

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

of the

**MORGAN METROPOLITAN
HOUSING AUTHORITY**

for the

Year Ended June 30, 2011



Dave Yost • Auditor of State

Board of Directors
Morgan Metropolitan Housing Authority
4580 N. State Route 376
McConnelsville, Ohio 43756

We have reviewed the *Independent Auditors' Report* of the Morgan Metropolitan Housing Authority, Morgan County, prepared by Jones, Cochenour & Co., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Morgan Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

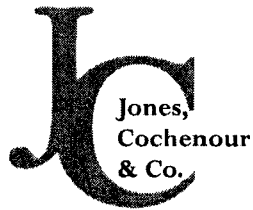
January 17, 2012

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**MORGAN METROPOLITAN HOUSING AUTHORITY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Morgan Metropolitan Housing Authority
McConnelsville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the business-type activities of the Morgan Metropolitan Housing Authority, as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Morgan 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Morgan Metropolitan Housing Authority, as of June 30, 2011, and the changes in financial position and 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 our report dated November 28, 2011, on our consideration of Morgan Metropolitan Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis information on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

much more than an accounting firm

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Authority taken as a whole. The supplemental data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the financial statements. The cost certification, FDS, and schedule of expenditures of federal awards 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 States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



**Jones, Cochenour & Co.
November 28, 2011**

**MORGAN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2011**

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 \$2,378,450 and \$2,450,294 for 2011 and 2010, respectively. The statements reflect an increase in total net assets of \$71,844 (or 3%), during 2011. This increase is reflective of the year's activities.
- The total revenues were \$1,032,109 and \$1,151,739 for 2011 and 2010, respectively. The statements reflect a decrease in total revenues of \$119,630 (or 10%), during 2011.
- The total expenses were \$1,103,953 and \$1,127,045 for 2011 and 2010, respectively. The statements reflect an increase in total expenses of \$23,092 (or 2%), during 2011.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

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

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

**MORGAN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2011**

Unaudited

BASIC FINANCIAL STATEMENTS

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

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

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

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt," or "Restricted Net Assets." This account resembles the old operating reserves account.

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

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

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

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

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 job training and supportive services to help residents of public housing transition from welfare to work. ROSS also provides funding to link elderly/disabled residents to critical services which can help them continue to live independently.

**MORGAN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2011**

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 6/30/11	FYE 6/30/10
Current and Other Assets	\$ 333,973	\$ 278,443
Capital Assets	2,148,038	2,251,822
TOTAL ASSETS	\$ 2,482,011	\$ 2,530,265
Other Liabilities	\$ 60,092	\$ 50,962
Long-Term Liabilities	43,469	29,009
TOTAL LIABILITIES	\$ 103,561	\$ 79,971
 Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 2,140,413	\$ 2,251,822
Restricted Net Assets	117,087	28,989
Unrestricted	120,950	169,483
TOTAL NET ASSETS	\$ 2,378,450	\$ 2,450,294

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

Major factors affecting the Statement of Net Assets: Total Assets decreased by \$48,254. Liabilities increased by \$23,965. Capital Assets decreased by \$103,784 and unrestricted net assets decreased by \$56,533. The majority of these changes were due to HAP funding that has been received and not spent and timing of grant funding. Additionally, a new loan was acquired in FY 11.

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 6/30/11	FYE 6/30/10
Revenue:		
Tenant Revenue (Rent and Other)	\$ 71,181	\$ 78,508
Operating Subsidies and Grants	898,807	937,941
Capital Grants	36,621	110,575
Fraud Recovery	1,654	935
Investment Income	3,331	3,249
Other Revenues	20,515	20,531
TOTAL REVENUE	\$ 1,032,109	\$ 1,151,739
 Expenses:		
Administration	\$ 225,844	\$ 191,559
Tenant Services	10,930	9,251
Utilities	66,968	52,911
Insurance	16,107	9,374
Maintenance	144,442	174,501
General Expenses	14,743	23,289
Interest	302	-
Housing Assistance Payments	472,674	517,102
Depreciation	151,943	149,058
TOTAL EXPENSES	\$ 1,103,953	\$ 1,127,045

Major factors affecting the Statement of Revenue, Expenses, and Changes in Net Assets include a decrease in Public Housing Subsidy and FSS grant funding, timing of Capital Fund projects and a decrease in HAP expenses due to a change in the payment standards.

CAPITAL ASSETS

As of year end, the Authority had \$2,148,038 invested in net capital assets as reflected in the following schedule which represents a net decrease (addition, deductions and depreciation) of \$15,482 from the end of last year.

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

	<u>FYE 6/30/11</u>	<u>FYE 6/30/10</u>
Land and Land Rights	\$ 279,150	\$ 279,150
Buildings	3,979,820	3,931,660
Equipment-Administrative	153,367	153,367
Equipment-Dwellings	118,863	118,863
Leasehold Improvements	247,623	247,623
Accumulated Depreciation	<u>(2,630,785)</u>	<u>(2,478,841)</u>
TOTAL	<u>\$ 2,148,038</u>	<u>\$ 2,251,822</u>

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.

Beginning Balance	\$ 2,251,822
Additions	48,160
Depreciation	<u>(151,944)</u>
Ending Balance:	<u>\$ 2,148,038</u>

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

**MORGAN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2011**

Unaudited

IN CONCLUSION

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

FINANCIAL CONTACT

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

**Respectfully submitted,
Kelly Hardman, Executive Director**

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

ASSETS

Cash and cash equivalents	\$	59,669
Cash and cash equivalents - restricted		175,899
Investments		56,023
Receivables - net of allowance		16,645
Inventories - net of allowance		10,259
Prepaid expenses and other assets		<u>15,478</u>
TOTAL CURRENT ASSETS		333,973

Land		279,150
Capital assets - net		<u>1,868,888</u>
TOTAL CAPITAL ASSETS		<u>2,148,038</u>

TOTAL ASSETS **2,482,011**

LIABILITIES

Accounts payable		16,447
Accrued wages / payroll taxes		5,892
Intergovernmental payables		677
Tenant security deposits		25,300
Accrued compensated absences		8,482
Current portion long-term debt		<u>3,294</u>
TOTAL CURRENT LIABILITIES		60,092

Note payable		4,331
Accrued compensated absences		5,626
FSS and ROSS liability		<u>33,512</u>
TOTAL LONG-TERM LIABILITIES		<u>43,469</u>

TOTAL LIABILITIES **103,561**

NET ASSETS

Invested in capital assets - net of related debt		2,140,413
Restricted net assets		117,087
Unrestricted net assets		<u>120,950</u>

NET ASSETS **\$ 2,378,450**

See accompanying notes to the basic financial statements

**Morgan Metropolitan Housing Authority
Statement of Revenues, Expenses and Change in Net Assets
Year Ended June 30, 2011**

OPERATING REVENUE		
Tenant revenue	\$	71,181
HUD operating grants		898,807
Other revenue		20,515
Fraud Recovery		<u>1,654</u>
TOTAL OPERATING REVENUE		992,157
OPERATING EXPENSES		
Administrative		225,844
Tenant services		10,930
Utilities		66,968
Insurance		16,107
Maintenance		144,442
General		14,743
Housing assistance payments		472,674
Depreciation		<u>151,943</u>
TOTAL OPERATING EXPENSES		<u>1,103,651</u>
OPERATING LOSS		(111,494)
NON-OPERATING INCOME (EXPENSE)		
Interest income		3,331
HUD capital grants		36,621
Interest expense		<u>(302)</u>
TOTAL NON-OPERATING REVENUE (EXPENSE)		<u>39,650</u>
CHANGE IN NET ASSETS		(71,844)
NET ASSETS BEGINNING OF YEAR		<u>2,450,294</u>
NET ASSETS END OF YEAR		<u>\$ 2,378,450</u>

See accompanying notes to the basic financial statements

**Morgan Metropolitan Housing Authority
Statement of Cash Flows
Year Ended June 30, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from tenants	\$	67,192
Cash received from HUD		901,485
Cash received from capital grants		21,051
Cash payments for administrative		(462,575)
Cash payments for HUD and other governments		(2,545)
Cash payments for housing assistance payments		(472,674)
NET CASH PROVIDED BY OPERATING ACTIVITIES		51,934

CASH FLOWS FROM CAPITAL ACTIVITIES

Capital funds received		36,621
Acquisition of capital assets		(48,160)
NET CASH (USED) BY OPERATING ACTIVITIES		(11,539)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from borrowings		10,000
Principal payments on debt		(2,375)
Interest expense		(302)
Interest income		664
NET CASH PROVIDED BY FINANCING ACTIVITIES		7,987

INCREASE IN CASH AND CASH EQUIVALENTS

48,382

CASH AND CASH EQUIVALENTS, BEGINNING

187,186

CASH AND CASH EQUIVALENTS, ENDING

\$ 235,568

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

Operating loss	\$	(111,494)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		151,943
(Increase) decrease in:		
Receivables - net of allowance		(2,429)
Inventories - net of allowance		725
Prepaid expenses and other assets		(2,776)
Increase (decrease) in:		
Accounts payable		3,633
Accrued compensated absences		2,391
Intergovernmental payables		(1,868)
Accrued wages/payroll taxes		1,414
Tenant security deposits		750
FSS and ROSS liabilities		9,645
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	51,934

See accompanying notes to the basic financial statements

Morgan Metropolitan Housing Authority
Notes to the Basic Financial Statements
June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Basis of Presentation

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

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

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

Measurement Focus

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

Enterprise Fund

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

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

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

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.

**Morgan Metropolitan Housing Authority
Notes to the Basic Financial Statements
June 30, 2011**

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 job training and supportive services to help residents of public housing transition from welfare to work. ROSS also provides funding to link elderly/disabled residents to critical services which can help them continue to live independently.

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 33 identifies four classes of nonexchange transactions as follows:

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

PHA grants and subsidies will be defined as government-mandated or voluntary nonexchange transactions.

GASB 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

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

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

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

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

Morgan Metropolitan Housing Authority
Notes to the Basic Financial Statements
June 30, 2011

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 2011 for both programs totaled \$3,331.

Deferred Revenue

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

Prepaid Expenses

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

Capital Assets

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

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

Cash, 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. Nonnegotiable certificates of deposit are reported as investments in the financial statements.

Due From/To Other Programs

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

Accrued Liabilities

All payables and accrued liabilities are reported in the basic financial statements.

Compensated Absences

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

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

**Morgan Metropolitan Housing Authority
Notes to the Basic Financial Statements
June 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Budgetary Accounting

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

Estimates

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

Receivables – net of allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. All receivables were believed to be collectible at June 30, 2011.

Inventories

Inventories are stated at cost, (first-in, first-out method). Inventory consists of supplies and maintenance parts. The allowance for obsolete inventory was \$1,140 at June 30, 2011.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets – net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. There was no related debt as of June 30, 2011. 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 \$291,591 and the bank balance was \$300,297. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosure*, as of June 30, 2011, \$250,000 was covered by Federal Depository Insurance and \$50,297 was exposed to custodial risk. The Authority's deposits consist of \$235,568 cash and cash equivalents and \$56,023 in nonnegotiable certificates of deposit reported as investments.

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.

Morgan Metropolitan Housing Authority
Notes to the Basic Financial Statements
June 30, 2011

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, 2011, 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 6/30/10	Net Additions / Deletions	Deletions / Reclassifications	Balance 6/30/11
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	\$ 4,179,283	\$ 48,160	\$ -	\$ 4,227,443
Furniture and equipment	272,230	-	-	272,230
Totals at Historical Costs	4,451,513	48,160	-	4,499,673
Accumulated Depreciation				
Buildings and Improvements	(2,226,059)	(148,504)	-	(2,374,563)
Furniture and equipment	(252,782)	(3,440)	-	(256,222)
Total Accumulated Depreciation	(2,478,841)	(151,944)	-	(2,630,785)
TOTAL CAPITAL ASSETS, NET BEING DEPRECIATED	1,972,672	(103,784)	-	1,868,888
TOTAL CAPITAL ASSETS, NET	\$ 2,251,822	\$ (103,784)	\$ -	\$ 2,148,038

Morgan Metropolitan Housing Authority
Notes to the Basic Financial Statements
June 30, 2011

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	\$ 117,087
FSS Escrow Funds	23,005
Tenant Security Deposits	25,300
ROSS Funds	<u>10,507</u>
Total Restricted Cash	<u><u>\$ 175,899</u></u>

5. LONG-TERM LIABILITIES

Long-term liabilities are summarized as follows:

Compensated Absences	<u>Balance</u> <u>6/30/2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2011</u>	<u>Due Within</u> <u>One Year</u>
Public Housing	\$ 7,659	\$ 6,619	\$ (4,871)	\$ 9,407	\$ 5,750
Section 8	4,058	3,381	(2,738)	4,701	2,732
Total Compensated Absences Liability	<u>\$ 11,717</u>	<u>\$ 10,000</u>	<u>\$ (7,609)</u>	<u>\$ 14,108</u>	<u>\$ 8,482</u>
Long-term Compensated Absences				<u>\$ 5,626</u>	
	<u>Balance</u> <u>6/30/2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2011</u>	<u>Due Within</u> <u>One Year</u>
FSS Liability	\$ 16,621	\$ 10,915	\$ (4,531)	\$ 23,005	\$ -
ROSS Escrow Liability	7,246	3,900	(639)	10,507	-
	<u>\$ 23,867</u>	<u>\$ 14,815</u>	<u>\$ (5,170)</u>	<u>\$ 33,512</u>	<u>\$ -</u>
	<u>Balance</u> <u>6/30/2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2011</u>	<u>Due Within</u> <u>One Year</u>
Long-term debt - Capital	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ (2,375)</u>	<u>\$ 7,625</u>	<u>\$ 3,294</u>

Long-term debt maturities are as follows:

Years Ending June 30	
2012	\$ 3,294
2013	3,445
201	886
	<u>7,625</u>
Less current portion long-term debt	<u>(3,294)</u>
Total long-term debt	<u><u>\$ 4,331</u></u>

**Morgan Metropolitan Housing Authority
Notes to the Basic Financial Statements
June 30, 2011**

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 2010 and 2011, member and employer contribution rates were consistent across all three plans. The 2010 and 2011 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, 2011, 2010, and 2009 were \$24,562, \$21,829, and \$22,410, respectively. These costs have been charged to the employee fringe benefit account. All required payments of contributions have been made through June 30, 2011.

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.

**Morgan Metropolitan Housing Authority
Notes to the Basic Financial Statements
June 30, 2011**

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 year ended June 30, 2011, which were used to fund post-employment benefits, were \$1,351.

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, 2011, the Authority electronically submitted an unaudited version of the combining balance sheet, statement of revenues, expenses and changes in retained earnings and other data to HUD as required on the GAAP basis. The audited version of the FDS schedules are included as supplemental data. The schedules are presented in the manner prescribed by Housing and Urban Development.

9. CONTINGENT LIABILITIES

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

10. RISK MANAGEMENT

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

11. RELATED PARTY TRANSACTIONS

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

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

12. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

13. SUBSEQUENT EVENTS

There were no subsequent events through November 28, 2011, the date the financial statements were available to be issued. Any subsequent events after that date have not been evaluated.

Morgan Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
June 30, 2011

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$45,967	\$13,646	\$56		\$59,669		\$59,669
112 Cash - Restricted - Modernization and Development				\$10,507	\$10,507		\$10,507
113 Cash - Other Restricted		\$140,092			\$140,092		\$140,092
114 Cash - Tenant Security Deposits	\$25,300				\$25,300		\$25,300
100 Total Cash	\$71,267	\$153,738	\$56	\$10,507	\$235,568	\$0	\$235,568
124 Accounts Receivable - Other Government				\$8,308	\$8,308		\$8,308
125 Accounts Receivable - Miscellaneous	\$1,924		\$2,367		\$4,291		\$4,291
126 Accounts Receivable - Tenants	\$2,609				\$2,609		\$2,609
126.1 Allowance for Doubtful Accounts - Tenants	\$0				\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0		\$0
128 Fraud Recovery		\$1,437			\$1,437		\$1,437
128.1 Allowance for Doubtful Accounts - Fraud		\$0			\$0		\$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$4,533	\$1,437	\$2,367	\$8,308	\$16,645	\$0	\$16,645
131 Investments - Unrestricted	\$56,023				\$56,023		\$56,023
142 Prepaid Expenses and Other Assets	\$13,179	\$2,299			\$15,478		\$15,478
143 Inventories	\$11,399				\$11,399		\$11,399
143.1 Allowance for Obsolete Inventories	-\$1,140				-\$1,140		-\$1,140
144 Inter Program Due From	\$15,139				\$15,139	-\$15,139	\$0
150 Total Current Assets	\$170,400	\$157,474	\$2,423	\$18,815	\$349,112	-\$15,139	\$333,973
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	\$247,623				\$247,623		\$247,623
166 Accumulated Depreciation	-\$2,593,336	-\$37,449			-\$2,630,785		-\$2,630,785
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,063,876	\$84,162	\$0	\$0	\$2,148,038	\$0	\$2,148,038
180 Total Non-Current Assets	\$2,063,876	\$84,162	\$0	\$0	\$2,148,038	\$0	\$2,148,038

See independent auditors' report

Morgan Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
June 30, 2011

	Project Total	14,871 Housing Choice Vouchers	1 Business Activities	14,870 Resident Opportunity and Supportive Services	Subtotal	ELIM	Total
190 Total Assets	\$2,234,276	\$241,636	\$2,423	\$18,815	\$2,497,150	-\$15,139	\$2,482,011
312 Accounts Payable <= 90 Days	\$9,026	\$7,421			\$16,447		\$16,447
321 Accrued Wage/Payroll Taxes Payable	\$3,816	\$2,076			\$5,892		\$5,892
322 Accrued Compensated Absences - Current Portion	\$5,750	\$2,732			\$8,482		\$8,482
333 Accounts Payable - Other Government	\$677				\$677		\$677
341 Tenant Security Deposits	\$25,300				\$25,300		\$25,300
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds		\$3,294			\$3,294		\$3,294
347 Inter Program - Due To		\$6,831		\$8,308	\$15,139	-\$15,139	\$0
310 Total Current Liabilities	\$44,569	\$22,354	\$0	\$8,308	\$75,231	-\$15,139	\$60,092
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$4,331			\$4,331		\$4,331
353 Non-current Liabilities - Other		\$23,005		\$10,507	\$33,512		\$33,512
354 Accrued Compensated Absences - Non Current		\$1,969			\$5,626		\$5,626
355 Loan Liability - Non Current							
350 Total Non-Current Liabilities	\$3,657	\$29,305	\$0	\$10,507	\$43,469	\$0	\$43,469
300 Total Liabilities	\$48,226	\$51,659	\$0	\$18,815	\$118,700	-\$15,139	\$103,561
508.1 Invested in Capital Assets, Net of Related Debt	\$2,063,876	\$76,537			\$2,140,413		\$2,140,413
511.1 Restricted Net Assets		\$117,087			\$117,087		\$117,087
512.1 Unrestricted Net Assets	\$122,174	-\$3,647	\$2,423	\$0	\$120,950		\$120,950
513 Total Equity/Net Assets	\$2,186,050	\$189,977	\$2,423	\$0	\$2,378,450	\$0	\$2,378,450
600 Total Liabilities and Equity/Net Assets	\$2,234,276	\$241,636	\$2,423	\$18,815	\$2,497,150	-\$15,139	\$2,482,011

See independent auditors' report

Morgan Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Retained Earnings
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
Year Ended June 30, 2011

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.870 Resident Opportunity and Supportive Services	Total
70300 Net Tenant Rental Revenue	\$71,181				\$71,181
70400 Tenant Revenue - Other					
70500 Total Tenant Revenue	\$71,181	\$0	\$0	\$0	\$71,181
70600 HUD PHA Operating Grants	\$214,786	\$639,438		\$44,583	\$898,807
70610 Capital Grants	\$36,621				\$36,621
71100 Investment Income - Unrestricted	\$2,973	\$177	\$1		\$3,151
71400 Fraud Recovery		\$1,654			\$1,654
71500 Other Revenue	\$13,722	\$4,046	\$2,747		\$20,515
72000 Investment Income - Restricted		\$180			\$180
70000 Total Revenue	\$339,283	\$645,495	\$2,748	\$44,583	\$1,032,109
91100 Administrative Salaries	\$38,040	\$50,538	\$601	\$31,713	\$120,892
91200 Auditing Fees	\$2,508	\$3,923			\$6,431
91500 Employee Benefit contributions - Administrative	\$34,328	\$16,459		\$12,572	\$63,359
91600 Office Expenses	\$12,310	\$4,942	\$30		\$17,282
91700 Legal Expense	\$3,840				\$3,840
91800 Travel	\$375	\$790			\$1,165
91900 Other	\$6,627	\$5,950		\$298	\$12,875
91000 Total Operating - Administrative	\$98,028	\$82,602	\$631	\$44,583	\$225,844
92400 Tenant Services - Other	\$140	\$10,790			\$10,930
92500 Total Tenant Services	\$140	\$10,790	\$0	\$0	\$10,930
93100 Water	\$52,813	\$542			\$53,355
93200 Electricity	\$8,130	\$1,580			\$9,710
93300 Gas	\$3,470	\$433			\$3,903
93000 Total Utilities	\$64,413	\$2,555	\$0	\$0	\$66,968
94100 Ordinary Maintenance and Operations - Labor	\$40,690				\$40,690
94200 Ordinary Maintenance and Operations - Materials and Other	\$17,137	\$349			\$17,486
94300 Ordinary Maintenance and Operations Contracts	\$53,833	\$5,554			\$59,387
94500 Employee Benefit Contributions - Ordinary Maintenance	\$26,879				\$26,879
94000 Total Maintenance	\$138,539	\$5,903	\$0	\$0	\$144,442
96110 Property Insurance	\$15,602	\$505			\$16,107
96100 Total Insurance Premiums	\$15,602	\$505	\$0	\$0	\$16,107
96200 Other General Expenses	\$1,258	\$537			\$1,795
96210 Compensated Absences	\$8,260	\$4,006			\$12,266
96300 Payments in Lieu of Taxes	\$677				\$677
96400 Bad debt - Tenant Rents	\$5				\$5
96000 Total Other General Expenses	\$10,200	\$4,543	\$0	\$0	\$14,743
96720 Interest on Notes Payable (Short and Long Term)		\$302			\$302
96700 Total Interest Expense and Amortization Cost	\$0	\$302	\$0	\$0	\$302

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Morgan Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Retained Earnings
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
Year Ended June 30, 2011

	Project Total	14,871 Housing Choice Vouchers	1 Business Activities	14,870 Resident Opportunity and Supportive Services	Total
96900 Total Operating Expenses	\$326,922	\$107,200	\$631	\$44,583	\$479,336
97000 Excess of Operating Revenue over Operating Expenses	\$12,361	\$538,295	\$2,117	\$0	\$552,773
97300 Housing Assistance Payments		\$472,674			\$472,674
97400 Depreciation Expense	\$147,672	\$4,271			\$151,943
90000 Total Expenses	\$474,594	\$584,145	\$631	\$44,583	\$1,103,953
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$135,311	\$61,350	\$2,117	\$0	-\$71,844
11030 Beginning Equity	\$2,321,361	\$128,627	\$306	\$0	\$2,450,294
11170 Administrative Fee Equity		\$72,890			\$72,890
11180 Housing Assistance Payments Equity		\$117,087			\$117,087
11190 Unit Months Available	720	1680	0		2400
11210 Number of Unit Months Leased	708	1680	0		2388
11270 Excess Cash	\$75,410				\$75,410
11620 Building Purchases	\$36,621				\$36,621

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Morgan Metropolitan Housing Authority
Project Statement of Revenues, Expenses and Changes in Retained Earnings
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
Year Ended June 30, 2011

	Low Rent	Capital Fund	Total Project
70300 Net Tenant Rental Revenue	\$71,181		\$71,181
70400 Tenant Revenue - Other			
70500 Total Tenant Revenue	\$71,181	\$0	\$71,181
70600 HUD PHA Operating Grants	\$211,286	\$3,500	\$214,786
70610 Capital Grants		\$36,621	\$36,621
71100 Investment Income - Unrestricted	\$2,973		\$2,973
71500 Other Revenue	\$13,722		\$13,722
70000 Total Revenue	\$299,162	\$40,121	\$339,283
91100 Administrative Salaries	\$38,040		\$38,040
91200 Auditing Fees	\$2,508		\$2,508
91500 Employee Benefit contributions - Administrative	\$34,328		\$34,328
91600 Office Expenses	\$12,310		\$12,310
91700 Legal Expense	\$3,840		\$3,840
91800 Travel	\$375		\$375
91900 Other	\$6,627		\$6,627
91000 Total Operating - Administrative	\$98,028	\$0	\$98,028
92400 Tenant Services - Other	\$140		\$140
92500 Total Tenant Services	\$140	\$0	\$140
93100 Water	\$52,813		\$52,813
93200 Electricity	\$8,130		\$8,130
93300 Gas	\$3,470		\$3,470
93000 Total Utilities	\$64,413	\$0	\$64,413
94100 Ordinary Maintenance and Operations - Labor	\$40,690		\$40,690
94200 Ordinary Maintenance and Operations - Materials and Other	\$17,137		\$17,137
94300 Ordinary Maintenance and Operations Contracts	\$50,333	\$3,500	\$53,833
94500 Employee Benefit Contributions - Ordinary Maintenance	\$26,879		\$26,879
94000 Total Maintenance	\$135,039	\$3,500	\$138,539
96110 Property Insurance	\$15,602		\$15,602
96100 Total insurance Premiums	\$15,602	\$0	\$15,602

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Morgan Metropolitan Housing Authority
Project Statement of Revenues, Expenses and Changes in Retained Earnings
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
Year Ended June 30, 2011

	Low Rent	Capital Fund	Total Project
96200 Other General Expenses	\$1,258		\$1,258
96210 Compensated Absences	\$8,260		\$8,260
96300 Payments in Lieu of Taxes	\$677		\$677
96400 Bad debt - Tenant Rents	\$5		\$5
96000 Total Other General Expenses	\$10,200	\$0	\$10,200
96900 Total Operating Expenses	\$323,422	\$3,500	\$326,922
97000 Excess of Operating Revenue over Operating Expenses	-\$24,260	\$36,621	\$12,361
97400 Depreciation Expense	\$145,264	\$2,408	\$147,672
90000 Total Expenses	\$468,686	\$5,908	\$474,594
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$169,524	\$34,213	-\$135,311
11030 Beginning Equity	\$2,063,273	\$258,088	\$2,321,361
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$211,039	-\$211,039	\$0
11190 Unit Months Available	720		720
11210 Number of Unit Months Leased	708		708
11270 Excess Cash	\$75,410		\$75,410
11620 Building Purchases	\$0	\$36,621	\$36,621

See independent auditors' report

**Morgan Metropolitan Housing Authority
Cost Certification
Year Ended June 30, 2011**

	OH16P066
	501-09
	<hr/>
TOTAL EXPENDED	\$ 88,042
	<hr/>
TOTAL RECEIVED	\$ 88,042
	<hr/>

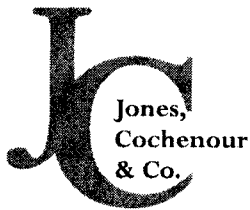
- 1. The actual cost certificates were filed and approved.**
- 2. All costs have been paid through June 30, 2011 and there are no outstanding liabilities.**
- 3. The final costs on the certificates agree to the Authority's records.**

See independent auditors' report

**Morgan Metropolitan Housing Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011**

	FEDERAL CFDA NUMBER	FUNDS EXPENDED
<u>FROM U.S. DEPARTMENT OF HUD</u>		
<u>DIRECT PROGRAMS</u>		
PHA Owned Housing:		
Public and Indian Housing	14.850A	\$ 211,286
Public Housing Capital Fund	14.872	40,121
Resident Opportunities and Self-Sufficiency	14.870	44,583
Housing Assistance Payments:		
Annual Contribution -		
Section 8 Housing Choice Vouchers	14.871	639,438
Total - All Programs		\$ 935,428

See independent auditors' report



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

Board of Directors
Morgan Metropolitan Housing Authority
McConnelsville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the basic financial statements of Morgan Metropolitan Housing Authority as of and for the year ended June 30, 2011, and have issued our report thereon dated November 28, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Morgan Metropolitan Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Morgan Metropolitan Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Morgan Metropolitan Housing Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

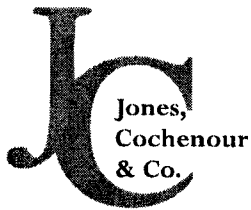
As part of obtaining reasonable assurance about whether Morgan Metropolitan Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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

Jones, Cochenour & Co.

**Jones, Cochenour & Co.
November 28, 2011**



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Morgan Metropolitan Housing Authority
McConnelsville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited Morgan Metropolitan Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133, Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Morgan Metropolitan Housing 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 Morgan Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Morgan Metropolitan Housing Authority's compliance based on our audit.

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

In our opinion, Morgan Metropolitan Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of Morgan Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Morgan Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on

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internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Morgan Metropolitan Housing Authority's internal control over compliance.

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

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

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



Jones, Cochenour & Co.
November 28, 2011

Morgan Metropolitan Housing Authority

**Schedule of Findings
OMB Circular A-133 § .505
Year Ended June 30, 2011**

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

Morgan Metropolitan Housing Authority

**Schedule of Findings
OMB Circular A-133 § .505 - Continued
Year Ended June 30, 2011**

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

There are no findings for the year ended June 30, 2011.

3. FINDINGS FOR FEDERAL AWARDS

There are no findings or questioned costs for the year ended June 30, 2011.



Dave Yost • Auditor of State

MORGAN METROPOLITAN HOUSING AUTHORITY

MORGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 31, 2012**