AUDITED BASIC FINANCIAL STATEMENTS

OF THE

MORGAN METROPOLITAN HOUSING AUTHORITY

JULY 1, 2011 – JUNE 30, 2012

Dave Yost • Auditor of State

Board of Directors
Morgan Metropolitan Housing Authority
4580 North State Route 376 NW
McConnelsville, Ohio 43756

We have reviewed the *Independent Auditors' Report* of the Morgan Metropolitan Housing Authority, Morgan County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2011 through June 30, 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 Morgan Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

January 10, 2013

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Board of Directors
Morgan Metropolitan Housing Authority
4580 North State Route 376 NW
McConnelsville, Ohio 43756

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the Morgan Metropolitan Housing Authority, Morgan County, Ohio (the Authority) as of and for the fiscal year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Morgan Metropolitan Housing Authority, Morgan County, as of June 30, 2012, and the changes in financial position and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 1, the Authority increased the capitalization threshold for capital assets purchased after July 1, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 6, 2012, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the Authority's basic financial statements taken as a whole. The Schedule of Federal Awards Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and the Supplemental Financial Data Schedules as required by the U.S. Department of Housing and Urban Development, are not a required part of the basic financial statements. The Schedule of Federal Awards Expenditures and Supplemental Financial Data Schedules are management's responsibility, and were derived from and relate directly to underlying accounting and other records used to prepare the basic financial statements. These schedules were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
November 6, 2012

Unaudited

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

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

FINANCIAL HIGHLIGHTS

- **Net assets were $2,288,350 and $2,378,450 for 2012 and 2011, respectively. The statements reflect a decrease in total net assets of $90,100 (or 4%), during 2012. This decrease is reflective of the year's activities.**
- **The total revenues were $1,026,431 and $1,032,109 for 2012 and 2011, respectively. The statements reflect a decrease in total revenues of $5,678 (or less than 1%), during 2012.**
- **The total expenses were $1,116,531 and $1,103,953 for 2012 and 2011, respectively. The statements reflect an increase in total expenses of $12,578 (or 1%), during 2012.**

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

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

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

Unaudited

BASIC FINANCIAL STATEMENTS

The basic financial statements, beginning on page 8 are designed to be corporate-like in that all business-type programs are consolidated into one single enterprise fund for the Authority.

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

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

> **Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.**
>
> **Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.**
>
> **Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt," or "Restricted Net Assets." This account resembles the old operating reserves account.**

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

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

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

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

Project Total (PH and CFP) – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

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

Resident Opportunities and Self Sufficiency (ROSS) – A grant program that provides funds for the salary and benefits of a case manager(s) to help residents, including elderly and disabled, transition from welfare to work. ROSS also provides funding to link elderly/disabled residents to critical services which can help them continue to live independently.

Unaudited

Business Activities – The Business Activity Fund was set up to separate the non-HUD activities from the HUD funded programs. This fund is mainly used to account for the management fees received from the Housing Opportunities and Personal Empowerment (HOPE) Board for managing rental property for tenants with developmental disabilities.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

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

TABLE 1
STATEMENT OF NET ASSETS

	FYE 6/30/12	FYE 6/30/11
Current and Other Assets	$ 309,096	$ 333,973
Capital Assets	2,089,330	2,148,038
TOTAL ASSETS	$ 2,398,426	$ 2,482,011
Other Liabilities	$ 77,737	$ 60,092
Long-Term Liabilities	32,339	43,469
TOTAL LIABILITIES	$ 110,076	$ 103,561
Net Assets:		
Invested in Capital Assets, Net of Related Debt	$ 2,084,999	$ 2,140,413
Restricted Net Assets	67,403	117,087
Unrestricted	135,948	120,950
TOTAL NET ASSETS	$ 2,288,350	$ 2,378,450

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

Major factors affecting the Statement of Net Assets: Total Assets decreased by $83,585. Liabilities increased by $6,515. Invested in Capital Assets, Net of Related Debt decreased by $55,414, Restricted Net Assets decreased by $49,684 and Unrestricted Net Assets increased by $14,998. The change in Restricted Net Assets is due to the new HAP funding formula that required housing authority's to spend HAP reserve money to cover HAP funding shortfall. Depreciation affects capital assets, timing of payables affects Liabilities and unexpected additional funding for public housing affected Unrestricted Net Assets.

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Unaudited

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

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

	FYE 6/30/12	FYE 6/30/11
Revenues		
Tenant Revenues	$ 76,209	$ 71,181
Operating Subsidies Grants	834,170	898,807
Capital Grants	87,746	36,621
Fraud Recovery	2,412	1,654
Interest Income	3,155	3,331
Other Revenue	22,739	20,515
Total Revenues	1,026,431	1,032,109
Expenses		
Administrative	211,568	225,844
Tenant Services	6,830	10,930
Utilities	81,127	66,968
Insurance	24,402	16,107
Maintenance	133,002	144,442
General Expenses	21,575	14,743
Interest	276	302
Housing Assistance Payments	483,725	472,674
Depreciation	154,026	151,943
Total Expenses	1,116,531	1,103,953
Change in Net Assets	(90,100)	(71,844)
Total beginning net assets	2,378,450	2,450,294
Total ending net assets	$ 2,288,350	$ 2,378,450

Major factors affecting the Statement of Revenue, Expenses, and Changes in Net Assets include City water rates increased, the HAP funding formula required the Authority to use HAP reserves and 2 employees schedules changed from 5 days to 4 days per week.

CAPITAL ASSETS

As of fiscal year end 2012, the Authority had $2,089,330 invested in net capital assets, net of depreciation, as reflected in the following schedule which represents a net decrease (addition, deductions and depreciation) of $58,708 from the end of last fiscal year.

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

	FYE 6/30/12	FYE 6/30/11
Land	$ 279,150	$ 279,150
Buildings	3,979,820	3,979,820
Equipment-Administrative	153,367	153,367
Equipment-Dwellings	118,863	118,863
Leasehold Improvements	342,941	247,623
Accumulated Depreciation	(2,784,811)	(2,630,785)
TOTAL	$ 2,089,330	$ 2,148,038

Unaudited

TABLE 4
CHANGE IN CAPITAL ASSETS

The following reconciliation summarizes the change in Capital Assets. Capital fund projects were the main factor affecting the change in capital assets. See Note 3 for more detail over Capital Assets.

Beginning Balance	$ 2,148,038
Additions	95,318
Depreciation	(154,026)
Ending Balance:	$ 2,089,330

DEBT OUTSTANDING

As of June 30, 2012, the Authority had $4,331 in debt (note payable) outstanding as compared to $7,625 at June 30, 2011. The decrease of ($3,294) represents the current year debt repayment. For further information related to fiscal year 2012 debt activity, see Note 5.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

* **Federal funding of the Department of Housing and Urban Development.**
* **Local labor supply and demand, which can affect salary and wage rates.**
* **Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.**
* **Inflationary pressure on utility rates, supplies and other costs.**

IN CONCLUSION

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

FINANCIAL CONTACT

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

Respectfully submitted,
Kelly Hardman, Executive Director

MORGAN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS		
Cash and cash equivalents		$ 144,672
Cash and cash equivalents - restricted		117,568
Receivables - net of allowance		29,136
Inventories - net of allowance		9,231
Prepaid items and other assets		8,489
	TOTAL CURRENT ASSETS	309,096
Land		279,150
Capital assets - net		1,810,180
	TOTAL CAPITAL ASSETS	2,089,330
	TOTAL ASSETS	2,398,426
LIABILITIES		
Accounts payable		32,268
Accrued wages & payroll taxes		9,298
Intergovernmental payables		556
Tenant security deposits		24,700
Accrued compensated absences		6,429
Unearned revenue		1,041
Current portion - note payable		3,445
	TOTAL CURRENT LIABILITIES	77,737
Note payable		886
Accrued compensated absences		5,988
FSS and ROSS liability		25,465
	TOTAL LONG-TERM LIABILITIES	32,339
	TOTAL LIABILITIES	110,076
NET ASSETS		
Invested in capital assets - net of related debt		2,084,999
Restricted net assets		67,403
Unrestricted net assets		135,948
	NET ASSETS	$ 2,288,350

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

MORGAN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

OPERATING REVENUE	
Tenant revenue	$ 76,209
HUD operating grants	834,170
Other revenue	22,739
Fraud Recovery	2,412
TOTAL OPERATING REVENUE	935,530
OPERATING EXPENSES	
Administrative	211,568
Tenant services	6,830
Utilities	81,127
Insurance	24,402
Maintenance	133,002
General	21,575
Housing assistance payments	483,725
Depreciation	154,026
TOTAL OPERATING EXPENSES	1,116,255
OPERATING LOSS	(180,725)
NON-OPERATING INCOME (EXPENSE)	
Interest income	3,155
HUD capital grants	87,746
Interest expense	(276)
TOTAL NON-OPERATING REVENUE (EXPENSE)	90,625
CHANGE IN NET ASSETS	(90,100)
NET ASSETS BEGINNING OF YEAR	2,378,450
NET ASSETS END OF YEAR	$ 2,288,350

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

MORGAN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from tenants	$	81,108
Cash received from other sources		8,802
Cash received from HUD		834,170
Cash payments for administrative		(461,719)
Cash payments for housing assistance payments		(483,725)
NET CASH USED BY OPERATING ACTIVITIES		(21,364)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on debt		(3,294)
Capital funds received		87,746
Acquisition of capital assets		(95,318)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES		(10,866)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments		56,023
Interest payments on debt		(276)
Interest received		3,155
NET CASH PROVIDED BY INVESTING ACTIVITIES		58,902
INCREASE IN CASH AND CASH EQUIVALENTS		26,672
CASH AND CASH EQUIVALENTS, BEGINNING		235,568
CASH AND CASH EQUIVALENTS, ENDING	$	262,240
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$	(180,725)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation		154,026
(Increase) decrease in:		
Receivables - net of allowance		(12,491)
Inventories - net of allowance		1,028
Prepaid items and other assets		6,989
Increase (decrease) in:		
Accounts payable		15,821
Accrued compensated absences		(1,691)
Intergovernmental payables		(121)
Accrued wages/payroll taxes		3,406
Tenant security deposits		(600)
Unearned revenue		1,041
FSS and ROSS liabilities		(8,047)
NET CASH USED BY OPERATING ACTIVITIES	$	(21,364)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

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

Basis of Presentation

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

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

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

Measurement Focus

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

Enterprise Fund

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

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

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

Project Total (PH and CFP) – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Ross Program (ROSS) – A grant program that provides funds for the salary and benefits of a case manager(s) to help residents, including elderly and disabled, transition from welfare to work. ROSS also provides funding to link elderly/disabled residents to critical services which can help them continue to live independently.

Business Activities – The Business Activity Fund was set up to separate the non-HUD activities from the HUD funded programs. This fund is mainly used to account for the management fees received from the county for managing a HOPE project.

Accounting and Reporting for Nonexchange Transactions

Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB Statement No. 33 identifies four classes of nonexchange transactions as follows:

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

GASB Statement No. 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments
Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2012 for both programs totaled $3,155.

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

Prepaid Items
Payments made to vendors for services that will benefit periods beyond June 30, 2012, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

Capital Assets
Capital assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The Authority's capitalization policy is $1,000 for capital assets purchased before July 1, 2011, and $1,750 for capital asset purchased after July 1, 2011. The following are the estimated useful lives used for depreciation purposes:

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

Cash, Cash Equivalents and Investments
For cash flow reporting purposes, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less and certificates of deposit.

Due From/To Other Programs
On the basic financial statements, receivables and payables resulting from the short-term interprogram loans are eliminated.

Accrued Liabilities
All payables, including intergovernmental payables, and accrued wages and payroll taxes, are reported in the basic financial statements.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budgetary Accounting

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

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Receivables – net of allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the fiscal year. Management considers all accounts receivable (excluding the tenants accounts receivable) to be collected in full at June 30, 2012, allowance for doubtful accounts in the tenants accounts receivable was $1,000.

Inventories – net of allowance

Inventories are stated at cost, (first-in, first-out method). Inventory consists of supplies and maintenance parts. The allowance for obsolete inventory was $1,030 at June 30, 2012.

Net Assets

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

Operating/Nonoperating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are tenant revenues, operating grants from HUD and other miscellaneous revenue. Nonoperating revenues are HUD capital grants and interest income. HUD capital grants are the amounts received by the Authority for capital improvements and administration of the public housing programs.

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

2. DEPOSITS AND INVESTMENTS

Deposits

At fiscal year end, the carrying amount of the Authority's deposits was $262,240 and the bank balance was $179,182. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosure*, as of June 30, 2012, $250,000 was covered by Federal Depository Insurance and $0 was exposed to custodial risk.

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

2. DEPOSITS AND INVESTMENTS - CONTINUED

Investments

The Authority has a formal investment policy. The Authority follows GASB Statement No. 31, *Accounting and Financial reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At June 30, 2012, the Authority had no investments.

***Interest Rate Risk* – As a means of limiting its exposure to fair value losses caused by rising interest rates, the Authority's investment policy requires that all funds in excess of the estimated needs for 90 days be invested with the bank quoting the highest interest rate on a short-term basis. It is the Authority's practice to limit its investments to less than two years. The stated intent of the policy is to avoid the need to sell investments prior to maturity.**

***Credit Risk* – HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. The Authority's depository agreement specifically requires compliance with HUD requirement. The Authority has no investment policy that would further limit its investment choices.**

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

***Concentration of Credit Risk* – The Authority limits the amount that may be invested with any one issuer to the amount that will be covered by FDIC or FSLIC insurance. Excess amounts are put out for bid to at least three banks and deposited with the bank with the highest quoted interest rate.**

3. CAPITAL ASSETS

The following is a summary:

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
CAPITAL ASSETS, NOT BEING DEPRECIATED				
Land	$ 279,150	$ -	$ -	$ 279,150
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	$ 279,150	$ -	$ -	$ 279,150
CAPITAL ASSETS, BEING DEPRECIATED				
Buildings and Improvements	$ 4,227,443	$ 95,318	$ -	$ 4,322,761
Furniture and equipment	272,230	-	-	272,230
Totals at Historical Costs	4,499,673	95,318	-	4,594,991
Accumulated Depreciation				
Buildings and Improvements	(2,374,563)	(150,768)	-	(2,525,331)
Furniture and equipment	(256,222)	(3,258)	-	(259,480)
Total Accumulated Depreciation	(2,630,785)	(154,026)	-	(2,784,811)
TOTAL CAPITAL ASSETS, NET BEING DEPRECIATED	1,868,888	(58,708)	-	1,810,180
TOTAL CAPITAL ASSETS, NET	$ 2,148,038	$ (58,708)	$ -	$ 2,089,330

4. RESTRICTED CASH

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

Excess cash advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments	$ 67,403
FSS Escrow Funds	17,021
Tenant Security Deposits	24,700
ROSS Funds	8,444
Total Restricted Cash	$ 117,568

5. LONG-TERM LIABILITIES

Long-term liabilities are summarized as follows:

Compensated Absences	Balance 6/30/2011	Increases	Decreases	Balance 6/30/2012	Due Within One Year
Public Housing	$ 9,407	$ 9,988	$ (10,858)	$ 8,537	$ 4,409
Section 8	4,701	4,113	(4,934)	3,880	2,020
Total Compensated Absences Liability	$ 14,108	$ 14,101	$ (15,792)	$ 12,417	$ 6,429
Long-term Compensated Absences				$ 5,988	

	Balance 6/30/2011	Increases	Decreases	Balance 6/30/2012	Due Within One Year
FSS Liability	$ 23,005	$ 7,492	$ (13,476)	$ 17,021	$ -
ROSS Escrow Liability	10,507	9,126	(11,189)	8,444	-
	$ 33,512	$ 16,618	$ (24,665)	$ 25,465	$ -

	Balance 6/30/2011	Increases	Decreases	Balance 6/30/2012	Due Within One Year
Long-term debt - Capital	$ 7,625	$ -	$ (3,294)	$ 4,331	$ 3,445

Long-term debt maturities are as follows:

Years Ending June 30	
2013	$ 3,445
2014	886
	4,331
Less current portion long-term debt	(3,445)
Total long-term debt	$ 886

6. DEFINED BENEFIT PENSION PLAN

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1. **The Traditional Pension Plan – A cost-sharing multiple-employer defined benefit pension plan.**

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 thereon.**

3. **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, 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 in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011 and 2012, member and employer contribution rates were consistent across all three plans. The 2011 and 2012 member contribution rates were 10.0% for members and 14.0% for employers of covered payroll. The Authority's required contributions to OPERS for the years ended June 30, 2012, 2011, and 2010 were $20,719, $24,562, and $21,829, respectively. These costs have been charged to the employee fringe benefit account. All required payments of contributions have been made through June 30, 2012.

7. POST-EMPLOYMENT BENEFITS

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 do not qualify for ancillary benefits, including post-employment health care coverage.

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

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

OPERS issue a stand-alone financial report. Interest parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

7. POST-EMPLOYMENT BENEFITS - 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 administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2011 and 2010, the employer contributions allocated to the health care plan was 5.5% 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 fiscal years ended June 30, 2012, 2011, and 2010 which were used to fund post-employment benefits, were $2,960, $1,351, and $1,201, respectively.

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

8. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended June 30, 2012, the Authority electronically submitted an unaudited version of the combining balance sheet, statement of revenues, expenses and changes in retained earnings and other data to HUD as required on the GAAP basis. The audited version of the FDS schedules are included as supplemental data. The schedules are presented in the manner prescribed by Housing and Urban Development.

9. CONTINGENT LIABILITIES

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

10. RISK MANAGEMENT

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. There was no significant reduction in coverage and no settlements exceeded insurance coverage during the past three years.

11. RELATED PARTY TRANSACTIONS

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

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

12. SUBSEQUENT EVENTS

There were no subsequent events through November 6, 2012, the date the financial statements were available to be issued. Any subsequent events after that date have not been evaluated.

MORGAN METROPOLITAN HOUSING AUTHORITY

STATEMENT OF NET ASSETS - FDS SCHEDULE SUBMITTED TO HUD

Fiscal Year Ended June 30, 2012

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
111 Cash - Unrestricted	$142,335	$2,337			$144,672		$144,672
112 Cash - Restricted - Modernization and Development				$8,444	$8,444		$8,444
113 Cash - Other Restricted		$84,424			$84,424		$84,424
114 Cash - Tenant Security Deposits	$24,700				$24,700		$24,700
115 Cash - Restricted for Payment of Current Liabilities							
100 Total Cash	$167,035	$86,761	$0	$8,444	$262,240	$0	$262,240
124 Accounts Receivable - Other Government				$1,683	$1,683		$1,683
125 Accounts Receivable - Miscellaneous	$1,473		$24,421		$25,894		$25,894
126 Accounts Receivable - Tenants	$1,200				$1,200		$1,200
126.1 Allowance for Doubtful Accounts -Tenants	-$1,000				-$1,000		-$1,000
128 Fraud Recovery		$1,359			$1,359		$1,359
120 Total Receivables, Net of Allowances for Doubtful Accounts	$1,673	$1,359	$24,421	$1,683	$29,136	$0	$29,136
142 Prepaid Expenses and Other Assets	$8,088	$401			$8,489		$8,489
143 Inventories	$10,261				$10,261		$10,261
143.1 Allowance for Obsolete Inventories	-$1,030				-$1,030		-$1,030
144 Inter Program Due From	$319				$319	-$319	$0
150 Total Current Assets	$186,346	$88,521	$24,421	$10,127	$309,415	-$319	$309,096
161 Land	$274,650	$4,500			$279,150		$279,150
162 Buildings	$3,905,470	$74,350			$3,979,820		$3,979,820
163 Furniture, Equipment & Machinery - Dwellings	$118,863				$118,863		$118,863
164 Furniture, Equipment & Machinery - Administration	$110,606	$42,761			$153,367		$153,367
165 Leasehold Improvements	$342,941				$342,941		$342,941
166 Accumulated Depreciation	-$2,743,092	-$41,719			-$2,784,811		-$2,784,811
160 Total Capital Assets, Net of Accumulated Depreciation	$2,009,438	$79,892	$0	$0	$2,089,330	$0	$2,089,330
180 Total Non-Current Assets	$2,009,438	$79,892	$0	$0	$2,089,330	$0	$2,089,330
190 Total Assets	$2,195,784	$168,413	$24,421	$10,127	$2,398,745	-$319	$2,398,426

MORGAN METROPOLITAN HOUSING AUTHORITY

STATEMENT OF NET ASSETS - FDS SCHEDULE SUBMITTED TO HUD

Fiscal Year Ended June 30, 2012

312 Accounts Payable <= 90 Days	$11,751	$817	$19,700		$32,268		$32,268
321 Accrued Wage/Payroll Taxes Payable	$5,925	$1,860		$1,513	$9,298		$9,298
322 Accrued Compensated Absences - Current Portion	$4,409	$2,020			$6,429		$6,429
333 Accounts Payable - Other Government		$556			$556		$556
341 Tenant Security Deposits	$24,700				$24,700		$24,700
342 Deferred Revenues	$1,041				$1,041		$1,041
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds		$3,445			$3,445		$3,445
347 Inter Program - Due To			$149	$170	$319	-$319	$0
310 Total Current Liabilities	$47,826	$8,698	$19,849	$1,683	$78,056	-$319	$77,737
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		$886			$886		$886
353 Non-current Liabilities - Other		$17,021		$8,444	$25,465		$25,465
354 Accrued Compensated Absences - Non Current	$4,128	$1,860			$5,988		$5,988
350 Total Non-Current Liabilities	$4,128	$19,767	$0	$8,444	$32,339	$0	$32,339
300 Total Liabilities	$51,954	$28,465	$19,849	$10,127	$110,395	-$319	$110,076
508.1 Invested In Capital Assets, Net of Related Debt	$2,009,438	$75,561			$2,084,999		$2,084,999
511.1 Restricted Net Assets		$67,403			$67,403		$67,403
512.1 Unrestricted Net Assets	$134,392	-$3,016	$4,572	$0	$135,948		$135,948
513 Total Equity/Net Assets	$2,143,830	$139,948	$4,572	$0	$2,288,350	$0	$2,288,350
600 Total Liabilities and Equity/Net Assets	$2,195,784	$168,413	$24,421	$10,127	$2,398,745	-$319	$2,398,426

MORGAN METROPOLITAN HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - FDS SCHEDULE SUBMITTED TO HUD

Fiscal Year End June 30, 2012

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$75,471				$75,471		$75,471
70400 Tenant Revenue - Other	$738				$738		$738
70500 Total Tenant Revenue	$76,209	$0	$0	$0	$76,209		$76,209
70600 HUD PHA Operating Grants	$256,326	$526,312		$51,532	$834,170		$834,170
70610 Capital Grants	$87,746				$87,746		$87,746
71100 Investment Income - Unrestricted	$2,945	$81			$3,026		$3,026
71400 Fraud Recovery		$2,412			$2,412		$2,412
71500 Other Revenue	$11,916	$5,559	$5,264		$22,739		$22,739
72000 Investment Income - Restricted		$129			$129		$129
70000 Total Revenue	$435,142	$534,493	$5,264	$51,532	$1,026,431		$1,026,431
91100 Administrative Salaries	$36,241	$33,942	$556	$31,908	$102,647		$102,647
91200 Auditing Fees	$2,038	$3,955			$5,993		$5,993
91500 Employee Benefit contributions - Administrative	$18,761	$21,607		$19,624	$59,992		$59,992
91600 Office Expenses	$22,890	$11,245	$1,459		$35,594		$35,594
91700 Legal Expense	$3,520				$3,520		$3,520
91800 Travel	$1,066	$1,656			$2,722		$2,722
91900 Other			$1,100		$1,100		$1,100
91000 Total Operating - Administrative	$84,516	$72,405	$3,115	$51,532	$211,568		$211,568
92400 Tenant Services - Other		$6,830			$6,830		$6,830
92500 Total Tenant Services	$0	$6,830	$0	$0	$6,830		$6,830
93100 Water	$68,272	$156			$68,428		$68,428
93200 Electricity	$9,089	$1,135			$10,224		$10,224
93300 Gas	$2,237	$238			$2,475		$2,475
93000 Total Utilities	$79,598	$1,529	$0	$0	$81,127		$81,127
94100 Ordinary Maintenance and Operations - Labor	$35,940				$35,940		$35,940
94200 Ordinary Maintenance and Operations - Materials and Other	$15,158				$15,158		$15,158
94300 Ordinary Maintenance and Operations Contracts	$47,336	$7,295			$54,631		$54,631
94500 Employee Benefit Contributions - Ordinary Maintenance	$27,273				$27,273		$27,273
94000 Total Maintenance	$125,707	$7,295	$0	$0	$133,002		$133,002

MORGAN METROPOLITAN HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - FDS SCHEDULE SUBMITTED TO HUD

Fiscal Year End June 30, 2012

96110 Property Insurance	$21,700	$2,702			$24,402		$24,402
96100 Total insurance Premiums	$21,700	$2,702	$0	$0	$24,402		$24,402
96210 Compensated Absences	$10,858	$4,934			$15,792		$15,792
96300 Payments in Lieu of Taxes		$556			$556		$556
96400 Bad debt - Tenant Rents	$5,227				$5,227		$5,227
96000 Total Other General Expenses	$16,085	$5,490	$0	$0	$21,575		$21,575
96720 Interest on Notes Payable (Short and Long Term)		$276			$276		$276
96700 Total Interest Expense and Amortization Cost	$0	$276	$0	$0	$276		$276
96900 Total Operating Expenses	$327,606	$96,527	$3,115	$51,532	$478,780		$478,780
97000 Excess of Operating Revenue over Operating Expenses	$107,536	$437,966	$2,149	$0	$547,651		$547,651
97300 Housing Assistance Payments		$483,725			$483,725		$483,725
97400 Depreciation Expense	$149,756	$4,270			$154,026		$154,026
90000 Total Expenses	$477,362	$584,522	$3,115	$51,532	$1,116,531		$1,116,531
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-$42,220	-$50,029	$2,149	$0	-$90,100		-$90,100
11030 Beginning Equity	$2,186,050	$189,977	$2,423	$0	$2,378,450		$2,378,450
11170 Administrative Fee Equity		$72,545			$72,545		$72,545
11180 Housing Assistance Payments Equity		$67,403			$67,403		$67,403
11190 Unit Months Available	720	1680	0		2400		2400
11210 Number of Unit Months Leased	708	1657	0		2365		2365
11270 Excess Cash	$93,854				$93,854		$93,854
11650 Leasehold Improvements Purchases	$87,746				$87,746		$87,746

MORGAN METROPOLITAN HOUSING AUTHORITY

PROJECT STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - FDS SCHEDULE
SUBMITTED TO HUD

Fiscal Year End June 30, 2012

	Low Rent	Capital Fund	Total Project
70300 Net Tenant Rental Revenue	$75,471		$75,471
70400 Tenant Revenue - Other	$738		$738
70500 Total Tenant Revenue	$76,209	$0	$76,209
70600 HUD PHA Operating Grants	$256,326		$256,326
70610 Capital Grants		$87,746	$87,746
71100 Investment Income - Unrestricted	$2,945		$2,945
71500 Other Revenue	$11,916		$11,916
70000 Total Revenue	$347,396	$87,746	$435,142
91100 Administrative Salaries	$36,241		$36,241
91200 Auditing Fees	$2,038		$2,038
91500 Employee Benefit contributions - Administrative	$18,761		$18,761
91600 Office Expenses	$22,890		$22,890
91700 Legal Expense	$3,520		$3,520
91800 Travel	$1,066		$1,066
91000 Total Operating - Administrative	$84,516	$0	$84,516
93100 Water	$68,272		$68,272
93200 Electricity	$9,089		$9,089
93300 Gas	$2,237		$2,237
93000 Total Utilities	$79,598	$0	$79,598
94100 Ordinary Maintenance and Operations - Labor	$35,940		$35,940
94200 Ordinary Maintenance and Operations - Materials and Other	$15,158		$15,158
94300 Ordinary Maintenance and Operations Contracts	$47,336		$47,336
94500 Employee Benefit Contributions - Ordinary Maintenance	$27,273		$27,273
94000 Total Maintenance	$125,707	$0	$125,707
96110 Property Insurance	$21,700		$21,700
96100 Total insurance Premiums	$21,700	$0	$21,700
96210 Compensated Absences	$10,858		$10,858
96400 Bad debt - Tenant Rents	$5,227		$5,227
96000 Total Other General Expenses	$16,085	$0	$16,085
96900 Total Operating Expenses	$327,606	$0	$327,606
97000 Excess of Operating Revenue over Operating Expenses	$19,790	$87,746	$107,536
97400 Depreciation Expense	$146,831	$2,925	$149,756
90000 Total Expenses	$474,437	$2,925	$477,362
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-$127,041	$84,821	-$42,220
11030 Beginning Equity	$2,104,788	$81,262	$2,186,050
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	$81,262	-$81,262	$0
11190 Unit Months Available	720		720
11210 Number of Unit Months Leased	708		708
11270 Excess Cash	$93,854		$93,854
11650 Leasehold Improvements Purchases	$0	$87,746	$87,746

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Morgan Metropolitan Housing Authority
Cost Certification
For the Fiscal Year Ended June 30, 2012

	OH16P066 501-10
Total Expended	**$ 87,746**
Total Received	**$ 87,746**

1. **The actual cost certificate was signed and filed on July 23, 2012.**
2. **All costs have been paid through June 30, 2012 and there are no outstanding liabilities.**
3. **The final costs on the certificate agree to the Authority's records.**

MORGAN METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass Through Grantor Program Title	Pass-Through Number	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Public and Indian Housing - Low Rent Public Housing	N/A	14.850	256,326
Resident Opportunity and Supportive Services	N/A	14.870	51,532
Section 8 Housing Choice Vouchers	N/A	14.871	526,312
Public Housing Capital Fund	N/A	14.872	87,746
Total Federal Award Expenditures			$ 921,916

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES

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

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

Board of Directors
Morgan Metropolitan Housing Authority
4580 North State Route 376 NW
McConnelsville, Ohio 43756

We have audited the financial statements of the Morgan Metropolitan Housing Authority, Morgan County, Ohio (the Authority) as of and for the fiscal year ended June 30, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon date November 6, 2012, wherein we noted the Authority increased the capitalization threshold for capital assets purchased after July 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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 a combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
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We intend this report solely for the information and use of the Board of Directors, management, Auditor of State, federal awarding agencies, and other members of the Authority. We intend it for no one anyone other than these specified parties.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
November 6, 2012

Independent Auditors' Report on Compliance with Requirements Applicable to Its Major Federal Program and on Internal Control over Compliance Required by *OMB Circular A-133*

Board of Directors
Morgan Metropolitan Housing Authority
4580 North State Route 376 NW
McConnelsville, Ohio 43756

Compliance

We have audited the compliance of the Morgan Metropolitan Housing Authority, Morgan County, Ohio (the Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Authority's major federal program for the fiscal year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings and responses identifies the Authority's major federal program. The Authority's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to opine on the Authority's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Authority's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with these requirements.

In our opinion, the Morgan Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and responses lists this instance as Finding 2012-001.

Internal Control over Compliance

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

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

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

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

We intend this report solely for the information and use of the Board of Directors, management, the Auditor of State, federal awarding agencies, and other members of the Authority. It is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
November 6, 2012

MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other significant deficiencies conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	Yes
(d)(1)(vii)	**Major Program (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

MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

None.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2012-001
CFDA Title and Number	Housing Choice Vouchers\CFDA #14.871
Federal Award Number/Year	2012
Federal Agency	U.S. Department of Housing and Urban Development

Cash Management
24 C.F.R. part 984.305 the Authority shall deposit the family self-sufficiency (FSS) account funds of all families participating in the FSS program into a single depository account. The Authority must deposit the FSS account funds in one or more of the HUD-approved investments. The investment income for funds in the FSS account will be prorated and credited to each family's FSS account based on the balance in each family's account at the end of the period for which the investment income is credited.

As of June 30, 2012, there is $522 in unallocated investment income within the Authority's FSS depository account. Since inception of the program (approximately 10 years ago) the Authority did not have a policy or practice of allocating investment income among program participants.

We recommend the Authority establish a policy of allocating investment income among FSS participants in accordance with 24 C.F.R. part 984.305.

Official's Response: The Authority's Executive Director contacted HUD and then determined an allocation of prior year's unallocated investment income among past and present program participants. Checks were issued by the Authority in October 2012 to past program participants for interest allocated. The Authority established a policy for allocating investment income to FSS program participants and implemented the policy for fiscal year 2013.

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MORGAN METROPOLITAN HOUSING AUTHORITY

MORGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 24, 2013