

**SHELBY METROPOLITAN HOUSING AUTHORITY  
SIDNEY, OHIO**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2011**





# Dave Yost • Auditor of State

Board of Commissioners  
Shelby Metropolitan Housing Authority  
706 North Wagner Avenue  
Sidney, Ohio 45365

We have reviewed the *Independent Auditor's Report* of the Shelby Metropolitan Housing Authority, Shelby County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Shelby 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

October 1, 2012

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SHELBY METROPOLITAN HOUSING AUTHORITY  
SIDNEY, OHIO

AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2011

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# Manning & Associates Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

## *INDEPENDENT AUDITORS' REPORT*

The Board of Commissioners  
Shelby Metropolitan Housing Authority  
706 N. Wagner  
Sidney, Ohio

Regional Inspector General of Audit  
Department of Housing & Urban Development

We have audited the accompanying basic financial statements of the Shelby Metropolitan Housing Authority as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of Shelby Metropolitan Housing 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Shelby Metropolitan Housing Authority as of December 31, 2011, and the respective changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 2012 on our consideration of the Shelby Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations* and is not a required part of the basic financial statements. The combining financial data schedule ("FDS") are presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. The schedule of federal rewards expenditures and combining financial data schedule ("FDS") are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Manning & Associates CPAs, LLC  
Dayton, Ohio

June 28, 2012



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**SHELBY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

Unaudited

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This Management's Discussion and Analysis (MD&A) for the Shelby Metropolitan Housing Authority (Shelby MHA ) is intended to assist the reader identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify and offer a discussion about changes in Shelby MHA's financial position. It is designed to focus on the financial activity for the fiscal year ended December 31, 2011, resulting changes and currently known facts. Please read it in conjunction with the financial statements found elsewhere in this report.

**Overview of the Financial Statements**

The Basic Financial Statements included elsewhere in this report are:

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

The **Statement of Net Assets** is very similar to, and what most people would think of as, a Balance Sheet. In the first half it reports the value of assets Shelby MHA holds at 12/31/11, that is, the cash Shelby MHA has, the amounts that are owed Shelby MHA from others, and the value of the equipment Shelby MHA owns. In the other half of the report it shows the liabilities Shelby MHA has, that is, what Shelby MHA owes others at 12/31/11; and what net assets (or what is commonly referred to as equity) Shelby MHA has at 12/31/11. The two parts of the report are in balance, thus why many might refer to this type of report as a Balance Sheet, in that the total of the assets part equals the total of the liabilities plus net assets (or equity) part.

In the statement, the net assets part is broken out into three broad categories:

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

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

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

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

**SHELBY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

Unaudited

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The **Statement of Revenues, Expenses & Changes in Net Assets** is very similar to and may commonly be referred to as an Income Statement. It is in essence a report showing what Shelby MHA earned, that is what its revenues or incomes were, versus what expenses Shelby MHA had over the same period. And then it shows how the net assets (or equity) changed because of how the incomes exceeded or were less than what expenses were. It helps the reader to determine if Shelby MHA had more in revenues than in expenses or vice-versa, and then how that net gain or net loss affected the net assets (or equity) balance. The bottom line of the report, the Ending Total Net Assets, is what is referred to in the above discussion of the Statement of Net Assets that when added to the liabilities Shelby MHA has equals the total assets Shelby MHA has.

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

#### **Shelby MHA's Business Type Funds**

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

Shelby MHA's programs include the following:

- the Low Rent Public Housing program,
- the Section 8 Housing Choice Voucher program, and
- the State & Local program.

Under the Low Rent Public Housing program, Shelby MHA rents dwelling units it owns to low to moderate - income families. Through an Annual Contributions Contract (commonly referred to as an ACC) with the Department of Housing & Urban Development (HUD), HUD provides an operating subsidy to Shelby MHA to help support the operations of the program. In addition, HUD provides funds for physical improvements to Shelby MHA's properties and funds for management improvements through Capital Fund Program grants.

Under the Section 8 Housing Choice Voucher program, Shelby MHA subsidizes the rents of low to moderate- income families through Housing Assistance Payments contracts when those families rent from private landlords. This is called a tenant - based program because when the tenant family moves, the rental assistance goes with the family to the new rental unit.

Under its Local program, Shelby MHA administers a tenant based rental assistance program in essentially the same manner it does its Section 8 Housing Choice Voucher program except the funding for the program is being provided by local sources rather than by HUD.

**SHELBY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

Unaudited

**Condensed Financial Statements**

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

TABLE 1 – Condensed Statement of Net Assets Compared to Prior Year  
(Values Rounded to Nearest Thousand)

	2011	2010
Current Assets	\$ 525,000	\$ 463,000
Capital Assets	5,759,000	5,941,000
Other Non- Current Assets	0	0
<b>Total Assets</b>	<b>6,284,000</b>	<b>6,404,000</b>
Current Liabilities	185,000	131,000
Long-Term Liabilities	48,000	49,000
<b>Total Liabilities</b>	<b>233,000</b>	<b>180,000</b>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	5,759,000	5,941,000
Restricted Net Assets	121,000	80,000
Unrestricted Net Assets	171,000	203,000
<b>Total Nets Assets</b>	<b>6,051,000</b>	<b>6,224,000</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 6,284,000</b>	<b>\$ 6,404,000</b>

For more detailed information see Statement of Net Assets presented elsewhere in this report.

Capital Assets were reduced by \$182,000 from the prior year end. Causing that change was that depreciation on existing assets outpaced new capital additions in the period. The increase in Current Assets (\$62,000) just about matched the increase in Current Liabilities (\$54,000), a reflection of the December 2011 Housing Choice Voucher program funding HUD provided the agency late in January 2012.

The bottom line, that is the Total Net Assets, was reduced from the prior year-end by \$173,000. That change in Total Net Assets is the result of decreases in the components of Invested in Capital Assets, Net of Related Debt (\$182,000) and Unrestricted Net Assets (\$32,000), netted against an increase in Restricted Net Assets (\$41,000). The small reduction in Unrestricted Net Assets reflects the small loss the agency incurred from operations in administering the agency's programs. The slight increase in Restricted Net Assets reflects reduced spending by the agency in the period of funding provided by HUD to make rental assistance payments in its Housing Choice Voucher program.

**SHELBY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

Unaudited

The following is a modified **Statement of Revenues, Expenses & Changes in Net Assets**. Shelby MHA is engaged only in business type activities.

TABLE 2 – Modified Statement of Revenues, Expenses & Changes in Net Assets  
(Values Rounded to Nearest Thousand)

	2011	2010
<b><u>Revenues</u></b>		
Tenant Revenues – Rents & Other	\$ 272,000	\$ 282,000
Operating Subsidies & Grants	1,545,000	1,670,000
Capital Grants	188,000	348,000
Investment Income	3,000	1,000
Other Revenues	50,000	39,000
<b>Total Revenues</b>	<b>\$ 2,058,000</b>	<b>\$ 2,340,000</b>
<b><u>Expenses</u></b>		
Administrative	\$ 444,000	\$ 439,000
Tenant Services	1,000	1,000
Utilities	178,000	191,000
Maintenance	344,000	319,000
General	65,000	63,000
Housing Assistance Payments	829,000	1,014,000
Depreciation	369,000	355,000
<b>Total Expenses</b>	<b>\$ 2,230,000</b>	<b>\$ 2,382,000</b>
<b>Net Increase / (Decrease)</b>	<b>\$ (172,000)</b>	<b>\$ (42,000)</b>

For more detailed information see combined Statement of Revenues, Expenses and Changes in Net Assets presented elsewhere in this report.

Revenues in total in 2011 were about \$282,000 less than in the prior year. That decrease is reflected in the net change between the decrease in Capital Grants (\$160,000) and the decrease in Operating Grants (\$125,000). The decrease in Capital Grants was due to the agency spending less of the Capital Grants funds provided by HUD to make Capital Improvements, such as building improvements and equipment purchases, in the current year as compared to the previous year. The decrease in Operating Grants was spread across all of the HUD programs the agency administers. Total expenses decreased about \$152,000, a decrease of only 6.38%. Despite the minor change in total expenses, HAP Expense decreased \$185,000 from the previous period. That change is in large part what caused the change in Restricted Net Assets discussed in the previous section. The largest decrease in expenses was in housing assistance payments, a decrease of \$185,000 (or 18.50%) from the previous year. A decrease in housing choice vouchers was the cause of that decrease which resulted from reduction in grants received in 2011 compared to 2010 from state and local.

**SHELBY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

Unaudited

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

TABLE 3 – Condensed Statement of Changes in Capital Assets  
(Values Rounded to Nearest Thousand)

		2010		2009
Land and Land Rights	\$	1,686,000	\$	1,686,000
Buildings and Improvements		10,027,000		10,027,000
Equipment		752,000		752,000
Accumulated Depreciation		(6,894,000)		(6,524,000)
Construction in Progress		188,000		0
<b>Total</b>	<b>\$</b>	<b>5,759,000</b>	<b>\$</b>	<b>5,941,000</b>

As was mentioned in the previous section where the changes in the Statement of Net Assets was discussed, the increase in accumulated depreciation from year-end 2010 to 2011 (\$369,000) outpaced the increase in capital accounts for buildings and improvements, equipment and construction in progress. With the exception of the change in accumulated depreciation, all of the increases in capital assets in year-end 2011 were made with Capital Revenue through the Capital Fund Program.

There is no **comparison of debt outstanding** at the year-end versus at the end of the prior year because Shelby had no debt at the end of 12/31/10 and has none at 12/31/11.

**Economic Factors**

Shelby MHA faces the continuing prospect of HUD providing subsidies used to administer their programs at levels lower than the agency is eligible for due to Federal budget cuts. Since costs tend to rise every year, the effect of funding being provided at reduced levels creates an ongoing challenge for management to administer the agency's programs. The reduction in government assistance for administration of programs despite ever increasing costs to administer the programs means Shelby MHA continues to be challenged to provide the same level of quality service to their clients within the limits of resources available to do so.

**Financial Contact**

Questions concerning this report or requests for additional information should be directed to Judith J. Wells, Executive Director of the Shelby Metropolitan Housing Authority, 706 N. Wagner Avenue, Shelby, Ohio 45365.

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2011**

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**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	403,085
Accounts Receivables - HUD Other Projects		50,490
Tenant Receivables - Net of \$50 Allowance		145
Fraud Recovery - Net of \$35,824 Allowance		7,850
Inventory		34,145
Prepaid Expenses		29,483
TOTAL CURRENT ASSETS	\$	<u>525,198</u>

**NONCURRENT ASSETS**

Capital Assets		
Land - Not Being Depreciated	\$	1,685,579
Assets - Being Depreciated Net of \$6,893,587 Accumulated Depreciation		4,073,712
	\$	<u>5,759,291</u>
TOTAL ASSETS	\$	<u><u>6,284,489</u></u>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$	119,950
Intergovernmental Payable		9,675
Tenant Security Deposits		36,100
Accrued Wages and Payroll Taxes		19,390
Deferred Revenue		0
TOTAL CURRENT LIABILITIES	\$	<u>185,115</u>

**NONCURRENT LIABILITIES**

Other Liabilities		<u>48,033</u>
TOTAL LIABILITIES	\$	<u>233,148</u>

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	\$	5,759,291
Restricted Net Assets		121,089
Unrestricted Net Assets		<u>170,961</u>
TOTAL NET ASSETS	\$	<u><u>6,051,341</u></u>

See Accompanying Notes to the Basic Financial Statements

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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REVENUE

Program Operating Grants/Subsidies	\$ 1,545,345
Rental Income	272,147
Other Income	50,102

TOTAL OPERATING REVENUE	\$ 1,867,594
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EXPENSES

Housing Assistance Payments	\$ 828,836
Utilities	178,616
Material and Labor - Maintenance	344,638
Administrative Salaries	224,341
Employee Benefits	154,555
Auditing Fees	5,320
Other Administrative	58,999
General	64,948
Residential Services	1,186
Depreciation	369,122

TOTAL EXPENSES	\$ 2,230,561
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OPERATING LOSS	\$ (362,967)
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NONOPERATING REVENUES/(EXPENSES)

Interest and Investment Revenue	2,843
Gain on Sale of Assets	0
Capital Grants	187,770
	\$ 190,613

CHANGE IN NET ASSETS	\$ (172,354)
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NET ASSETS, Beginning of year	6,223,695
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NET ASSETS, End of year	\$ 6,051,341
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See Accompanying Notes to the Basic Financial Statements



**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from HUD/Grants	\$ 1,494,855
Cash Received from Tenants	275,829
Cash Received from Other Income	54,145
Cash Payments for Housing Assistance Payments	(828,836)
Cash Payments for Other Operating Expenses	(985,383)
NET CASH PROVIDED (USED) BY FOR OPERATING ACTIVITIES	<u>\$ 10,610</u>

**CASH FLOWS FROM CAPITAL AND RELATED**

**FINANCING ACTIVITIES**

Purchase of Property and Equipment	\$ (187,770)
Sale of Assets	0
Capital Grants Received	187,770
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ 0</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Received	\$ <u>2,843</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 13,453
CASH AND CASH EQUIVALENTS, BEGINNING	<u>389,632</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 403,085</u></u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES**

Net Operating Loss	\$ (362,967)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:	
Depreciation	369,122
Changes in Operating Assets and Liabilities that Increase/Decrease Cash Flows:	
Receivables	(42,765)
Inventory	(7,022)
Prepaid Expenses	1,050
Accounts Payable	51,311
Accrued Wages and Payroll Taxes	178
Intergovernmental Payables	592
Other Liabilities	(452)
Tenant Security Deposits	1,563
NET CASH PROVIDED (USED) BY FOR OPERATING ACTIVITIES	<u><u>\$ 10,610</u></u>

See Accompanying Notes to the Basic Financial Statements

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED DECEMBER 31, 2011**

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

**Organization and Reporting Entity**

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

The nucleus of the financial reporting entity as defined by the Government Accounting Standards Board (GASB) Statement No. 14 is the “primary government”. A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity. The Authority is not a component unit of a larger entity.

**Basis of Presentation**

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989 that do not conflict with GASB pronouncements. The Authority will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

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

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

Enterprise fund reporting focuses on the determination of the change of 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.

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED DECEMBER 31, 2011**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**Measurement Focus and Basis of Accounting**

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

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

**Estimates**

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

**Cash and Cash Equivalents**

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

**Inventory**

Inventory consists of materials and supplies and are stated at cost (first-in, first-out method), which approximates market. The Board believes no allowance is needed for obsolete inventory.

**Receivable – Net of Allowance**

Bad debts are provided on the allowance method based on management's evaluation of the collectibility of outstanding tenant receivable balances at the end of the year. The allowance of uncollectible receivable was \$50 for tenant receivables and \$35,824 for fraud receivables at December 31, 2011.

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED DECEMBER 31, 2011**

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

**Capital Assets**

Capital assets are stated at cost and depreciation is computed using the straight-line method over an estimated useful life of the assets ranging from five to forty years. The cost of normal maintenance and repairs, the do not add to the value of the asset or materially extend the asset life, are not capitalized. The Authority capitalizes capital assets over \$1,000. Lesser amounts are expensed.

**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 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.

**Investments**

The provisions of the HUD Regulations restrict investments. Investments are stated at fair value. Cost based measures were applied to nonnegotiable certificates of deposit and money market investments. Interest income earned in fiscal year ending December 31, 2011 totaled \$2,843.

**Due From/To Other Programs**

Inter-program receivables and payables on the FDS Schedule on pages 21-24 are eliminated on the Statement of Net Assets.

**Prepaid Expenses**

Payments made to vendors for services that will be benefit periods beyond December 31, 2011, 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.

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED DECEMBER 31, 2011**

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**NOTE 2 – DEPOSITS AND INVESTMENTS**

**Deposits**

At fiscal year end, the carrying amount of the Authority's deposits were \$403,085 and the bank balance was \$436,188. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2011, \$250,000 of the Authority's bank balance was covered by Federal Depository Insurance and deposits totaling \$186,188 were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent. Included in the carrying value of the Authority's deposits is \$220 in petty cash.

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Authority's Board. All deposits are collateralized with eligible securities in amounts equal to 105 percent of the carrying value of 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 the public deposits it holds.

**Investments**

The Authority has no formal investment policy, but rather the Authority relies on HUD regulations to serve as the Authority's investment policy. HUD regulations related to allowable deposits and investments are more restrictive than what is set forth in the Ohio Revised Code. The Authority had no investments at December 31, 2011.

**Interest Rate Risk**

As a means of limiting its exposure to fair value losses caused by rising interest rates, the Authority's invests primarily in short-term investments maturing within two years of their date of purchase and this investment portfolio is structured so that investments mature to meet cash requirements for ongoing operations. The intent is to be in compliance with HUD regulations and avoid the need to sell securities prior to maturity.

**Credit Risk**

The credit risk of the Authority's investments are in the table below. The Authority complies with HUD regulations which limit its investment choices.

**Custodial Credit Risk**

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

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED DECEMBER 31, 2011**

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NOTE 2 – DEPOSITS AND INVESTMENTS, continued

**Concentration of Credit Risk**

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

Cash and investments at year-end were as follows:

<u>Cash and Investment Type</u>	<u>Fair Value</u>
Carrying Amount of Deposits- Unrestricted	\$ 281,996
Carrying Amount of Deposits- Restricted	121,089
Totals	<u>\$ 403,085</u>

Cash Restricted represents the housing assistance payments in excess of the amount used which is also the Restricted Net Asset amount.

NOTE 3 – CAPITAL ASSETS

The following is a summary of capital assets:

	<u>BALANCE</u> <u>12/31/10</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/11</u>
Capital Assets, Not Being Depreciated				
Land	\$ 1,685,579	\$ 0	\$ 0	\$ 1,685,579
Construction in Progress	<u>0</u>	<u>187,770</u>	<u>0</u>	<u>187,770</u>
Total Capital Assets, Not Being Depreciated	\$ <u>1,685,579</u>	\$ <u>187,770</u>	\$ <u>0</u>	\$ <u>1,873,349</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	\$ 10,027,498	\$ 0	\$ 0	\$ 10,027,498
Furniture and Equipment	<u>752,031</u>	<u>0</u>	<u>0</u>	<u>752,031</u>
Totals at Historical Costs	\$ <u>10,779,529</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>10,779,529</u>
Less: Accumulated Depreciation				
Building and Improvements	\$ 6,247,585	\$ 355,221	\$ 0	\$ 6,602,806
Furniture and Fixtures	<u>276,880</u>	<u>13,901</u>	<u>0</u>	<u>290,781</u>
Less: Accumulated Depreciation	\$ <u>6,524,465</u>	\$ <u>369,122</u>	\$ <u>0</u>	\$ <u>6,893,587</u>
Total Capital Assets, Net, Being Depreciated	\$ <u>4,255,064</u>	\$ <u>369,122</u>	\$ <u>0</u>	\$ <u>3,885,942</u>
Total Net Capital Assets	<u>\$ 5,940,643</u>	<u>\$ (181,352)</u>	<u>\$ 0</u>	<u>\$ 5,759,291</u>

The depreciation expense for year ended December 31, 2010 is \$369,122.

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED DECEMBER 31, 2011**

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NOTE 4 – DEFINED BENEFIT PENSION PLAN

A. Ohio Public Employees Retirement System

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is 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, in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, and survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits including post-employment health care coverage. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, OH 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 the year ended December 31, 2011, members in state and local classifications contributed 10.0 percent of covered payroll.

The Authority's required contribution rate for 2011 was 14.0 percent of covered payroll. For 2011, 7 percent of the Authority's contribution was allocated to fund the post-employment health care plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Authority of 14 percent for 2011.

The Authority's required contributions for pension obligations to the traditional plan for the years ended December 31, 2011, 2010, and 2009 were \$53,253, \$48,438 and \$53,731 respectively. The full amount has been contributed for 2011, 2010, and 2009.

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED DECEMBER 31, 2011**

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NOTE 5 – POST- EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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 healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment 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 provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPED benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. 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 issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employers contributed 17.40%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

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 January 1 through February 28, 2010, the employer contribution allocated to the health care plan was 5.5 percent and 5.0 percent from March 1 through December 31, 2010, respectively, of covered payroll. The portion of employer contributions allocated to health care for members in the combined plan was 4.73 percent from January 1, 2010 through February 28, 2010 and 4.23 percent from March 1, 2010 through December 31, 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and coverage selected.



**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED DECEMBER 31, 2011**

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NOTE 5 – POST- EMPLOYMENT BENEFITS (Continued)

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. 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.

NOTE 6- COMPENSATED ABSENCES

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

All permanent employees will earn one and ¼ days sick leave per month to a maximum of 180 days. The Authority's policy is to accrue sick leave for employees five years before retirement. All permanent employees will earn vacation hours accumulated based on length of service. All vacation time accumulated will be paid upon separation to a maximum of four weeks.

At December 31, 2011 based on the vesting method, \$48,485 was accrued by the Authority for unused vacation and sick time, it is managements belief this to be all long-term.

	Balance		Decrease		Decrease		Balance
	<u>12/31/10</u>		<u>          </u>		<u>          </u>		<u>12/31/10</u>
\$	<u>48,485</u>	\$	<u>(452)</u>	\$	<u>-0-</u>	\$	<u>48,033</u>

NOTE 7 – CONTINGENCIES

Grants

The Authority received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires 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, 2011.

Risk Management

The Housing 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.

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED DECEMBER 31, 2011**

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NOTE 7 – CONTINGENCIES (Continued)

Litigation and Claims

In the normal course of operations, the Authority may be subject to litigation and claims. At December 31, 2011 the Authority was involved in no matters which management believes would have a material effect on the financial statements.

Subsequent Events

The Authority has adopted FASB ASC 855 (formerly SFAS No. 165) “Subsequent Events” which clarifies accounting for disclosure of events that occur after the balance sheet date, but before financial statements are issued or are available to be issued. Pursuant to FASB ASC 855, the Authority evaluated events and transactions occurring after the balance sheet date through June 28, 2012 which is the date that the financial statements are issued, and noted no events.

NOTE 8 – BASIS OF PRESENTATION

The accompanying schedule of federal awards includes the federal grant activity of Shelby Metropolitan Housing Authority and is presented on the accrual basis of accounting.

NOTE 9 – PAYMENT IN LIEU OF TAXES

The Authority has cooperation agreements with certain municipalities under which it makes payment in lieu of real estate taxes for various public services. Expense recognized for payment in lieu of taxes totaled \$10,486.

**SHELBY METROPOLITAN HOUSING AUTHORITY  
COMBINING BALANCE SHEET  
FDS SCHEDULE SUBMITTED TO HUD  
DECEMBER 31, 2011**

FDS Line Item No.	Account Description	Low Rent	Housing Choice Voucher	Capital Fund Program	State/ Local	TOTAL
<b><u>ASSETS</u></b>						
111	Cash - Unrestricted	\$173,853	\$61,792	\$0	\$10,251	\$245,896
112	Cash - Restricted - Modernization and Development	\$0	\$0	\$0	\$0	\$0
113	Cash - Other Restricted	\$0	\$121,089	\$0	\$0	\$121,089
114	Cash - Tenant Security Deposits	\$36,100	\$0	\$0	\$0	\$36,100
<b>100</b>	<b>Total Cash</b>	<b>\$209,953</b>	<b>\$182,881</b>	<b>\$0</b>	<b>\$10,251</b>	<b>\$403,085</b>
121	Accounts Receivable - PHA Projects	\$0	\$0	\$0	\$0	\$0
122	Accounts Receivable - HUD Other Projects	\$50,490	\$0	\$0	\$0	\$50,490
124	Accounts Receivable - Other Government	\$0	\$0	\$0	\$0	\$0
125	Accounts Receivable - Miscellaneous	\$0	\$0	\$0	\$0	\$0
126	Accounts Receivable-Tenants	\$195	\$0	\$0	\$0	\$195
126.1	Allowance for Doubtful Accounts - Tenants	(\$50)	\$0	\$0	\$0	(\$50)
128	Fraud Recovery	\$0	\$43,674	\$0	\$0	\$43,674
128.1	Allowance for Doubtful Accounts - Fraud	\$0	(\$35,824)	\$0	\$0	(\$35,824)
<b>120</b>	<b>Total Receivables, net of allowances for doubtful accounts</b>	<b>\$50,635</b>	<b>\$7,850</b>	<b>\$0</b>	<b>\$0</b>	<b>\$58,485</b>
142	Prepaid Expenses and Other Assets	\$29,483	\$0	\$0	\$0	\$29,483
143	Inventories	\$34,145	\$0	\$0	\$0	\$34,145
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$0	\$2,350	\$0	\$0	\$2,350
<b>150</b>	<b>TOTAL CURRENT ASSETS</b>	<b>\$324,216</b>	<b>\$193,081</b>	<b>\$0</b>	<b>\$10,251</b>	<b>\$527,548</b>
161	Land	\$1,685,579	\$0	\$0	\$0	\$1,685,579
162	Buildings	\$10,027,498	\$0	\$0	\$0	\$10,027,498
163	Furniture, Equipment & Machinery - Dwellings	\$489,071	\$0	\$0	\$0	\$489,071
164	Furniture, Equipment & Machinery - Administration	\$248,643	\$14,317	\$0	\$0	\$262,960
166	Accumulated Depreciation	(\$6,879,270)	(\$14,317)	\$0	\$0	(\$6,893,587)
167	Construction in Progress	\$187,770	\$0	\$0	\$0	\$187,770
<b>150</b>	<b>TOTAL FIXED ASSETS, NET OF ACCUMULATED DEPRECIATION</b>	<b>\$5,759,291</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,759,291</b>
<b>190</b>	<b>TOTAL ASSETS</b>	<b>\$6,083,507</b>	<b>\$193,081</b>	<b>\$0</b>	<b>\$10,251</b>	<b>\$6,286,839</b>

**SHELBY METROPOLITAN HOUSING AUTHORITY  
 COMBINING BALANCE SHEET  
 FDS SCHEDULE SUBMITTED TO HUD  
 DECEMBER 31, 2011**

FDS Line Item No.	Account Description	Low Rent	Housing Choice Voucher	Capital Fund Program	State/ Local	TOTAL
<b><u>LIABILITIES &amp; RETAINED EARNINGS</u></b>						
312	Accounts Payable <= 90 days	\$119,950	\$0	\$0	\$0	\$119,950
321	Accrued Wage/ Payroll Taxes Payable	\$16,669	\$2,721	\$0	\$0	\$19,390
322	Accrued Compensated Absences - Current	\$0	\$0	\$0	\$0	\$0
331	Accounts Payable - HUD PHA Programs	\$0	\$0	\$0	\$0	\$0
333	Accounts Payable - Other Government	\$9,675	\$0	\$0	\$0	\$9,675
341	Tenant Security Deposits	\$36,100	\$0	\$0	\$0	\$36,100
342	Deferred Revenue	\$0	\$0	\$0	\$0	\$0
347	Interprogram Due To	\$2,350	\$0	\$0	\$0	\$2,350
				\$0	\$0	
<b>310</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>\$184,744</b>	<b>\$2,721</b>	<b>\$0</b>	<b>\$0</b>	<b>\$187,465</b>
354	Accrued Compensated Absences-Noncurrent	\$40,075	\$7,958	\$0	\$0	\$48,033
<b>300</b>	<b>TOTAL LIABILITIES</b>	<b>\$224,819</b>	<b>\$10,679</b>	<b>\$0</b>	<b>\$0</b>	<b>\$235,498</b>
<b><u>EQUITY</u></b>						
508.1	Invested in Capital Assets, Net of Related Debt	\$5,759,291	\$0	\$0	\$0	\$5,759,291
511.1	Restricted Net Assets	\$0	\$121,089	\$0	\$0	\$121,089
512.1	Unrestricted Net Assets	\$99,397	\$61,313	\$0	\$10,251	\$170,961
<b>513</b>	<b>TOTAL EQUITY/ NET ASSETS</b>	<b>\$5,858,688</b>	<b>\$182,402</b>	<b>\$0</b>	<b>\$10,251</b>	<b>\$6,051,341</b>
<b>600</b>	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$6,083,507</b>	<b>\$193,081</b>	<b>\$0</b>	<b>\$10,251</b>	<b>\$6,286,839</b>

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**RETAINED EARNINGS**  
**FDS SCHEDULE SUBMITTED TO HUD**  
**DECEMBER 31, 2011**

FDS Line Item No.	Account Description	Low Rent	Housing Choice Vouchers	Capital Fund Program	State/ Local	TOTAL
<u>REVENUE</u>						
703	Net Tenant Rental Revenue	\$264,303	\$0	\$0	\$0	\$264,303
704	Tenant Revenue - Other	\$7,844	\$0	\$0	\$0	\$7,844
<b>705</b>	<b>Total Tenant Revenue</b>	<b>\$272,147</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$272,147</b>
706	HUD PHA Operating Grants	\$573,707	\$948,480	\$17,201	\$0	\$1,539,388
706.1	Capital Grants	\$0	\$0	\$187,770	\$0	\$187,770
708	Other Government Grants	\$0	\$0	\$0	\$5,957	\$5,957
711	Investment Income - Unrestricted	\$2,507	\$169	\$0	\$0	\$2,676
714	Fraud Recovery	\$0	\$2,300	\$0	\$0	\$2,300
715	Other Revenue	\$46,965	\$837	\$0	\$0	\$47,802
716	Gain/Loss on Sale of Fixed Assets	\$0	\$0	\$0	\$0	\$0
720	Investment Income - Restricted	\$0	\$167	\$0	\$0	\$167
700	<b>TOTAL REVENUE</b>	<b>\$895,326</b>	<b>\$951,953</b>	<b>\$204,971</b>	<b>\$5,957</b>	<b>\$2,058,207</b>
<u>EXPENSES</u>						
911	Administrative Salaries	\$164,161	\$60,180	\$0	\$0	\$224,341
912	Auditing Fees	\$4,610	\$710	\$0	\$0	\$5,320
914	Advertising & Marketing	\$0	\$0	\$0	\$0	\$0
915	Employee Benefit Contributions - Admin.	\$69,456	\$22,822	\$0	\$0	\$92,278
916	Office Expenses	\$0	\$0	\$0	\$0	\$0
917	Legal Expense	\$4,773	\$0	\$0	\$0	\$4,773
918	Travel	\$225	\$1,361	\$0	\$0	\$1,586
919	Other	\$25,067	\$13,593	\$13,980	\$0	\$52,640
924	Tenant Services - Other	\$1,186	\$0	\$0	\$0	\$1,186
931	Utilities - Water	\$28,032	\$0	\$0	\$0	\$28,032
932	Utilities - Electricity	\$79,708	\$0	\$0	\$0	\$79,708
933	Utilities - Gas	\$39,865	\$0	\$0	\$0	\$39,865
936	Sewer	\$27,790	\$0	\$0	\$0	\$27,790
941	Ordinary Maintenance & Operations-labor	\$147,193	\$0	\$0	\$0	\$147,193
942	Ordinary Maintenance & Operations - Materials & Other	\$28,848	\$0	\$0	\$0	\$28,848
		\$168,597	\$0	\$0	\$0	\$168,597
943	Ordinary Maintenance & Operations - Contract Costs	\$0	\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0	\$0
945	Employee Benefit Contributions - Ordinary Maintenance	\$62,277	\$0	\$0	\$0	\$62,277
961	All Other Insurance	\$37,993	\$6,980	\$0	\$0	\$44,973
962	Other General Expenses	\$72	\$2,795	\$0	\$0	\$2,867
962.1	Compensated Absences	\$0	\$104	\$0	\$0	\$104
963	Payment in Lieu of Taxes	\$10,486	\$0	\$0	\$0	\$10,486
964	Bad Debts - Tenant Rents	\$6,518	\$0	\$0	\$0	\$6,518
969	<b>TOTAL OPERATING EXPENSES</b>	<b>\$906,857</b>	<b>\$108,545</b>	<b>\$13,980</b>	<b>\$0</b>	<b>\$1,029,382</b>

**SHELBY METROPOLITAN HOUSING AUTHORITY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**RETAINED EARNINGS**  
**FDS SCHEDULE SUBMITTED TO HUD**  
**DECEMBER 31, 2011**

FDS Line Item No.	Account Description	Low Rent	Housing Choice Vouchers	Capital Fund Program	State/ Local	TOTAL
970	Excess Operating Revenue Over (Under)					
	Operating Expenses	(\$11,531)	\$843,408	\$190,991	\$5,957	\$1,028,825
971	Extraordinary Maintenance	\$0	\$0	\$0	\$0	\$0
973	Housing Assistance Payments	\$0	\$822,879	\$3,221	\$5,957	\$832,057
974	Depreciation	\$369,122	\$0	\$0	\$0	\$369,122
900	<b>TOTAL EXPENSES/ OTHER FINANCIAL SOURCES (USES)</b>	<b>(\$275,979)</b>	<b>\$931,424</b>	<b>\$17,201</b>	<b>\$5,957</b>	<b>\$2,230,561</b>
1001	Transfers in	\$0	\$0	\$0	\$0	\$0
1002	Transfers Out	\$0	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$0 (\$380,653)	\$0 \$20,529	\$0 \$187,770	\$0 \$0	\$0 (\$172,354)
1103	Beginning Equity	\$6,051,571	\$161,873	\$0	\$10,251	\$6,223,695
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0 \$187,770	\$0 \$0	\$0 (\$187,770)	\$0 \$0	\$0 \$0
513	<b>Total Equity/Net Assets</b>	<b>\$5,858,688</b>	<b>\$182,402</b>	<b>\$0</b>	<b>\$10,251</b>	<b>\$6,051,341</b>
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0 \$0	\$0 \$0	\$0 \$0	\$0 \$0	\$0 \$0
114	Prorata Maximum Annual Contributions	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0 \$0	\$0 \$0	\$0 \$0	\$0 \$0	\$0 \$0
<b>1116</b>	<b>Total Annual Contributions Available</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
1120	Unit Months Available	2,100	2,628	0	0	4,728
1121	Number of Units Months Leased	2,042	2,616	0	0	4,658

**SHELBY METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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	<u>Federal CFDA Number</u>	<u>Funds Expended</u>
<u>FROM U. S. DEPT. OF HUD DIRECT PROGRAMS</u>		
Annual Contribution		
Public Housing:		
PHA Owned Housing:		
Operating Subsidy - Low Rent	14.850	\$ 590,908
Modernization Program:		
Capital Fund Program	14.872	\$ 187,770
Housing Assistance Payments:		
Choice Voucher	14.871	\$ <u>948,480</u>
TOTAL - ALL PROGRAMS		\$ <u><u>1,727,158</u></u>

BASIS OF PRESENTATION

The accompanying schedule of federal awards includes the federal grant activity of Shelby Metropolitan Housing Authority and is presented on the accrual basis of accounting.

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

# Manning & Associates Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
Shelby Metropolitan Housing Authority  
Sidney, Ohio

We have audited the financial statements of the Shelby Metropolitan Housing Authority, as of and for the year ended December 31, 2011, and have issued our report thereon dated June 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

Management of Shelby Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Shelby Metropolitan Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shelby Metropolitan Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Shelby Metropolitan Housing Authority  
Report on Internal Control Over Financial Reporting and on Compliance  
And Other Matters Based On An Audit of Financial Statements Performed  
In Accordance with Government Auditing Standards  
Page 2

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

Manning & Associates CPAs, LLC  
Dayton, Ohio

June 28, 2012

# Manning & Associates Certified Public Accountants, LLC

John M. Manning, CPA • Sandra L. Comer, CPA • John C. Bensman, CPA • John M. Keller, CPA

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

Board of Commissioners  
Shelby Metropolitan Housing Authority  
Sidney, Ohio

### Compliance

We have audited the compliance of the Shelby Metropolitan Housing Authority, Sidney, Ohio, (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 have a direct and material effect on each of Shelby Metropolitan Housing Authority's major federal programs for the year ended December 31, 2011. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OBM Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

We intend this report solely for the information and use of the board of commissioners and management of the Authority, and Auditor of State, federal awarding agencies. It is not intended for anyone other than those specified parties.

Manning & Associates CPAs, LLC  
Dayton, Ohio

June 28, 2012

**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED DECEMBER 31, 2011**

Schedule of Finding and Questioned Costs  
OMB Circular A-133 § .505

1. SUMMARY OF AUDITORS' 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 in internal control reported at the financial statements 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 weaknesses reported for major federal program?	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 finding under § .510?	NO
(d)(1)(vii)	Major Programs (list):	CFDA #14.850, & 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?	NO

**SHELBY METROPOLITAN HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR YEAR ENDED DECEMBER 31, 2011**

Schedule of Finding and Questioned Costs  
OMB Circular A-133 § .505

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<p><b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b></p>
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There are no findings or questioned costs for the year ended December 31, 2011.

<p><b>3. FINDINGS RELATED TO FEDERAL AWARDS</b></p>
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There are no findings or questioned costs for the year ended December 31, 2011.

**SHELBY METROPOLITAN HOUSING AUTHORITY  
 NOTES TO FINANCIAL STATEMENTS  
 FOR YEAR ENDED DECEMBER 31, 2011**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding no Longer Valid; Explain
2010-0001	31 U.S. C 7502(a)(1)(A) Not Filing Audit with Federal Audit Clearinghouse Timely	Yes	Finding No Longer Valid



# Dave Yost • Auditor of State

**SHELBY METROPOLITAN HOUSING AUTHORITY**

**SHELBY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 11, 2012**