



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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GALLIA METROPOLITAN HOUSING AUTHORITY
GALLIA COUNTY

SINGLE AUDIT

For the Year Ended December 31, 2012
Fiscal Year Audited Under GAGAS: 2012



Dave Yost • Auditor of State

Board of Commissioners
Gallia Metropolitan Housing Authority
381 Buck Ridge Road
Bidwell, Ohio 45614

We have reviewed the *Independent Auditor's Report* of the Gallia Metropolitan Housing Authority, Gallia County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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 Gallia 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

August 6, 2013

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Gallia Metropolitan Housing Authority
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For the Year Ended December 31, 2012

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Gallia Metropolitan Housing Authority
381 Buck Ridge Road
Bidwell, Ohio 45614

To the Board of Commissioners

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Gallia Metropolitan Housing Authority, Gallia County, Ohio (the Authority) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

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

Emphasis of Matter

As described in Note 10 to the financial statements, during the year ended December 31, 2012, the Authority has adopted the provisions of Governmental Accounting Standards No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Authority's basic financial statements taken as a whole. The supplemental financial data provides additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements. The Schedule of Federal Awards Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplemental financial data and the Schedule of Federal Awards Expenditures are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the supplemental financial data and the Schedule of Federal Awards Expenditures to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2013, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
June 14, 2013

Gallia Metropolitan Housing Authority
Management's Discussion and Analysis
December 31, 2012

Unaudited

The Gallia 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 position, and (d) identify individual fund issues or concerns.

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 statement.

Financial Highlights

- The Authority's net position decreased by \$481,626 (or 7.45%) during 2012, resulting from the operations of the Authority. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net position. Net Position was \$5,981,353 and \$6,462,979 for 2012 and 2011 respectively.
- Revenues increased by \$58,490 (or 4.45%) during 2012, and were \$1,373,127 and \$1,314,637 for 2012 and 2011 respectively.
- The total expenses of all Authority programs increased by \$64,286 (or 3.59%). Total expenses were \$1,826,158 and \$1,790,467 for 2012 and 2011 respectively.

Using This Annual Report

This Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary information":

MD&A ~Management's Discussion and Analysis ~

Basic Financial Statement ~Authority Financial Statements ~

Other Required Supplementary Information ~Required Supplementary Information ~ (Other than the MD&A)

Authority Financial Statements

The Authority financial statements 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 Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority.

Gallia Metropolitan Housing Authority
Management's Discussion and Analysis
December 31, 2012

Unaudited

The Statement is presented in the format where assets minus liabilities, equals “Net Position”, 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 Position (the “Unrestricted Net Position”) is designed represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly equity) are reported in three broad categories:

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

Unrestricted Net Position: Consists of Net Position that do not meet the definition of “Net Position Invested in Capital Assets, Net of Related or Debt”, or “Restricted Net Position”.

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

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

Fund Financial Statements

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 programs 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 Programs

Conventional Public Housing – 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 Funds Program, which is the primary funding source for physical and management improvements to the Authority’s properties.

Gallia Metropolitan Housing Authority
Management's Discussion and Analysis
December 31, 2012

Unaudited

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 an 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 household income.

Authority Statements

Statement of Net Position

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

Table 1
Statement of Net Position

	<u>2012</u>	<u>2011*</u>
Current and Other Assets	\$ 496,445	\$ 614,547
Capital Assets	<u>5,595,745</u>	<u>6,000,862</u>
Total Assets	<u>\$ 6,092,190</u>	<u>\$ 6,615,409</u>
Current Liabilities	\$ 64,838	\$ 92,090
Long-Term Liabilities	<u>45,999</u>	<u>60,340</u>
Total Liabilities	<u>110,837</u>	<u>152,430</u>
Net Position		
Net Investment in Capital Assets	5,595,745	6,000,862
Restricted Net Position	302,774	369,351
Unrestricted Net Position	<u>82,834</u>	<u>92,766</u>
Total Net Position	<u>5,981,353</u>	<u>6,462,979</u>
Total Liabilities and Net Position	<u>\$ 6,092,190</u>	<u>\$ 6,615,409</u>

* Restated see note 11 of the financial statements

Major Factors Affecting the Statement of Net Position

During 2012, current and other assets decreased by \$118,102 and total liabilities decreased by \$41,593. The current and other assets, primarily cash and investments, decreased due to results from operation. Total liabilities decrease is due to the elimination of a non-current liability of \$156,125 that was determined that it was not a valid liability.

Gallia Metropolitan Housing Authority
Management's Discussion and Analysis
December 31, 2012

Unaudited

Capital assets also changed, decreasing from \$6,000,862 to \$5,595,745. The \$405,117 decrease may be contributed primarily to current year depreciation expense less purchase of current year assets plus a prior period adjustment to properly state the assets.

Table 2
Change of Net Position

	Unrestricted	Investment in Capital Assets	Restricted
Beginning Balance - December 31, 2011	\$ (63,361)	\$ 5,582,898	\$ 369,351
Results of Operation	(481,626)	-	-
Adjustments:			
Current year Depreciation Expense (1)	411,253	(411,253)	-
Capital Expenditure (2)	(6,136)	6,136	-
Net Results of Disposition of Assets (3)	-	-	-
Retirement of Debt	-	-	-
Transfer to Restricted Net Position	66,577	-	(66,577)
Prior Period Adjustment	<u>156,127</u>	<u>417,964</u>	<u>-</u>
Ending Balance - December 31, 2012	<u>\$ 82,834</u>	<u>\$ 5,595,745</u>	<u>\$ 302,774</u>

- (1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position.
- (2) Capital expenditures represent an outflow of unrestricted net position, but are not treated as an expense against Results of Operations, and therefore must be deducted
- (3) The Net Result of the Disposition of Assets is the combined effect of removing the value of an asset that is sold and its' associated Accumulated Depreciation. While this asset removal has a small effect on the Unrestricted Net Position, the large effect is seen in the Gain/Loss on the Sale of the asset in the Results of Operation in this instance.

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

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

Gallia Metropolitan Housing Authority
Management's Discussion and Analysis
December 31, 2012

Unaudited

Table 3
Statement of Revenues, Expenses and Changes in Net Position

	<u>2012</u>	<u>2011*</u>
<u>Revenues</u>		
Total Tenant Revenues	\$ 138,835	\$ 104,802
Operating Subsidies	1,205,013	1,181,621
Investment Income	226	522
Other Revenues	29,053	27,692
Total Revenues	<u>1,373,127</u>	<u>1,314,637</u>
<u>Expenses</u>		
Administrative	401,424	442,278
Tenant Services	9,748	651
Utilities	141,898	144,719
Maintenance	190,722	305,600
Protective Services	258	-
General and Interest Expenses	54,303	44,336
Casualty Losses	24,885	46,765
Housing Assistance Payments	620,262	557,590
Depreciation	411,253	248,528
Total Expenses	<u>1,854,753</u>	<u>1,790,467</u>
Net Increases (Decreases)	<u>\$ (481,626)</u>	<u>\$ (475,830)</u>

* Restated see note 11 of the Financial Statements

Major Factors Affecting the Statement of Revenue, Expenses and Changes in Position

Total revenue increased compared to the prior year by \$58,490. The increase was due to HUD operating revenue increased by \$23,392 and tenant revenue increased by \$34,033 during the year.

The expenses increased by \$64,286 in current year. The main cause for the increase was the change in depreciation.

Capital Assets

As of yearend, the Authority had \$5,595,745 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase due to prior period adjustment to restate the assets and current year activity. See table 5 for detail of current year change.

Gallia Metropolitan Housing Authority
Management's Discussion and Analysis
December 31, 2012

Unaudited

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	2012	2011
Land and Land Rights	\$ 869,068	\$ 869,069
Buildings	12,905,737	11,838,212
Equipment	421,139	414,383
Construction in Progress	-	1,084,679
Accumulated Depreciation	(8,600,199)	(8,205,481)
 Total	 \$ 5,595,745	 \$ 6,000,862

The following reconciliation summarizes the change in Capital Assets, which presented in detail on the notes to the financial statements.

Table 5
Change in Capital Assets

Beginning Balance - December 31, 2011	\$ 6,000,862
Current Year Additions	6,136
Current Year Depreciation Expense	(411,253)
 Ending Balance - December 31, 2012	 \$ 5,595,745

Debt Outstanding

As of year-end, the Authority had no outstanding debt.

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to 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

Gallia Metropolitan Housing Authority
Management's Discussion and Analysis
December 31, 2012

Unaudited

Financial Contact

The individual to be contacted regarding this report is Les Young, Interim Executive Director of the Gallia Metropolitan Housing Authority, at (740) 446-0251. Specific requests may be submitted to the Gallia Metropolitan Housing Authority at 381 Buck Ridge Road Bidwell, Ohio 45614.

Gallia Metropolitan Housing Authority
Statement of Net Position
For the Year Ended December 31, 2012

	ENTERPRISE FUND
<i>Assets</i>	
Cash and cash equivalents	\$ 121,704
Restricted cash and cash equivalents	331,180
Receivables, net	15,033
Prepaid Expense	5,362
Inventory, net	23,166
Capital assets:	
Land	869,068
Building and equipment	13,326,875
Less accumulated depreciation	(8,600,198)
Total capital assets	5,595,745
Total Assets	\$ 6,092,190
 <i>Liabilities</i>	
Accounts Payable:	\$ 7,791
Accrued liabilities	16,408
Accrued compensated absences current	11,499
Accrued compensated absences non-current	45,999
Tenant Security Deposits	28,406
Tenant prepaid rent	743
Total Liabilities	110,846
 <i>Net Position</i>	
Net Investment in Capital Assets	5,595,745
Restricted Net Position	302,774
Unrestricted Net Position	82,834
Total Net Position	5,981,353

The notes to the financial statements are an integral part of this statement

Gallia Metropolitan Housing Authority
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2012

	ENTERPRISE FUND
<i>OPERATING REVENUES</i>	
Tenant Revenue	\$ 138,835
Government operating grants	1,205,013
Other Revenue	29,053
Total Operating Revenue	1,372,901
<i>OPERATING EXPENSES</i>	
Administrative	372,829
Tenant services	9,748
Utilities	141,898
Maintenance	219,317
Protective services	258
General	54,303
Casualty losses	24,885
Housing assistance payment	620,262
Depreciation	411,253
Total Operating Expenses	1,854,753
Operating loss	(481,852)
<i>NONOPERATING REVENUES (EXPENSES)</i>	
Interest and investment revenue	226
Total Nonoperating Revenues (Expenses)	226
Net Loss	(481,626)
Total Net Position - beginning (restated)	6,462,979
Total Net Position - ending	\$ 5,981,353

The notes to the financial statements are an integral part of this statement

Gallia Metropolitan Housing Authority
Statement of Cash Flows
For the Year Ended December 31, 2012

	ENTERPRISE FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating grants received	\$ 1,205,013
Tenant revenue received	128,625
Other revenue received	29,053
General and administrative expenses paid	(855,488)
Housing assistance payments	(620,262)
	(113,059)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest	226
	226
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Property and equipment purchased	(6,136)
	(6,136)
Net increase (decrease) in cash	(118,969)
Cash and cash equivalents - Beginning Of Year	571,853
	\$ 452,884
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Loss	\$ (481,852)
Adjustments to Reconcile Net Income/(Loss) to Net Cash Provided by Operating Activities:	
Depreciation	411,253
(Increases) Decrease in Accounts Receivable	(10,210)
(Increases) Decrease in Prepaid Assets	2,865
(Increases) Decrease in Inventory	6,478
Increases (Decrease) in Accounts Payable	(41,169)
Increases (Decrease) in Accrued Compensated Absence	(13,127)
Increases (Decrease) in Accrued Expenses Payable	1,014
Increases (Decrease) in Deferred Revenue	734
Increases (Decreases) in Tenant Security Deposits	10,955
	\$ (113,059)

The notes to the financial statements are an integral part of this statement

Gallia Metropolitan Housing Authority
Notes to The Basic Financial Statements
For The Year Ended December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Gallia Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (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 more significant of the Authority's accounting policies are described below.

Reporting Entity

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

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

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

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

Gallia Metropolitan Housing Authority
Notes to The Basic Financial Statements
For The Year Ended December 31, 2012

NOTE 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.

Basis of Presentation

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

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the HUD 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.

Proprietary Fund Types

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

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus/Basis of Accounting

The Authority's basic financial statements are presented on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Authority's accounting policies are described below.

Description of Programs

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

Gallia Metropolitan Housing Authority
Notes to The Basic Financial Statements
For The Year Ended December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Public Housing Program

The public housing program is designed to provide low-cost housing within the County. Under this program, HUD provides funding via an annual contribution contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

B. Capital Fund Program

The capital fund program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development housing.

C. Housing Choice Voucher Program

The Housing Choice Voucher Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2012 totaled \$226.

Capital Assets

Capital assets are recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred.

Useful Lives:	
Buildings	40 years
Building & Site Improvements	15 years
Furniture & Equipment	7 years
Vehicles	5 years

Depreciation is recorded on the straight-line method.

Net Position

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Gallia Metropolitan Housing Authority
Notes to The Basic Financial Statements
For The Year Ended December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Housing Authority's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net positions are available.

Operating Revenues and Expenses

Operating Revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are tenant rental revenue, grants received from HUD and other miscellaneous revenues. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting the definition are reported as non-operating.

Capital Contributions

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

Cash and Cash Equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments with a maturity of three months or less. The Authority places its temporary cash investments with high credit quality financial institutions. Amounts in excess of FDIC insurance limits are fully collateralized.

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 absence accrual amount.

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

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

Gallia Metropolitan Housing Authority
Notes to The Basic Financial Statements
For The Year Ended December 31, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Accounting

The Authority is required by contractual agreements to adopt annual operating budgets for all its HUD funded programs.

The budget for its programs is prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal yearend. The Board of Commissioners adopts the budget through passage of a budget resolution.

Accounting and Reporting for Non-exchange Transactions

The Authority accounts for non-exchange transactions in accordance with Governmental Accounting Standards Board (GASB) Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions. Non-exchange transactions occur when the Authority receives (or gives) value without directly giving (or receiving) equal value in return.

In conformity with the requirements of GASB 33, the Authority has recognized grant funds expended for capitalizable capital assets acquired after September 30, 2000 as revenues and the related depreciation thereon, as expenses in the accompanying Combined Statement of Revenue and Expenses.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits

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

- A. 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 withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
- B. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two period of designation of depositories. Inactive deposits must either be evidenced by certificate of deposits maturing not later than the end of the current period of designation of the depositories, or by savings or deposit accounts including, but not limited to passbook accounts.

Gallia Metropolitan Housing Authority
Notes to The Basic Financial Statements
For The Year Ended December 31, 2012

NOTE 2: DEPOSITS AND INVESTMENTS (continued)

C. 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 certificate of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the Authority deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by collateral held by Authority 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 yearend December 31, 2012, the carrying amount of the Authority's deposits totaled \$452,884 and its bank balance was \$467,430. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of December 31, 2012, \$217,430 was exposed to custodial risk as discussed below, while \$250,000 was covered by the Federal Depository Insurance Corporation.

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 105% 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.

NOTE 3: RESTRICTED CASH

Restricted cash as of December 31, 2012 represent money held that can only be used for specific purpose or money held on behalf of the tenants:

Cash advance by HUD that is to be used for the Housing Assistance Payments	\$45,842
Tenant security deposit	28,406
Proceeds from sale of a house	<u>256,932</u>
Total Restricted Cash Balance	<u><u>\$331,180</u></u>

NOTE 4: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

Gallia Metropolitan Housing Authority
Notes to The Basic Financial Statements
For The Year Ended December 31, 2012

NOTE 4: RISK MANAGEMENT (continued)

During fiscal year ending December 31, 2012 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.

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

NOTE 5: CAPITAL ASSETS

A summary of property and equipment at December 31, 2012, by class is as follows:

	Balance 12/31/2011	Adjustment	Additions	Balance 12/31/2012
Capital Assets Not Being Depreciated:				
Land	\$ 869,069	\$ (1)	\$ -	\$ 869,068
Construction in Progress	1,084,679	(1,084,679)	-	-
Total Capital Assets Not Being Depreciated	1,953,748	(1,084,680)	-	869,068
Capital Assets Being Depreciated:				
Buildings	11,420,248	1,485,488	-	12,905,736
Furnt, Mach and Equip	414,383	620	6,136	421,139
Total Capital Assets Being Depreciated:	11,834,631	1,486,108	6,136	13,326,875
Accumulated Depreciation:				
Buildings	(7,806,890)	(83,428)	(386,833)	(8,277,151)
Furnt, Mach and Equip	(398,591)	99,964	(24,420)	(323,047)
Total Accumulated Depreciation	(8,205,481)	16,536	(411,253)	(8,600,198)
Total Capital Assets being Depreciated, net	3,629,150	1,502,644	(405,117)	4,726,677
Total Capital Assets, net	\$ 5,582,898	\$ 417,964	\$ (405,117)	\$ 5,595,745

NOTE 6: DEFINED PENSION PLANS AND POSTRETIREMENT BENEFIT

RETIREMENT SYSTEM PENSION PLAN

All Gallia Metropolitan Housing Authority's full time employees participate in the Public Employees Retirement System of Ohio ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

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

Gallia Metropolitan Housing Authority
Notes to The Basic Financial Statements
For The Year Ended December 31, 2012

NOTE 6: DEFINED PENSION PLANS AND POSTRETIREMENT BENEFIT (continued)

2. 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.
3. The Combined Plan - a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by OPERS 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 and disability benefits, survivor and death benefits and annual cost-of-living adjustments to 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 by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, making a written request to OPERS, 277 East Town Street, Columbus, Ohio 42315-4562 or by calling (614) 222-6701 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. The 2012 member contribution rates were 10.0% and the employer contribution rate was 14.0%.

The Authority's required contributions to OPERS for the years ended December 31, 2012, 2011 and 2010 were \$39,891, \$43,865, and \$40,590, respectively. Ninety percent was contributed for the 2012 year. All contributions were made for the two years prior.

NOTE 7: POSTEMPLOYMENT BENEFITS

A. Plan Description

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan does not qualify for ancillary benefits, including post-employment health care coverage.

Gallia Metropolitan Housing Authority
Notes to The Basic Financial Statements
For The Year Ended December 31, 2012

NOTE 7: POSTEMPLOYMENT BENEFITS (continued)

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

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

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

B. 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 to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contribution allocated to the health care plan was 4.0 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the years ended December 31, 2012, 2011 and 2010, which were used to fund post-employment benefits, were \$15,671, \$31,333 and \$27,274, respectively.

Changes to the health care plan were adopted by OPERS Board of Trustees on September 19, 2012, with transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4% of the employer contribution toward the health care fund after the end of the transition period.

Gallia Metropolitan Housing Authority
Notes to The Basic Financial Statements
For The Year Ended December 31, 2012

NOTE 8: COMPENSATED ABSENCES

Employees earn 2-5 weeks of annual vacation leave per calendar year, based on years of service. Annual leave may be taken after 1 year of employment. As of December 31, 2012, the accrual for compensated absences totaled \$10,623 and has been included in the accrued liabilities account balance in the accompanying Statement of Net Position. The Authority considers all compensated absences payable as due within one year.

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

<u>Description</u>	<u>Balance 12/31/2011</u>	<u>Net Decrease</u>	<u>Balance 12/31/2012</u>	<u>Due Within One Year</u>
Compensated Absence	\$ 70,625	\$ 13,127	\$ 57,498	\$ 11,499

NOTE 9: CONTINGENCIES

Grants

The Authority received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at December 31, 2012.

Litigations and Claims

In the normal course of operations the PHA may be subject to litigation and claims. At December 31, 2012 the PHA was involved in such matters. While the outcome of these matters cannot presently be determined, management believes that their ultimate resolution will not have a material effect on the financial statements.

NOTE 10: CHANGE IN ACCOUNTING PRINCIPLE

For 2012, the Housing Authority implemented Governmental Accounting Standard Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" and Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."

Gallia Metropolitan Housing Authority
Notes to The Basic Financial Statements
For The Year Ended December 31, 2012

NOTE 10: CHANGE IN ACCOUNTING PRINCIPLE (continued)

GASB Statement No. 62, incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

GASB Statement No. 63 identifies net positions, rather than net assets, as the residual of all other elements presented in a statement of financial position. There was no effect on beginning net position/fund balance.

NOTE 11: PRIOR PERIOD ADJUSTMENT

A prior period adjustment was required to correct capital assets and other non-current liabilities. The adjustment had the following effect on Net Position:

	<u>Business Type Activities</u>
Net Position at December 31, 2011	\$ 5,888,888
To correct Capital Assets	417,964
To write off Non-current liabilities	156,127
Restated Net Position at December 31, 2011	<u>\$ 6,462,979</u>

Gallia Metropolitan Housing Authority
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2012

<u>Federal Grantor/Sub-Grantor/ Program Title:</u>	<u>Federal CFDA Number</u>	<u>2012 Federal Expenditures</u>
Direct from U.S. Department Housing and Urban Development:		
Public and Indian Housing	14.850	\$ 554,891
Section 8 Housing Choice Vouchers	14.871	<u>650,122</u>
Total Expenditure of Federal Award		<u>\$ 1,205,013</u>

Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2012

Note 1: Summary of Significant Accounting Policies

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.

Gallia Metropolitan Housing Authority
Statement of Net Postion by Program
For the Year Ended December 31, 2012

	<u>Section 8 Voucher</u>	<u>Public Housing</u>	<u>ENTERPRISE FUND</u>
ASSETS			
Cash - Unrestricted	\$ 3,386	\$ 118,318	\$ 121,704
Cash - Restricted	45,842	256,932	302,774
Cash - Tenant Security Deposits	-	28,406	28,406
Accounts Receivable:			
Fraud Recovery	5,404	-	5,404
Tenants - Dwelling Rents	-	9,629	9,629
Investments - Restricted	-	-	-
Inventories	-	23,166	23,166
Prepaid Expense	506	4,856	5,362
Capital Assets:			
Non-depreciable Capital Assets	-	869,068	869,068
Depreciable Capital Assets	-	4,726,677	4,726,677
Capital Assets, net	-	5,595,745	5,595,745
Total Assets	\$ 55,138	\$ 6,037,052	\$ 6,092,190
Liabilities			
Accrued Wages/Payroll Taxes Payable	\$ 1,659	\$ 14,749	\$ 16,408
Accounts Payable:			
<= 90 Days Past Due	258	7,533	7,791
Compensated Absences Current	2,724	8,775	11,499
Tenant Security Deposits	-	28,406	28,406
Tenant prepaid rent	-	734	734
Compensated Absences Non-current	10,899	35,100	45,999
Total Liabilities	15,540	95,297	110,837
Net Position			
Net Invested in Capital Assets	-	5,595,745	5,595,745
Restricted Net Position	45,842	256,932	302,774
Unrestricted Net Position	(6,244)	89,078	82,834
Total Net Position	39,598	5,941,755	5,981,353
Total Liabilities and Net Position	\$ 55,138	\$ 6,037,052	\$ 6,092,190

Gallia Metropolitan Housing Authority
Statement of Revenues, Expenses, and Changes in Net Position by Program
For the Year Ended December 31, 2012

	Section 8 Voucher	Public Housing	ENTERPRISE FUND
Revenues			
Tenant Revenues:			
Net Tenant Rental Revenue	\$ -	\$ 113,210	\$ 113,210
	-	25,625	25,625
Total Tenant Revenue	-	138,835	138,835
HUD PHA Grants/Operating Grants	650,122	554,891	1,205,013
Investment Income - Unrestricted	31	182	213
Fraud Recovery	3,618	1,334	4,952
Other Revenue	8,882	15,219	24,101
Investment Income - Restricted	-	13	13
Total Revenue	662,653	710,474	1,373,127
Expenses			
Administrative:			
Administrative Salaries	45,571	167,740	213,311
Auditing Fees	610	7,457	8,067
Employee Benefit Contributions	21,006	75,370	96,376
Office Expenses	777	29,097	29,874
Legal Expense	-	6,740	6,740
Travel	712	7,778	8,490
Other Operating	3,705	6,266	9,971
Total Administrative	72,381	300,448	372,829
Tenant Services:			
Tenant Services - Salaries	-	6,528	6,528
Employee Benefit Contributions	-	3,220	3,220
Total Tenant Services	-	9,748	9,748
Utilities:			
Water	-	79,537	79,537
Electric	-	21,904	21,904
Gas	-	2,542	2,542
Sewer	-	37,915	37,915
Total Utilities	-	141,898	141,898
Ordinary Maintenance & Operation			
Labor	-	109,018	109,018
Materials and other	-	46,586	46,586
Contract Costs	-	27,453	27,453
Employee Benefit Contributions	-	36,518	36,518
Total Ordinary Maintenance Operation	-	219,575	219,575
General Expenses:			
Insurance Premiums	4,529	41,787	46,316
Total General Expenses	4,529	41,787	46,316
Other Expenses:			
Other General Expenses	-	7,987	7,987
Housing Assistance Payments	620,262	-	620,262
Extraordinary Maintenance	-	-	-
Casualty Loss Noncapitalized	-	24,885	24,885
Depreciation Expense	-	411,253	411,253
Total Other Expense	620,262	444,125	1,064,387
Total Operating Expenses	697,172	1,157,581	1,854,753
Change in Net Position	(34,519)	(447,107)	(481,626)
Net Position Beginning of Year	(89,837)	5,978,725	5,888,888
Prior Period Adjustments	-	574,091	574,091
Total Net Position at End of Year	\$ (124,356)	\$ 6,105,709	\$ 5,981,353

Gallia Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2012

Capital Fund Program Number OH16P047501-04

1. The Program Costs are as follows:

Funds Approved	\$266,262
Funds Expended	<u>266,262</u>
Excess (Deficiency) of Funds Approved	<u>\$ -0-</u>
Funds Advanced	\$266,262
Funds Expended	<u>266,262</u>
Excess (Deficiency) of Funds Advanced	<u>\$ -0-</u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on December 11, 2012.
4. The final costs on the certification agree to the Authority's records.

Gallia Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2012

Capital Fund Program Number OH16P047501-05

1. The Program Costs are as follows:

Funds Approved	\$217,869
Funds Expended	<u>217,869</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -0-</u></u>
Funds Advanced	\$217,869
Funds Expended	<u>217,869</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on December 10, 2012.
4. The final costs on the certification agree to the Authority's records.

Gallia Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2012

Capital Fund Program Number OH16P047501-06

1. The Program Costs are as follows:

Funds Approved	\$204,141
Funds Expended	<u>204,141</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -0-</u></u>
Funds Advanced	\$204,141
Funds Expended	<u>204,141</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on December 10, 2012.
4. The final costs on the certification agree to the Authority's records.

Gallia Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2012

Capital Fund Program Number OH16P047501-07

1. The Program Costs are as follows:

Funds Approved	\$206,137
Funds Expended	<u>206,137</u>
Excess (Deficiency) of Funds Approved	<u>\$ -0-</u>
Funds Advanced	\$206,137
Funds Expended	<u>206,137</u>
Excess (Deficiency) of Funds Advanced	<u>\$ -0-</u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on December 11, 2012.
4. The final costs on the certification agree to the Authority's records.

Gallia Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2012

Capital Fund Program Number OH16P047501-10

1. The Program Costs are as follows:

Funds Approved	\$206,058
Funds Expended	<u>206,058</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -0-</u></u>
Funds Advanced	\$206,058
Funds Expended	<u>206,058</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on December 10, 2012.
4. The final costs on the certification agree to the Authority's records.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Gallia Metropolitan Housing Authority
381 Buck Ridge Road
Bidwell, Ohio 45614

Board of Commissioners

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities, of Gallia Metropolitan Housing Authority, Gallia County, Ohio, (the Authority), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 14, 2013 wherein we noted the Authority implemented GASB Statement No. 62 and No. 63.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2012-01 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under Government Auditing Standards in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
June 14, 2013



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Gallia Metropolitan Housing Authority
381 Buck Ridge Road
Bidwell, Ohio 45614

Board of Commissioners

Report on Compliance for Each Major Federal Program

We have audited the Gallia Metropolitan Housing Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Gallia Metropolitan Housing Authority's major federal program for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Authority's major federal program.

Management's Responsibility

The Authority's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for each of the Authority's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Authority's major program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Gallia Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

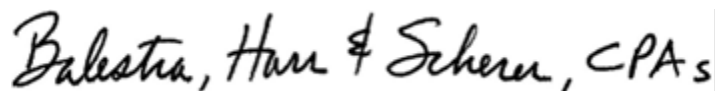
Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Balestra, Harr & Scherer, CPAs, Inc.
June 14, 2013

Gallia Metropolitan Housing Authority
Schedule of Findings
OMB Circular A-133 Section .505
December 31, 2012

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies in reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Section 8 Housing Choice Vouchers (CFDA #14.871)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number 2012-01

Significant Deficiency

The Gallia Metropolitan Housing Authority incurred a prior period adjustment to Capital Assets and Non-current Liabilities. The Authority also failed to implement Governmental Accounting Standard Board (GASB) Statement No. 62 and Statement No. 63 which included significant disclosures that were not presented.

The accompanying financial statements were adjusted to reflect correction of misstated account balances. Also the notes to the financial statements were modified to properly reflect the disclosures required by GASB Statements No. 62 and 63. The authority should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported and all significant disclosures are properly reported.

Client Response:

The fee accountant who was responsible for the financial reporting during the period in question is no longer with the Authority. A new accountant was hired in November, 2012 and has many years of HUD accounting experience.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

GALLIA METROPOLITAN HOUSING AUTHORITY

GALLIA 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
AUGUST 20, 2013**