

**MARION METROPOLITAN HOUSING AUTHORITY**

Financial Condition

As of

June 30, 2011

Together with Auditors' Report





# Dave Yost • Auditor of State

Board of Trustees  
Marion Metropolitan Housing Authority  
P.O. Box 1029  
Mansfield, Ohio 44120

We have reviewed the *Independent Auditor's Report* of the Marion Metropolitan Housing Authority, Marion County, prepared by Kevin L. Penn, Inc., for the audit period July 1, 2010 through June 30, 2011. 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 Marion 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

January 30, 2012

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**MARION METROPOLITAN HOUSING AUTHORITY  
MARION, OHIO**

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## **Independent Auditor's Report**

Board of Trustees  
Marion Metropolitan Housing Authority  
Marion, Ohio

I have audited the accompanying statement of net assets of Marion Metropolitan Housing Authority, as of June 30, 2011 and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Marion Metropolitan Housing Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards 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 I 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. I believe that my audit provides a reasonable basis in my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marion Metropolitan Housing Authority, as of June 30, 2011, and the changes in net assets and revenues, expenditures and other changes net assets and cash flows for the year ended June 30, 2011 in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages 4 – 10 is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. The MD&A has been reviewed in accordance with the standards established by the American Institute of Certified Public Accountants. Such a review, however, is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion on the MD&A information.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 8, 2011 on my consideration of the Marion Metropolitan Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 read in conjunction with this report in considering the result of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Marion Metropolitan Housing Authority taken 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. In addition, the financial data schedule, pages 27 to 29 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development. These schedules are the responsibility of management of Marion Metropolitan Housing Authority, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kevin L. Penn, Inc.

November 8, 2011





# Marion Metropolitan Housing Authority

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

The Marion Metropolitan Housing Authority's (the Authority's) 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 fiscal year challenges), and (d) identify individual fund issues or concerns.

This Management Discussion and Analysis is new, and will now be presented at the front of each year's financial statements.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 11).

### FINANCIAL HIGHLIGHTS

- During FY 2011, the Authority's net assets increased by \$210,346 (or 59.76%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$352,002 and \$562,348 for FY 2010 and FY 2011 respectively.
- The revenue decreased by \$254,349 (or 7.54%) during FY 2011, and was \$3,371,470 and \$3,117,121 for FY 2010 and FY 2011 respectively.
- The total expenses of the Authority increased by \$451,224 (or 13.42%). Total expenses were \$3,361,923 and \$2,910,699 for FY 2010 and FY 2011 respectively.

The primary focus of the Authority's financial statement (summarized fund-type information) has been discarded. The new and clearly preferable focus is on both the Authority as a whole (Authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) 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.

### Authority-Wide Financial Statements

The Authority-wide financial statements (see pgs 11-13) are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire 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, equals "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed 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:

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”.

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

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

Finally, Statement of Cash Flows (see page 13) is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

## **Fund Financial Statements**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the funds maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Authority’s Funds

### Business Type Funds

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family’s rent through a Housing Assistance Payment made to the landlord. The program is administered under and Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants’ rent at 30% of adjusted household income.

Other Programs - In addition to the major funds above, the Authority also maintains the following non-major funds. Non-major funds are defined as funds that have assets, liabilities, revenues, or expenses of at least 5% or more of the Authority’s total assets, liabilities, revenues or expenses. The only other activity the Authority is involved with is listed below:

State/Local Activities – represents non-HUD resources developed from a variety of activities.

## AUTHORITY-WIDE STATEMENT

### Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

**TABLE 1**

**STATEMENT OF NET ASSETS**

	FY 2010	FY 2011
Current and Other Assets	\$ 373,970	\$ 591,899
Capital Assets	<u>2,403</u>	<u>4,727</u>
Total Assets	<u>376,373</u>	<u>596,626</u>
Other Liabilities	21,021	30,728
Non-Current Liabilities	<u>3,350</u>	<u>3,550</u>
Total Liabilities	<u>24,371</u>	<u>34,278</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	2,403	4,727
Restricted	119,947	288,371
Unrestricted	<u>229,652</u>	<u>269,250</u>
Total Net Assets	<u>\$ 352,002</u>	<u>\$ 562,348</u>

For more detailed information see page 11 for the Statement of Net Assets.

### Major Factors Affecting the Statement of Net Assets

Current assets (primarily cash and investments) were increased by \$217,929 or 58.27% and total liabilities also increased by \$9,907 or 40.65%. The increases were from the HUD funding received and either unspent or deferred.

The total restricted funds increased by \$168,424 these funds are only to be used for HAP.

The Capital Assets had a net increase of \$2,324. This is the net amount of current year's depreciation of \$1,207 and capital purchases totaled \$3,531. For more detail see "Capital Assets and Debt Administration" below.

Table 2 presents details on the change in Unrestricted Net Assets and Table 3 the details on the change in Restricted Net Assets.

**TABLE 2**

**CHANGE OF UNRESTRICTED NET ASSETS**

Unrestricted Net Assets 6/30/10		\$ 229,652
Results of Operations	32,102	
Adjustments:		
Depreciation (1)	1,207	
Prior Period Adjustment (2)	5,896	
Prior Period Adjustment (3)	3,924	
Adjusted Results from Operations		43,129
Capital Expenditures		( 3,531)
		<hr/>
Unrestricted Net Assets 6/30/11		<u><u>\$ 269,250</u></u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets

(2) Prior period adjustment VMS HUD Review corrections to FY09-UML.

(3) Prior period adjustment HUD adjust FY10 DV year end H-52681form.

While the result of operations is a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

**TABLE 3**

**CHANGE OF RESTRICTED NET ASSETS**

Restricted Net Assets 6/30/10		\$119,947
Results of Operations		
HAP reserves unspent	172,481	
Recovery /Other Payments	1,424	
Interest Earned	415	
Prior Period Adjustments	( 5,896)	
Adjusted Results from Operations		168,424
		<hr/>
Restricted Net Assets 6/30/11		<u><u>\$ 288,371</u></u>

The following table reflects the condensed Statement of Revenues, Expenses and Changes in Net Assets compared to prior year.

**TABLE 4****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

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

	FY 2010	FY 2011
<b>Revenues</b>		
HUD PHA Operating Grants	\$ 3,344,996	\$ 3,110,564
Investment Income-ALL	738	1,089
Other Revenues – Port Admin. Fees/HAP	20,144	0
Other Revenues - Service Income	1,140	2,620
Other Revenues – Fraud Recovery-All	4,452	2,848
Total Revenue	<u>3,371,470</u>	<u>3,117,121</u>
<b>Expenses</b>		
Administrative	282,648	275,804
Maintenance	10,487	10,894
General	8,242	8,646
Housing Assistance Payments	3,059,622	2,614,148
Depreciation	924	1,207
Total Expenses	<u>3,361,923</u>	<u>2,910,699</u>
Net Increase/ (Decrease)	<u>\$ 9,547</u>	<u>\$ 206,422</u>

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

HUD PHA Operating Grants decreased by \$234,432 or 7.01% there was no additional funding from HUD as there was in FY10. Last year 7,728 unit months leased out of 7,798 or 99% this year leasing was down only leasing 6,882 out of 7,488 or 91.91%.

Housing Assistance Payments were also down due to leasing decreasing by \$445,474 or 14.56% Administrative Expenses decreases continue to reflect the staffing changes during the previous and current year.

The increase for 2011 should be broken into HAP funds & PHA funds as follows: \$174,320 of the increase is from the classified “Restricted HAP” while \$32,102 was an increase to the Authority’s funds.

**CAPITAL ASSETS AND DEBT ADMINISTRATION****Capital Assets**

As of 6/30/11 the Authority had \$4,727 invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation).

**TABLE 5**

**CAPITAL ASSETS AT YEAR-END  
(NET OF DEPRECIATION)**

	Business-Type Activities	
	FY 2011	FY 2010
Equipment – Administrative	\$ 34,488	\$ 30,957
Accumulated Depreciation	<u>(29,761)</u>	<u>(28,554)</u>
Total	<u>\$ 4,727</u>	<u>\$ 2,403</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 21 of the notes.

**TABLE 6**

**CHANGE IN CAPITAL ASSETS**

	Business Type Activities
Beginning Balance, July 1, 2010	\$ 2,403
Additions	3,531
Depreciation	<u>( 1,207)</u>
Ending Balance, June 30, 2011	<u><u>\$ 4,727</u></u>

This year’s major additions are:

This year’s major additions are: Dell Computer Stations \$3,531

**Debt Outstanding**

As of 6/30/11, the Authority has no outstanding debt (bonds, notes, etc.)

**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, recession and employment trends, which can affect resident incomes and therefore the amount of housing assistance
- Inflationary pressure on utility rates, supplies and other costs

**FINANCIAL CONTACT**

The individual to be contacted regarding this report is Marsha K. Inscho; Finance Manager for the Marion Metropolitan Housing Authority, at (419) 526-1622 Specific requests may be submitted to the Authority at P.O. Box 1029, Mansfield, OH 44901.

MARION METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

ASSETS

**Current Assets**

Cash and Cash Equivalents - Unrestricted (Note 1)	\$ 297,651
Cash and Cash Equivalents - Restricted (Note 1)	288,371
Accounts Receivable - Fraud Recovery	10,841
Allowance for Doubtful Accounts	(10,841)
Accounts Receivable – Other	14
Prepaid Expenses	5,863
<b>Total Current Assets</b>	<b>591,899</b>

**Non-Current Assets**

Depreciation Capital Assets - (Note 1)	4,727
<b>Total Non-Current Assets</b>	<b>4,727</b>
<b>TOTAL ASSETS</b>	<b>\$ 596,626</b>

LIABILITIES AND NET ASSETS

**Current Liabilities**

Accounts Payable	\$ 11,627
Accrued Expenses	1,794
Deferred Revenue	15,948
Accrued Compensated Absences	1,359
<b>Total Current Liabilities</b>	<b>30,728</b>

**Non-Current Liabilities**

Accrued Compensated Absences	3,550
<b>Total Non-Current Liabilities</b>	<b>3,550</b>
<b>Total Liabilities</b>	<b>\$ 34,278</b>

**Net Assets**

Investment in Capital Assets, Net of Related Debt	\$ 4,727
Restricted	288,371
Unrestricted	269,250
<b>Total Net Assets</b>	<b>\$ 562,348</b>

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



MARION METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011

**Operating Revenue:**

HUD Operating Subsidies and Grants	\$ 3,110,564
Other Revenue	<u>5,468</u>
Total Operating Revenue	3,116,032

**Operating Expenses:**

Housing Assistance Payments	2,614,148
Other Administrative Expense	275,804
Material and Labor – Maintenance	10,894
Depreciation Expense	1,207
General Expenses	<u>8,646</u>
Total Operating Expenses	<u>2,910,699</u>

Operating Income (Loss)	205,333
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**Non-Operating Revenues (Expenses)**

Investment Income – Unrestricted	659
Investment Income – Restricted	<u>430</u>
Total Non-Operating Revenues (Expenses)	1,089

Change in Net Assets	206,422
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Net Assets - Beginning of Year as Previously Reported	352,002
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Prior Period Adjustments (Note 11)	<u>3,924</u>
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Net Assets - Beginning of Year as Restated	<u>355,926</u>
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Net Assets - End of Year	<u><u>\$ 562,348</u></u>
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The accompanying notes are an integral part of the financial statements.

MARION METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011

Cash Flows From Operating Activities:	
Cash payments to suppliers for goods and services	\$ (272,201)
Housing assistance payments	(2,614,148)
HUD operating subsidies and grants	3,110,564
Other receipts	5,468
Other payments	<u>(8,464)</u>
Net Cash Provided (Used) by Operating Activities	221,219
Cash Flows From Capital and Related Financing Activities:	
Fixed Assets Addition	<u>(3,531)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,531)
Cash Flows From Investing Activities:	
Investment Income	<u>1,089</u>
Net Cash Provided (Used) by Investing Activities	1,089
Increase (Decrease) in Cash and Cash Equivalents	218,777
Cash and Cash Equivalents - Beginning of Year	<u>367,245</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 586,022</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities:	
Operating Income (Loss)	\$ 205,333
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:	
Depreciation	1,207
(Increase) decrease in:	
Accounts Receivable	857
Prepaid Expenses	(9)
Increase (decrease) in:	
Accounts Payable	5,398
Compensated Absences	1,359
Deferred Revenue	7,656
Accrued Expenses	<u>(582)</u>
Net cash used in operating activities	<u><u>\$ 221,219</u></u>

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

**MARION METROPOLITAN HOUSING AUTHORITY  
MARION COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The basic financial statements of the Marion Metropolitan Housing Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate. The accompanying basic financial statements comply with the provisions of GASB Statement No. 39, Determining Whether Organizations are Component Units, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

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

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

**MARION METROPOLITAN HOUSING AUTHORITY  
MARION COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

Fund Accounting

The Authority uses a proprietary fund to report on its financial position and the results of its operations for the Section 8 Housing Choice Voucher and other grant programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Proprietary Fund Type:

Proprietary funds are used to account for the Authority's ongoing activities that are similar to those found in the private sector. The following is the proprietary fund type:

Enterprise Fund - The Authority is accounted for on a flow of economic resources measurement focus. With this 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 revenues, expenses and changes in net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets. The statement of cash flows provides information about how the Authority finances and meets cash flow needs.

The Authority accounts for operations that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Measurement Focus/Basis of Accounting

The proprietary fund is accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**MARION METROPOLITAN HOUSING AUTHORITY  
MARION COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over the 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 assets life, are not capitalized. The capitalization threshold used by the Authority is \$500. The following are the useful lives used for depreciation purposes:

Estimated Useful Description Lives - Years

Furniture	7
Equipment	7
Computer hardware	3
Computer software	3
Vehicles	5

Total depreciation expense for the 2011 fiscal year was \$1,207.

Cash and Cash Equivalents

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

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. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.

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

**MARION METROPOLITAN HOUSING AUTHORITY  
MARION COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount reported as restricted net assets at fiscal year end represents the amounts restricted by HUD for future Housing Assistance Payments. When an expense is incurred for purposes which both restricted and unrestricted net assets are available, the Authority first applies restricted net assets. The Authority did not have net assets restricted by enabling legislation at June 30, 2011.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prepaid Items

Payments made to vendors for services that will benefit beyond year-end are recorded as prepaid items via the consumption method.

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Authority had restricted assets for Housing Assistance Payment equity balances of \$288,371.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are for Housing and Urban Development Grants and other revenues. Operating expenses are necessary costs to provide goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenues.

**MARION METROPOLITAN HOUSING AUTHORITY  
MARION COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred Revenues

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as a receivable or revenue, or deferred revenue of the current fiscal period.

Accounts Receivable

Management considers all accounts receivable (excluding the fraud recovery receivable) to be collected in full.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

All monies are deposited into banks as determined by the Authority. Funds are deposited in interest bearing accounts. Security shall be furnished for all accounts in the Authority's name.

Cash and cash equivalents included in the Authority's cash position at June 30, 2011 are as follows:

Demand Deposits:	Checking	Savings	Total
Bank Balance	\$ 139,602	\$458,354	\$ 597,956
Reconciling Items	<u>( 11,959)</u>	<u>          </u>	<u>( 11,959)</u>
Carrying Balance	<u>\$ 147,643</u>	<u>\$458,354</u>	<u>\$ 585,997</u>

In addition, the Authority maintains \$25 in petty cash funds. Of the fiscal year-end cash balance, \$250,000 was covered by federal deposit insurance, and \$347,956 was secured by pledges securities held by a third party trustee.

Based on the Authority having only demand deposits at June 30, 2011, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

**MARION METROPOLITAN HOUSING AUTHORITY  
MARION COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

3. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year 2010, the Authority purchased commercial insurance for vehicle, health, generally liability, building contents, and real property insurance.

Vehicle insurance carries a \$100 comprehensive deductible and \$250 collision deductible. Property insurance carries a \$250 deductible. The deductible for general liability and electronic data processing insurance are \$250 each. The deductible for public officials' liability insurance is \$2,500.

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

4. CAPITAL ASSETS

The following is a summary of capital assets at June 30, 2011:

	<u>6/30/2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>6/30/2011</u>
Governmental Activities – Cost				
Vehicles	\$ 9,060			\$ 9,060
Furniture, Equipment, and Machinery	<u>21,897</u>	<u>3,531</u>	<u>0</u>	<u>25,428</u>
Total at Cost	30,957	3,531	0	34,488
Accumulated Depreciation:				
Vehicles	( 8,561)			( 8,561)
Furniture, Equipment and Machinery	<u>( 19,993)</u>	<u>( 1,207)</u>	<u>0</u>	<u>( 21,200)</u>
Total Accumulated Depreciation	<u>( 28,554)</u>	<u>( 1,207)</u>	<u>( 0)</u>	<u>( 29,761)</u>
Total Capital Assets, Net	<u>\$ 2,403</u>	<u>\$ 2,324</u>	<u>\$ 0</u>	<u>\$ 4,727</u>



**MARION METROPOLITAN HOUSING AUTHORITY  
MARION COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

5. DEFINED BENEFIT PENSION PLANS

Plan Description - All employees of the Authority are eligible to participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

The Traditional Pension Plan - a cost sharing, multiple-employer defined pension plan.

The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.

The Combined Plan — 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 benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-retirement health care coverage. The authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available comprehensive annual financial report which includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222- 7377.

Funding Policy - The Authority and covered employees contribute at actuarially determined rates for fiscal years 2011, 14% and 10%, respectively, of covered employee payroll to OPERS. The Authority's contributions to OPERS for the years ended June 30, 2011, 2010, and 2009 were \$12,825, \$13,364 and \$12,508 respectively. Required contributions are equal to 100% of the dollar amount billed for all three years. The Board of the Authority has elected to pay the employees' portion of OPERS which totaled \$9,161 for fiscal year 2011.

Other Post Retirement Benefits - In order to qualify for post-retirement health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Retirement 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.

**MARION METROPOLITAN HOUSING AUTHORITY**  
**MARION COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**  
**(CONTINUED)**

5. DEFINED BENEFIT PENSION PLANS - CONTINUED

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

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care was 4.23% for 2011 and 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Employer contributions are advance-funded on an actuarially determined basis and are determined by state statute. The Traditional Pension and Combined Plans had 357,584 active contributing participants as of December 31, 2009. The number of active contributing participants for both plans used in the December 31, 2008 actuarial valuation was 356,388.

Employer contributions made to fund post-employment benefits were approximately \$3,875. The assumptions and calculations used below were based on the System's latest Actuarial Review performed as of December 31, 2008 (latest actuarial review). An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actual 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 to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2010 was 6.5 percent.

OPERS (assuming the number of active employees remains constant) assumes an annual increase of 4.00% compounded annually for the base portion of an individual's pay increase. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.3%.

Health care costs were assumed to increase at a projected wage inflation rate plus an additional factor ranging from .50% to 4% for the next 7 years. In subsequent years (8 and beyond), health care costs were assumed to increase 4% (the projected wage inflation rate).

As of December 31, 2008, the audited estimated net assets available for OPEB were \$10.7 billion. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were \$29.6 billion and \$18.9 billion, respectively.

**MARION METROPOLITAN HOUSING AUTHORITY  
MARION COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

DEFINED BENEFIT PENSION PLANS - CONTINUED

The Health Care Preservation Fund (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. Member and employer contribution rates increased as January 1 of each from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

6. COMPENSATED ABSENCES

The following is a summary of compensated absences at June 30, 2011:

	Balance at 6/30/10	Additions	Deletions	Balance at 6/30/11	Due Within One Year
Compensated Absences	\$ 3,550	\$ 1,359	\$ 0	\$ 4,909	\$ 3,550

7. CONTINGENT LIABILITIES

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts could have a material adverse effect on the overall financial position of the Authority at June 30, 2011.

Litigation

The Authority is unaware of any outstanding lawsuits or other contingencies.

8. CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2011, the Authority implemented GASB Statement No. 51, Accounting and Reporting for Intangible Assets, GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, GASB Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards, and GASB Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies.

The implementation of GASB Statements No. 51, No. 54, No. 55, No. 56, and No. 58 did not affect the presentation of the financial statements of the Authority.

**MARION METROPOLITAN HOUSING AUTHORITY  
MARION COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

9. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Marion Metropolitan Housing Authority and is presented on the accrued basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

10. SUBSEQUENT EVENTS

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through November 8, 2011, the date on which the financial statements were available to be issued.

11. PRIOR PERIOD ADJUSTMENT

The Authority adjusted prior period net assets as follows:

Net Assets as of June 30, 2010	\$ 352,002
Adjustment:	
Decrease in Deferred Revenue	<u>3,924</u>
Restated Net Assets as of June 30, 2011	<u>\$ 355,926</u>

The adjustment to prior period net assets was necessary to properly reflect the overstatement of Deferred Revenue.

Marion Metropolitan Housing Authority  
Statement of Net Assets  
June 30, 2011

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

<b>Line item</b>	<b>Account Description</b>	Housing Choice Voucher	Supportive Housing for Persons with Disabilities	Subtotal	State & Local	<b>TOTALS</b>
111	Cash - Unrestricted	\$ 280,463	\$ 17,188	\$ 297,651	\$ -	\$ 297,651
113	Cash - Unrestricted	<u>265,421</u>	<u>22,950</u>	<u>288,371</u>		<u>288,371</u>
100	Total Cash	545,884	40,138	586,022	-	586,022
125	Acct Rec-Misc.	14		14		14
128	Fraud Recovery	10,841		10,841		10,841
128.1	Allow Doubtful Accounts	(10,841)		(10,841)		(10,841)
120	Net Total Receivables	14		14		14
142	Prepaid Expenses	<u>5,863</u>		<u>5,863</u>		<u>5,863</u>
<b>150</b>	<b>Total Current Assets</b>	551,761	40,138	591,899	-	591,899
164	F/E/M Admin.	30,529		30,529		30,529
166	Accum Depreciation	<u>(25,802)</u>		<u>(25,802)</u>		<u>(25,802)</u>
160	Net Fixed Assets	<u>4,727</u>	<u>-</u>	<u>4,727</u>	<u>-</u>	<u>4,727</u>
<b>190</b>	<b>TOTAL ASSETS</b>	<u><b>556,488</b></u>	<u><b>40,138</b></u>	<u><b>596,626</b></u>	<u><b>-</b></u>	<u><b>596,626</b></u>
312	A/P <= 90 days	9,781	1,846	11,627		11,627
321	Accrued Wage/Taxes Payable	1,794		1,794		1,794
322	Accrued Comp Abs – current	1,359		1,359		1,359
342	Deferred Revenue	<u>15,948</u>		<u>15,948</u>		<u>15,948</u>
310	Total Current Liabilities	28,882	1,846	30,728	-	30,728
354	Accrued Comp Abs. - Noncurrent	<u>3,550</u>		<u>3,550</u>		<u>3,550</u>
	Total Liabilities	32,432	1,846	34,278	-	34,278
508.1	Invested in Capital Assets Net	4,727		4,727		4,727
511.1	Restricted Net Assets	265,421	22,950	288,371		288,371
512.1	Unrestricted Net Assets	<u>253,908</u>	<u>15,342</u>	<u>269,250</u>		<u>269,250</u>
513	Total Equity/Net Assets	<u>524,056</u>	<u>38,292</u>	<u>562,348</u>	<u>-</u>	<u>562,348</u>
<b>600</b>	<b>TOTAL LIAB. &amp; EQUITY</b>	<u><b>\$ 556,488</b></u>	<u><b>\$ 40,138</b></u>	<u><b>\$ 596,626</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 596,626</b></u>

Marion Metropolitan Housing Authority  
Statement of Revenue and Expenses  
June 30, 2011

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

Line item	Account Description	Housing	Supportive Housing for Persons	Subtotal	State &	TOTALS
		Choice Voucher	with Disabilities		Local	
706-01	Housing Assistance Payment Revenue	\$ 2,512,612	\$ 321,266	\$ 2,833,878		\$ 2,833,878
706-02	Administrative Fee Revenues	276,686		276,686		276,686
711	Investment Income - PHA	635	24	659		659
714	Fraud Recovery - PHA	2,848		2,848		2,848
715	Other Revenue	-		-	2,620	2,620
720	Investment Income - Restricted	415	15	430		430
700	TOTAL REVENUE	2,793,196	321,305	3,114,501	2,620	3,117,121
911	Admin. Salaries	70,280	21,269	91,549		91,549
912	Audit	3,578	611	4,189		4,189
913	Management Fee	8,266		8,266		8,266
913.1	Bookkeeping Fee	14,627	2,497	17,124		17,124
914	Advertisement & Marketing	525		525		525
915	Employee Benefits	46,591	13,920	60,511		60,511
916	Office Expenses	80,202	8,369	88,571	2,620	91,191
917	Legal Expense	590		590		590
918	Travel	500	-	500	-	500
	Total Operating - Admin.	225,159	46,666	271,825	2,620	274,445
942	Ordinary Maint.	10,894		10,894		10,894
	Total Maint.	10,894	-	10,894	-	10,894
961.2	Insurance - Liab Insurance	7,223		7,223		7,223
961.3	Workmen's Compensation	1,423		1,423		1,423
	Total Insurance	8,646	-	8,646	-	8,646
962.1	Comp Abs	1,359	-	1,359	-	1,359
	TOTAL OPERATING EXPENSES	246,058	46,666	292,724	2,620	295,344
970	Excess Oper. Rev. over Exp.	2,547,138	274,639	2,821,777	-	2,821,777
973	HAP	2,340,131	274,017	2,614,148		2,614,148
974	Depreciation Exp	1,207		1,207		1,207
900	TOTAL EXPENSES	2,587,396	320,683	2,908,079	2,620	2,910,699
1000	NET INCOME (LOSS)	\$ 205,800	\$ 622	\$ 206,422	\$ -	\$ 206,422

Marion Metropolitan Housing Authority  
Additional Information Required by HUD  
June 30, 2011

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

<b>Line item</b>	<b>Account Description</b>	<b>Housing Choice Voucher</b>	<b>Supportive Housing for Persons with Disabilities</b>
11030	Beginning Equity	\$ 318,256	\$ 33,746
11170	Administrative Fee Equity	\$ 258,635	
11180	Housing Assistance Payment Equity	\$ 265,421	
11190	Unit Months Available	6,588	900
11210	Number of Unit Months Leased	5,982	900

Marion Metropolitan Housing Authority

Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2011

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>		
Direct Program		
Supportive Housing for Persons with Disabilities	14.181	\$ 320,683
Section 8 Housing Choice Vouchers	14.871	<u>2,587,396</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 2,908,079</u>

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





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## **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards**

Board of Trustees  
Marion Metropolitan Housing Authority  
Marion, Ohio

I have audited the financial statements of Marion Metropolitan Housing Authority, Marion, Ohio (the Authority) as of and for the year ended June 30, 2011, and have issued my report thereon dated November 8, 2011. I conducted my audit in accordance with generally accepted auditing standards 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 my audit, I considered Marion Metropolitan Housing Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marion Metropolitan Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Marion Metropolitan Housing Authority's 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Marion Metropolitan Housing Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion Metropolitan Housing Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that I reported to management of the Authority's in a separate letter dated November 8, 2011.

This report is intended solely for the information and use of management, those charged with governance and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

November 8, 2011



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**Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of Trustees  
Marion Metropolitan Housing Authority  
Marion, Ohio

Compliance

I have audited the compliance of Marion Metropolitan Housing Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The Authority's major federal programs are identified in the summary of auditor's 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 the Authority's management. My responsibility is to express an opinion on the Authority's compliance based on my audit.

I conducted my 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 of America and OMB Circular A-1 33, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-1 33 require that I 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 Marion Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for our opinion. My audit does not provide a legal determination of Marion Metropolitan Housing Authority's compliance with those requirements.

In my opinion, Marion Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs as of June 30, 2011 and for the year ended.

## Internal Control Over Compliance

The management of Marion Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Marion 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 my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Marion Metropolitan Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in 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, 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.

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, those charged with governance and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

November 8, 2011

**Marion Metropolitan Housing Authority**  
 Schedule of Findings  
 June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant Deficiency(ies) identified  
 not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over financial reporting:

Material weakness(es) identified? No

Significant Deficiency(ies) identified  
 not considered to be material weaknesses? None Reported

Type of auditor's report issued on compliance  
 for major program: Unqualified

Any audit findings disclosed that are required  
 to be reported in accordance with  
 Circular A-133, Section .510(a)? No

Identification of major programs:  
 14.871 Housing Choice Vouchers

Dollar threshold used to distinguish  
 between Type A and Type B programs: \$300,000 (Type A)

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings

No matters were reported.

**Marion Metropolitan Housing Authority**  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2011

There were no audit findings, during the 2010 fiscal year.



# Dave Yost • Auditor of State

**MARION METROPOLITAN HOUSING AUTHORITY**

**MARION 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  
FEBRUARY 9, 2012**