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

Due From/To Other Programs

On the basic financial statements, receivables and payables resulting from the short-term interprogram loans are eliminated.

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 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, 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.

Morgan Metropolitan Housing Authority
Notes to the basic financial statements
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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.

Estimates

The preparation of financial statements 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.

Receivables – net of allowance

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. All receivables were believed to be collectible at June 30, 2010.

Inventories

Inventories are stated at cost, (first-in, first-out method). Inventory consists of supplies and maintenance parts. The allowance for obsolete inventory was \$1,220 at June 30, 2010.

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. There was no related debt as of June 30, 2010. Net assets are recorded as restricted when there are limitations imposed on their use either by internal or external restrictions.

Operating/Nonoperating 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.

Nonoperating revenues are HUD capital grants and interest income. HUD capital grants are the amounts received by the Authority for capital improvements and administration of the public housing programs.

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

2. DEPOSITS AND INVESTMENTS

Deposits

Ohio 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 withdrawn 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.

Morgan Metropolitan Housing Authority
Notes to the basic financial statements
June 30, 2010

2. DEPOSITS AND INVESTMENTS - CONTINUED

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 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.

At fiscal year end June 30, 2010, the carrying amount of the Authority's deposits totaled \$187,186 and its bank balance was \$195,655. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2010, \$0 was exposed to custodial risk.

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 110% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the 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 the Federal Reserve Bank in the name of the Authority. The Authority has no policy dealing with custodial risk beyond the requirement in State statute.

Investments

HUD, State Statute, and Board Resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose or arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's Trust department or agent in the Authority's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its Trust department but not in the Authority's name. The Authority had \$53,355 in a certificate of deposit at June 30, 2010, with 5% interest rate, due to mature July 17, 2013. The certificate of deposit earned \$2,540 in interest in 2010.

Morgan Metropolitan Housing Authority
Notes to the basic financial statements
June 30, 2010

3. RESTRICTED CASH

The following restricted cash balance on the financial statements consists of the following:

Excess cash advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments	\$ 28,989
FSS Escrow Funds	16,621
Tenant Security Deposits	24,550
ROSS Funds	<u>7,246</u>
Total Restricted Cash	<u><u>\$ 77,406</u></u>

4. CAPITAL ASSETS

The following is a summary:

	Balance 6/30/09	Net Additions / Deletions	Deletions / Reclassifications	Balance 6/30/10
CAPITAL ASSETS, NOT BEING DEPRECIATED				
Land	\$ 251,650	\$ 23,000	\$ 4,500	\$ 279,150
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>\$ 251,650</u>	<u>\$ 23,000</u>	<u>\$ 4,500</u>	<u>\$ 279,150</u>
CAPITAL ASSETS, BEING DEPRECIATED				
Buildings and Improvements	\$ 4,073,208	\$ 110,575	\$ (4,500)	\$ 4,179,283
Furniture and equipment	272,230	-	-	272,230
Totals at Historical Costs	4,345,438	110,575	(4,500)	4,451,513
Accumulated Depreciation				
Buildings and Improvements	(2,080,438)	(145,621)	-	(2,226,059)
Furniture and equipment	(249,345)	(3,437)	-	(252,782)
Total Accumulated Depreciation	<u>(2,329,783)</u>	<u>(149,058)</u>	<u>-</u>	<u>(2,478,841)</u>
TOTAL CAPITAL ASSETS, NET BEING DEPRECIATED	<u>2,015,655</u>	<u>(38,483)</u>	<u>(4,500)</u>	<u>1,972,672</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 2,267,305</u>	<u>\$ (15,483)</u>	<u>\$ -</u>	<u>\$ 2,251,822</u>

5. LONG-TERM LIABILITIES

Long-term liabilities are summarized as follows:

	Balance 6/30/2009	Increases	Decreases	Balance 6/30/2010	Due Within One Year
Compensated Absences					
Public Housing	\$ 8,990	\$ 12,659	\$ (13,990)	\$ 7,659	\$ 4,316
Section 8	4,841	4,186	(4,969)	4,058	2,259
Total Compensated Absences Liability	<u>\$ 13,831</u>	<u>\$ 16,845</u>	<u>\$ (18,959)</u>	<u>\$ 11,717</u>	<u>\$ 6,575</u>
Long-term Compensated Absences				<u>\$ 5,142</u>	
FSS Liability	<u>\$ 15,345</u>	<u>\$ 8,220</u>	<u>\$ (6,944)</u>	<u>\$ 16,621</u>	<u>\$ -</u>
ROSS Escrow Liability	<u>3,227</u>	<u>6,068</u>	<u>(2,049)</u>	<u>7,246</u>	<u>-</u>
	<u>\$ 18,572</u>	<u>\$ 14,288</u>	<u>\$ (8,993)</u>	<u>\$ 23,867</u>	<u>\$ -</u>

Morgan Metropolitan Housing Authority
Notes to the basic financial statements
June 30, 2010

6. DEFINED BENEFIT PENSION PLAN

A. The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

- 1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
- 2) The Member-Directed Plan (MD) – 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-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
- 3) The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions 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, and survivor and death benefits and annual cost-of-living adjustments to qualifying members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. Plan members are required to contribute 10% of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14% of covered payroll. The Authority's required contributions to OPERS for the years ended June 30, 2010, 2009, and 2008 were approximately \$21,829, \$22,410, and \$19,271.

7. POST-EMPLOYMENT BENEFITS

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare 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 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 45.

The Ohio Revised Code permits, but does not mandate OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution (5.5%) to OPERS is set aside for the funding of post-retirement health care benefits. Actual Authority contributions for 2010 which were used to fund post-employment benefits were \$1,201.

Morgan Metropolitan Housing Authority
Notes to the basic financial statements
June 30, 2010

8. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended June 30, 2010, the Authority electronically submitted an unaudited version of the combining balance sheet, statement of revenues, expenses and changes in retained earnings and other data to HUD as required on the GAAP basis. The audited version of the FDS schedules are included as supplemental data. The schedules are presented in the manner prescribed by Housing and Urban Development.

9. CONTINGENT LIABILITIES

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

10. RISK MANAGEMENT

The Authority maintains 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. There was no significant reduction in coverage and no settlements exceeded insurance coverage during the past three years.

11. RELATED PARTY TRANSACTIONS

An employee of the Authority has relatives that own HUD properties and receive Section 8 payments. The employee has received a conflict of interest waiver from HUD.

One of the board members is a pastor of a church renting facility space from the Authority.

12. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of federal awards expenditures is a summary of the activity of the Authority's federal award programs. The schedule has been prepared on the accrual basis of accounting.

13. SUBSEQUENT EVENTS

There were no subsequent events through November 16, 2010, the date the financial statements were available to be issued. Any subsequent events after that date have not been evaluated.

Morgan Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
June 30, 2010

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.870 Resident Opportunity and Supportive Services	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$76,004	\$32,117	\$1,659			\$109,780		\$109,780
113 Cash - Other Restricted		\$45,610		\$7,246		\$52,856		\$52,856
114 Cash - Tenant Security Deposits	\$24,550					\$24,550		\$24,550
100 Total Cash	\$100,554	\$77,727	\$1,659	\$7,246	\$0	\$187,186	\$0	\$187,186
122 Accounts Receivable - HUD Other Projects	\$6,930			\$4,056	\$0	\$10,986		\$10,986
125 Accounts Receivable - Miscellaneous	\$2,523					\$2,523		\$2,523
126 Accounts Receivable - Tenants	\$388					\$388		\$388
128 Fraud Recovery		\$319				\$319		\$319
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$9,841	\$319	\$0	\$4,056	\$0	\$14,216	\$0	\$14,216
131 Investments - Unrestricted	\$53,355					\$53,355		\$53,355
142 Prepaid Expenses and Other Assets	\$9,873	\$1,712		\$1,117		\$12,702		\$12,702
143 Inventories	\$12,204					\$12,204		\$12,204
143.1 Allowance for Obsolete Inventories	-\$1,220					-\$1,220		-\$1,220
144 Inter Program Due From	\$12,538					\$12,538	-\$12,538	\$0
150 Total Current Assets	\$197,145	\$79,758	\$1,659	\$12,419	\$0	\$290,981	-\$12,538	\$278,443
161 Land	\$274,650	\$4,500				\$279,150		\$279,150
162 Buildings	\$3,868,849	\$62,811				\$3,931,660		\$3,931,660
163 Furniture, Equipment & Machinery - Dwellings	\$118,863					\$118,863		\$118,863
164 Furniture, Equipment & Machinery - Administration	\$110,606	\$42,761				\$153,367		\$153,367
165 Leasehold Improvements	\$247,623					\$247,623		\$247,623
166 Accumulated Depreciation	-\$2,445,663	-\$33,178				-\$2,478,841		-\$2,478,841
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,174,928	\$76,894	\$0	\$0	\$0	\$2,251,822	\$0	\$2,251,822
180 Total Non-Current Assets	\$2,174,928	\$76,894	\$0	\$0	\$0	\$2,251,822	\$0	\$2,251,822
190 Total Assets	\$2,372,073	\$156,652	\$1,659	\$12,419	\$0	\$2,542,803	-\$12,538	\$2,530,265

See independent auditors' report

**Morgan Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
June 30, 2010**

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.870 Resident Opportunity and Supportive Services	14.885 Formula Capital Fund Stimulus Grant	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	\$8,494	\$3,453	\$656	\$211	\$0	\$12,814		\$12,814
321 Accrued Wage/Payroll Taxes Payable	\$2,064	\$1,440		\$974		\$4,478		\$4,478
322 Accrued Compensated Absences - Current Portion	\$4,317	\$2,258				\$6,575		\$6,575
333 Accounts Payable - Other Government	\$2,545					\$2,545		\$2,545
341 Tenant Security Deposits	\$24,550					\$24,550		\$24,550
347 Inter Program - Due To	\$5,400	\$2,453	\$697	\$3,988	\$0	\$12,538	-\$12,538	\$0
310 Total Current Liabilities	\$47,370	\$9,604	\$1,353	\$5,173	\$0	\$63,500	-\$12,538	\$50,962
353 Non-current Liabilities - Other		\$16,621		\$7,246		\$23,867		\$23,867
354 Accrued Compensated Absences - Non Current	\$3,342	\$1,800				\$5,142		\$5,142
350 Total Non-Current Liabilities	\$3,342	\$18,421	\$0	\$7,246	\$0	\$29,009	\$0	\$29,009
300 Total Liabilities	\$50,712	\$28,025	\$1,353	\$12,419	\$0	\$92,509	-\$12,538	\$79,971
508.1 Invested In Capital Assets, Net of Related Debt	\$2,174,928	\$76,894	\$0			\$2,251,822		\$2,251,822
511.1 Restricted Net Assets		\$28,989	\$0			\$28,989		\$28,989
512.1 Unrestricted Net Assets	\$146,433	\$22,744	\$306	\$0	\$0	\$169,483		\$169,483
513 Total Equity/Net Assets	\$2,321,361	\$128,627	\$306	\$0	\$0	\$2,450,294	\$0	\$2,450,294
600 Total Liabilities and Equity/Net Assets	\$2,372,073	\$156,652	\$1,659	\$12,419	\$0	\$2,542,803	-\$12,538	\$2,530,265

See independent auditors' report

Morgan Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Retained Earnings
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
Year Ended June 30, 2010

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.870 Resident Opportunity and Supportive Services	14.885 Formula Capital Fund Stimulus Grant	Total
70300 Net Tenant Rental Revenue	\$76,435					\$76,435
70400 Tenant Revenue - Other	\$2,073					\$2,073
70500 Total Tenant Revenue	\$78,508	\$0	\$0	\$0	\$0	\$78,508
70600 HUD PHA Operating Grants	\$231,792	\$658,355		\$47,794		\$937,941
70610 Capital Grants	\$47,921				\$62,654	\$110,575
71100 Investment Income - Unrestricted	\$3,076	\$162	\$1			\$3,239
71400 Fraud Recovery		\$935				\$935
71500 Other Revenue	\$14,055	\$5,693	\$783			\$20,531
72000 Investment Income - Restricted		\$10				\$10
70000 Total Revenue	\$375,352	\$665,155	\$784	\$47,794	\$62,654	\$1,151,739
91100 Administrative Salaries	\$29,570	\$38,484	\$199	\$31,306	\$0	\$99,559
91200 Auditing Fees	\$2,115	\$4,616				\$6,731
91500 Employee Benefit contributions - Administrative	\$12,007	\$21,912		\$16,337	\$0	\$50,256
91600 Office Expenses	\$11,031	\$5,482	\$279			\$16,792
91700 Legal Expense	\$4,160					\$4,160
91800 Travel	\$1,184	\$483				\$1,667
91900 Other	\$4,870	\$7,373		\$151	\$0	\$12,394
91000 Total Operating - Administrative	\$64,937	\$78,350	\$478	\$47,794	\$0	\$191,559
92100 Tenant Services - Salaries		\$2,104				\$2,104
92400 Tenant Services - Other	\$1,000	\$6,147				\$7,147
92500 Total Tenant Services	\$1,000	\$8,251	\$0	\$0	\$0	\$9,251
93100 Water	\$40,538	\$237				\$40,775
93200 Electricity	\$7,194	\$1,332				\$8,526
93300 Gas	\$3,255	\$355				\$3,610
93000 Total Utilities	\$50,987	\$1,924	\$0	\$0	\$0	\$52,911
94100 Ordinary Maintenance and Operations - Labor	\$39,150					\$39,150
94200 Ordinary Maintenance and Operations - Materials and Other	\$23,063	\$5,968				\$29,031
94300 Ordinary Maintenance and Operations Contracts	\$79,747					\$79,747
94500 Employee Benefit Contributions - Ordinary Maintenance	\$26,573					\$26,573
94000 Total Maintenance	\$168,533	\$5,968	\$0	\$0	\$0	\$174,501

See independent auditors' report

Morgan Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Retained Earnings
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
Year Ended June 30, 2010

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.870 Resident Opportunity and Supportive Services	14.886 Formula Capital Fund Stimulus Grant	Total
96110 Property Insurance	\$9,374					\$9,374
96100 Total insurance Premiums	\$9,374	\$0	\$0	\$0	\$0	\$9,374
96210 Compensated Absences	\$10,617	\$8,342				\$18,959
96300 Payments in Lieu of Taxes	\$2,545					\$2,545
96400 Bad debt - Tenant Rents	\$1,785					\$1,785
96000 Total Other General Expenses	\$14,947	\$8,342	\$0	\$0	\$0	\$23,289
96900 Total Operating Expenses	\$309,778	\$102,835	\$478	\$47,794	\$0	\$460,885
97000 Excess of Operating Revenue over Operating Expenses	\$65,574	\$62,320	\$306	\$0	\$62,654	\$69,054
97300 Housing Assistance Payments		\$517,102				\$517,102
97400 Depreciation Expense	\$144,997	\$4,061				\$149,058
90000 Total Expenses	\$454,775	\$623,998	\$478	\$47,794	\$0	\$1,127,045
10093 Transfers between Program and Project - In	\$62,654					\$62,654
10094 Transfers between Project and Program - Out					-\$62,654	-\$62,654
10100 Total Other financing Sources (Uses)	\$62,654	\$0	\$0	\$0	-\$62,654	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$16,769	\$41,157	\$306	\$0	\$0	\$24,694
11030 Beginning Equity	\$2,338,130	\$87,470	\$0	\$0	\$0	\$2,425,600
11170 Administrative Fee Equity		\$99,638				\$99,638
11180 Housing Assistance Payments Equity		\$28,999				\$28,999
11190 Unit Months Available	720	1680				2400
11210 Number of Unit Months Leased	692	1673				2365
11270 Excess Cash	\$103,104					\$103,104
11610 Land Purchases	\$103,104					\$103,104
11620 Building Purchases	\$85,654					\$85,654
11630 Furniture & Equipment - Dwelling Purchases	\$47,921					\$47,921

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Morgan Metropolitan Housing Authority
Project Statement of Revenues, Expenses and Changes in Retained Earnings
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
Year Ended June 30, 2010

	Low Rent	Capital Fund	Total Project
70300 Net Tenant Rental Revenue	\$76,435		\$76,435
70400 Tenant Revenue - Other	\$2,073		\$2,073
70500 Total Tenant Revenue	\$78,508	\$0	\$78,508
70600 HUD PHA Operating Grants	\$231,792		\$231,792
70610 Capital Grants		\$47,921	\$47,921
71100 Investment Income - Unrestricted	\$3,076		\$3,076
71500 Other Revenue	\$14,055		\$14,055
70000 Total Revenue	\$327,431	\$47,921	\$375,352
91100 Administrative Salaries	\$29,570		\$29,570
91200 Auditing Fees	\$2,115		\$2,115
91500 Employee Benefit contributions - Administrative	\$12,007		\$12,007
91600 Office Expenses	\$11,031		\$11,031
91700 Legal Expense	\$4,160		\$4,160
91800 Travel	\$1,184		\$1,184
91900 Other	\$4,870		\$4,870
91000 Total Operating - Administrative	\$64,937	\$0	\$64,937
92400 Tenant Services - Other	\$1,000		\$1,000
92500 Total Tenant Services	\$1,000	\$0	\$1,000
93100 Water	\$40,538		\$40,538
93200 Electricity	\$7,194		\$7,194
93300 Gas	\$3,255		\$3,255
93000 Total Utilities	\$50,987	\$0	\$50,987
94100 Ordinary Maintenance and Operations - Labor	\$39,150		\$39,150
94200 Ordinary Maintenance and Operations - Materials and Other	\$23,063		\$23,063
94300 Ordinary Maintenance and Operations Contracts	\$79,747		\$79,747
94500 Employee Benefit Contributions - Ordinary Maintenance	\$26,573		\$26,573
94000 Total Maintenance	\$168,533	\$0	\$168,533

See independent auditors' report

Morgan Metropolitan Housing Authority
Project Statement of Revenues, Expenses and Changes in Retained Earnings
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
Year Ended June 30, 2010

	Low Rent	Capital Fund	Total Project
96110 Property Insurance	\$9,374		\$9,374
96100 Total insurance Premiums	\$9,374	\$0	\$9,374
96210 Compensated Absences	\$10,617		\$10,617
96300 Payments in Lieu of Taxes	\$2,545		\$2,545
96400 Bad debt - Tenant Rents	\$1,785		\$1,785
96000 Total Other General Expenses	\$14,947	\$0	\$14,947
96900 Total Operating Expenses	\$309,778	\$0	\$309,778
97000 Excess of Operating Revenue over Operating Expenses	\$17,653	\$47,921	\$65,574
97400 Depreciation Expense	\$135,568	\$9,429	\$144,997
90000 Total Expenses	\$445,346	\$9,429	\$454,775
10093 Transfers between Program and Project - In	\$62,654		\$62,654
10100 Total Other financing Sources (Uses)	\$62,654	\$0	\$62,654
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$55,261	\$38,492	-\$16,769
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$2,118,802	\$219,328	\$2,338,130
11190 Unit Months Available	720		720
11210 Number of Unit Months Leased	692		692
11270 Excess Cash	\$103,104		\$103,104
11610 Land Purchases	\$103,104	\$0	\$103,104
11620 Building Purchases	\$23,000	\$62,654	\$85,654
11630 Furniture & Equipment - Dwelling Purchases	\$47,921	\$0	\$47,921

See independent auditors' report

**Morgan Metropolitan Housing Authority
Cost Certifications
Year Ended June 30, 2010**

	<u>OH16P066 501-06</u>	<u>OH16P066 501-07</u>	<u>OH16P066 501-08</u>	<u>OH16S066 501-09</u>
TOTAL EXPENDED	<u>\$ 88,315</u>	<u>\$ 90,399</u>	<u>\$ 88,505</u>	<u>\$ 112,029</u>
TOTAL RECEIVED	<u>\$ 88,315</u>	<u>\$ 90,399</u>	<u>\$ 88,505</u>	<u>\$ 112,029</u>

1. The actual cost certificates were filed and approved.
2. All costs have been paid through June 30, 2010 and there are no outstanding liabilities.
3. The final costs on the certificates agree to the Authority's records.

See independent auditors' report

**Morgan Metropolitan Housing Authority
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2010**

	FEDERAL CFDA NUMBER	FUNDS EXPENDED
<u>FROM U.S. DEPARTMENT OF HUD</u>		
<u>DIRECT PROGRAMS</u>		
PHA Owned Housing:		
Public and Indian Housing	14.850A	\$ 231,792
Public Housing Capital Fund	14.872	47,921
Resident Opportunities and Self-Sufficiency	14.870	47,794
Public Housing Capital Fund Stimulus Recovery Act	14.885	62,654
Housing Assistance Payments:		
Annual Contribution -		
Section 8 Housing Choice Vouchers	14.871	658,355
Total - All Programs		\$ 1,048,516

See independent auditors' report



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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
Morgan Metropolitan Housing Authority
McConnelsville, Ohio**

**Regional Inspector General of Audit
Department of Housing and Urban
Development**

We have audited the basic financial statements of Morgan Metropolitan Housing Authority as of and for the year ended June 30, 2010, and have issued our report thereon dated November 16, 2010. 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 Morgan Metropolitan Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Morgan Metropolitan Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morgan Metropolitan Housing Authority'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

much more than an accounting firm

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, Auditor of State and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Jones, Cochenour & Co." with a period at the end.

Jones, Cochenour & Co.
November 16, 2010



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

**Board of Directors
Morgan Metropolitan Housing Authority
McConnelsville, Ohio**

**Regional Inspector General of Audit
Department of Housing and Urban
Development**

Compliance

We have audited the compliance of Morgan Metropolitan Housing Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Morgan Metropolitan Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Morgan Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Morgan Metropolitan Housing Authority'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; 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 Morgan Metropolitan Housing Authority'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 Morgan Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Morgan Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of Morgan Metropolitan Housing Authority 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 Morgan Metropolitan Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Morgan Metropolitan Housing Authority's internal control over compliance

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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 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 defined above.

This report is intended solely for the information and use of the board of directors, management, Auditor of State, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Jones, Cochenour & Co." with a stylized flourish at the end.

Jones, Cochenour & Co.
November 16, 2010

Morgan Metropolitan Housing Authority

**Schedule of Findings
OMB Circular A-133 § .505
Year Ended June 30, 2010**

1. SUMMARY OF AUDITORS' RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weaknesses reported for major federal programs?	No
Were there any significant deficiencies in internal control reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510(a)?	No
Major Programs (list):	Housing Choice Voucher Program CFDA #14.871
Dollar Threshold: Type A\B Programs	\$300,000
Low Risk Auditee?	Yes

Morgan Metropolitan Housing Authority

**Schedule of Findings
OMB Circular A-133 § .505 - Continued
Year Ended June 30, 2010**

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

There are no findings for the year ended June 30, 2010.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended June 30, 2010.



Mary Taylor, CPA
Auditor of State

MORGAN METROPOLITAN HOUSING AUTHORITY

MORGAN 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
JANUARY 11, 2011**