

**ADAMS METROPOLITAN  
HOUSING AUTHORITY  
ADAMS COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2011**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**





# Dave Yost • Auditor of State

Board of Directors  
Adams Metropolitan Housing Authority  
401 East 7th Street  
Manchester, Ohio 45144

We have reviewed the *Independent Auditor's Report* of the Adams Metropolitan Housing Authority, Adams County, prepared by James G. Zupka, CPA, Inc., for the audit period October 1, 2010 through September 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 Adams 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

June 28, 2012

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**ADAMS METROPOLITAN HOUSING AUTHORITY  
ADAMS COUNTY, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Adams Metropolitan Housing Authority  
Manchester, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited the accompanying financial statements of the Adams Metropolitan Housing Authority, Adams County, Ohio as of and for the year ended September 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 Adams Metropolitan Housing Authority, Ohio's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Adams Metropolitan Housing Authority, Ohio, as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof 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 April 30, 2012, on our consideration of the Adams Metropolitan Housing Authority, Ohio'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 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 3 through 9 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 Adams Metropolitan Housing Authority, Ohio's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures and Federal Awards is the responsibility of management and was 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 presented in all material respects in relation to the financial statements taken as a whole.

The Authority has not presented the Financial Data Schedules (FDS) utilized by the Department of Housing and Urban Development (HUD) for additional analysis, although not required to be part of the basic financial statements. The FDS are not available as HUD has not completed its review of the Schedules as of the date of this report.

  
James G. Zupka, CPA, Inc.  
Certified Public Accountants

April 30, 2012

**ADAMS METROPOLITAN HOUSING AUTHORITY  
ADAMS COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011  
(Unaudited)**

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The Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the financial activity of the Adams Metropolitan Housing Authority (the Authority) for the period, (c) identify changes in the Authority's financial position from the previous year, and (d) identify individual fund issues or concerns.

Since the MD&A is designed to focus on the financial activity of the current year, resulting changes, and currently known facts, please read it in conjunction with the Authority's financial statements.

**FINANCIAL HIGHLIGHTS**

- Total assets were \$5,597,750 and \$5,678,429 in 2011 and 2010, respectively. The Authority-wide statements reflect a decrease in total assets of \$80,679 (or 1 percent) in 2011.
- Revenues decreased from \$2,679,577 in 2010 to \$2,330,955 in 2011, a decrease of 13 percent.
- The total expenses of all Authority programs also dropped. Total expenses were \$2,436,949 and \$2,520,655 in 2011 and 2010, respectively, a decrease of \$83,706 (or 3 percent).

**USING THIS ANNUAL REPORT**

This report includes three major sections, the Management's Discussion and Analysis (MD&A), Basic Financial Statements, and Other Required Supplementary Information.

**MD&A**  
**- Management Discussion and Analysis -**

**Basic Financial Statements**  
**- Authority-Wide Financial Statements -**  
**- Notes to Financial Statements -**

**Other Required Supplementary Information**  
**- Required Supplementary Information -**  
**(Other than the MD&A)**

**ADAMS METROPOLITAN HOUSING AUTHORITY**  
**ADAMS COUNTY, OHIO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**  
**(Unaudited)**

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**Authority Financial Statements**

The Authority's financial statements are designed to be corporate-like in that all business-type activities of the Authority are consolidated into one column that summarizes all financial activity for all the Authority's programs.

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 of the Authority. The Statement is presented in the format where assets, minus liabilities, equals Net Assets, commonly referred to 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, represents the net available liquid (non-capital) assets, net of liabilities, of the Authority. Net assets are reported in three broad categories:

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

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

Unrestricted Net Assets: This component consists of Net Assets that do not meet the definition of Net Assets Invested in Capital Assets, Net of Related Debt, or Restricted Net Assets.

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

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

Finally, the Authority's financial statements also include a Statement of Cash Flows. This Statement reports net cash provided by or used for operating activities, non-operating financial activities, and capital and related financing activities.

**ADAMS METROPOLITAN HOUSING AUTHORITY  
ADAMS COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011  
(Unaudited)**

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**Fund Financial Statements**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar than these for the Authority. The Authority consists exclusively of enterprise funds rather than governmental funds. Enterprise funds utilize the full accrual basis of accounting. The enterprise method of accounting is similar to accounting utilized by the private sector accounting rather than what is more common in financial statements for other types of governmental entities.

The Authority maintains its accounting records by program consistent with how funding is provided for these programs by the U.S. Department of Housing and Urban Development (HUD).

**THE AUTHORITY'S PROGRAMS**

Conventional Public Housing

Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that generally is based on 30 percent of household income.

Housing Choice Voucher Program

Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions funding to enable the Authority to provide rental assistance to landlords so participants generally pay 30 percent of household income for rent and utilities.

Capital Fund Program

The 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. HUD's Capital Fund Program provides grant funds for development, renovation, and construction of Public Housing projects.

**ADAMS METROPOLITAN HOUSING AUTHORITY  
ADAMS COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011  
(Unaudited)**

**AUTHORITY STATEMENTS**

*Statement of Net Assets*

The following table is a condensed Statement of Net Assets compared to prior year. The Authority is engaged in only business-type activities.

**Table 1 - Statement of Net Assets**

	2011	2010
<b><u>Assets</u></b>		
Current Assets	\$ 629,097	\$ 493,730
Capital Assets	4,968,653	5,184,699
<b>Total Assets</b>	<b><u>\$ 5,597,750</u></b>	<b><u>\$ 5,678,429</u></b>
<b><u>Liabilities</u></b>		
Current Liabilities	\$ 117,486	\$ 67,630
Long-Term Liabilities	56,388	80,929
<b>Total Liabilities</b>	<b><u>173,874</u></b>	<b><u>148,599</u></b>
<b><u>Net Assets</u></b>		
Invested in Capital Assets	4,968,653	5,184,699
Restricted Net Assets	205,214	76,778
Unrestricted Net Assets	250,009	268,393
<b>Total Net Assets</b>	<b><u>5,423,876</u></b>	<b><u>5,529,870</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 5,597,750</u></b>	<b><u>\$ 5,678,429</u></b>

**Major Factors Affecting the Statement of Net Assets**

During 2011, current assets increased by approximately \$135,000. This change closely corresponds to the increase in Restricted Net Assets and was caused when management chose to decrease utilization in the Section 8 Housing Choice Voucher Program due to uncertainty over the level of funding by HUD of funds the Authority uses to make rental assistance payments on behalf of Program participants.

Capital assets decreased by more than \$216,000. The decrease was a result of capital additions in the period being less than depreciation realized on existing assets. For more detail, see "Capital Assets" below.

**ADAMS METROPOLITAN HOUSING AUTHORITY  
ADAMS COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011  
(Unaudited)**

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

<b>Table 2- Change in Unrestricted Net Assets</b>	
Beginning Balance at October 1, 2010	\$ 268,393
Change in Net Assets 2011	(105,994)
Adjustments	
Current Year Depreciation Expense (1)	407,464
Capital Revenue (2)	(191,418)
Change in Restricted Net Assets	(128,436)
<b>Ending Balance at September 30, 2011</b>	<b>\$ 250,009</b>

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

(2) Capital changes impact the component of Net Assets named Invested in Capital Net of Related Debt and, therefore, must be deducted in this calculation.

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

<b>Table 2- Statement of Revenues, Expenses, and Change in Net Assets</b>		
	2011	2010
<b><u>Revenues</u></b>		
Tenant Revenue	\$ 139,638	\$ 145,300
Operating Subsidy	1,991,211	2,034,464
Capital Grants	191,418	481,193
Investment Income	151	352
Other Revenues	8,537	18,268
<b>Total Revenues</b>	<b>2,330,955</b>	<b>2,679,577</b>
<b><u>Expenses</u></b>		
Administrative	521,244	409,419
Tenant Services	5,506	13,668
Utilities	117,296	122,075
Maintenance	317,461	320,240
General	77,519	129,989
Housing Assistance Payments	990,459	1,197,031
Depreciation	407,464	328,233
<b>Total Expenses</b>	<b>2,436,949</b>	<b>2,520,655</b>
<b>Net Increases (Decreases)</b>	<b>\$ (105,994)</b>	<b>\$ 158,922</b>

**ADAMS METROPOLITAN HOUSING AUTHORITY  
ADAMS COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011  
(Unaudited)**

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

Total revenue decreased from 2010 by 13 percent. The decrease was primarily in Capital Grant revenue. Capital Grant revenues were higher than normal last year in large part due to stimulus funds provided the Authority.

Total expenses dropped as well, but only by 3 percent. The greatest reduction was in Housing Assistance Payments (HAPs). As was mentioned in a previous section, this was the result of actions taken by management to reduce program utilization in the Housing Choice Voucher Program, meaning less families received rental assistance in the period, because the Authority was uncertain about the level of funding HUD was going to provide for this purpose until late in the fiscal period. The drop in HAP was offset by the increase in Administrative Expenses which were due to a large part to increases in the cost of providing benefits to the employee group. General Expenses also dropped. Contributing to the drop in that category were reductions in commercial insurance costs, bad debt expense, and compensated absences expense.

**CAPITAL ASSETS**

As of year end, the Authority had just slightly less than \$5,000,000 invested in a variety of capital assets as reflected in the following schedule, which represent a net decrease (current purchases less depreciation) of about \$216,000 (or 4 percent) from the end of last year. The change in capital assets corresponds to the decrease in Capital Grant revenues referred to in the previous section.

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

	2011	2010
Land and Land Rights	\$ 379,202	\$ 379,202
Buildings	9,722,980	9,165,118
Equipment - Administrative	191,240	191,240
Equipment - Dwelling	229,391	229,391
Construction-in-Progress	106,499	472,943
Accumulated Depreciation	<u>(5,660,659)</u>	<u>(5,253,195)</u>
<b>Total</b>	<u>\$ 4,968,653</u>	<u>\$ 5,184,699</u>

**Table 5 - Change in Capital Assets**

Beginning Balance at October 1, 2010	\$ 5,184,699
Current Year Capital Revenues	191,418
Current Year Depreciation Expense	<u>(407,464)</u>
<b>Ending Balance at September 30, 2011</b>	<u>\$4,968,653</u>

As was discussed in previous periods, depreciation taken on existing assets outpaced capital additions in the period causing a slight reduction in Capital Assets.

**ADAMS METROPOLITAN HOUSING AUTHORITY  
ADAMS COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011  
(Unaudited)**

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**DEBT**

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

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the U.S. Department of Housing and Urban Development is subject to cuts due to the tight Federal budget situation.
- 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.

**FINANCIAL CONTACT**

The individual to be contacted regarding this report is James R. Bowman III, Executive Director of the Adams Metropolitan Housing Authority, at (937) 549-2648. Specific requests may be submitted to the Adams Metropolitan Housing Authority at 401 East Seventh Street, Manchester, Ohio 45144-1401.

**ADAMS METROPOLITAN HOUSING AUTHORITY**  
**ADAMS COUNTY, OHIO**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2011**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 134,102
Restricted Cash	239,976
Receivables, Net	233,306
Prepaid Expenses and Other Assets	<u>21,713</u>
<b>Total Current Assets</b>	<b><u>629,097</u></b>

**Noncurrent Assets**

Non-depreciable Capital Assets	485,701
Depreciable Capital Assets, Net of Depreciation	<u>4,482,952</u>
<b>Total Noncurrent Assets</b>	<b><u>4,968,653</u></b>

**TOTAL ASSETS** **\$ 5,597,750**

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 37,855
Accrued Liabilities	15,549
Intergovernmental Payables	10,909
Accrued Compensated Absences - Current	37,409
Tenant Security Deposits	<u>15,764</u>
<b>Total Current Liabilities</b>	<b><u>117,486</u></b>

**Noncurrent Liabilities**

Accrued Compensated Absences, Non-Current	37,390
Noncurrent Liabilities - Other	<u>18,998</u>
<b>Total Noncurrent Liabilities</b>	<b><u>56,388</u></b>
<b>Total Liabilities</b>	<b><u>173,874</u></b>

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	4,968,653
Restricted Net Assets	205,214
Unrestricted Net Assets	<u>250,009</u>
<b>Total Net Assets</b>	<b><u>5,423,876</u></b>

**TOTAL LIABILITIES AND NET ASSETS** **\$ 5,597,750**

See accompanying notes to the basic financial statements.

**ADAMS METROPOLITAN HOUSING AUTHORITY**  
**ADAMS COUNTY, OHIO**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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**Operating Revenues**

Tenant Revenue	\$ 139,638
Government Operating Grants	1,991,211
Other Revenue	<u>8,537</u>
<b>Total Operating Revenues</b>	<b><u>2,139,386</u></b>

**Operating Expenses**

Administrative	521,244
Tenant Services	5,506
Utilities	117,296
Maintenance	317,461
General	77,519
Housing Assistance Payments	990,459
Depreciation Expense	<u>407,464</u>
<b>Total Operating Expenses</b>	<b><u>2,436,949</u></b>
Operating Income (Loss)	<u>(297,563)</u>

**Non-Operating Revenues (Expenses)**

Interest and Investment Income	<u>151</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<b><u>151</u></b>
Income (Loss) Before Contributions and Transfers	(297,412)

Capital Grants	<u>191,418</u>
Net Increase/(Decrease) in Net Assets	(105,994)

Total Net Assets at Beginning of Year	<u>5,529,870</u>
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<b>Total Net Assets at End of Year</b>	<b><u>\$ 5,423,876</u></b>
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See accompanying notes to the basic financial statements.

**ADAMS METROPOLITAN HOUSING AUTHORITY**  
**ADAMS COUNTY, OHIO**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

<b><u>Cash Flows from Operating Activities</u></b>	
Operating Grants Received	\$ 1,841,152
Tenant Revenue Received	122,883
Other Revenue Received	5,651
General and Administrative Expenses Paid	(992,990)
Housing Assistance Payments	(990,459)
<b>Net Cash Provided by Operating Activities</b>	<b><u>(13,763)</u></b>
 <b><u>Cash Flows from Investing Activities</u></b>	
Interest Earned	151
<b>Net Cash Provided from Investing Activities</b>	<b><u>151</u></b>
 <b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Capital Grant Funds Received	191,418
Property and Equipment Purchased	(191,418)
<b>Net Cash Provided by (Used by) Capital and Related Financing Activities</b>	<b><u>0</u></b>
Net Increase in Cash	(13,612)
 Cash and Cash Equivalents at Beginning of Year	 <u>387,690</u>
 <b>Cash and Cash Equivalents at End of Period</b>	 <b><u>\$ 374,078</u></b>
 <b><u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u></b>	
Net Operating Income (Loss)	\$ (297,563)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	407,464
(Increase) Decrease in HUD Receivable	(150,059)
(Increase) Decrease in Other Receivables	(16,755)
(Increase) Decrease in Prepaid Assets	17,835
Increase (Decrease) in Accounts Payable	17,855
Increase (Decrease) in Accounts Payable - Other Governments	1,720
Increase (Decrease) in Compensated Absences Payable	5,386
Increase (Decrease) in Accrued Expenses Payable	(4,242)
Increase (Decrease) in Tenant Security Deposits	(2,886)
Increase (Decrease) in Non-Current Liabilities - Other	7,482
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ (13,763)</u></b>

See accompanying notes to the basic financial statements.

**ADAMS METROPOLITAN HOUSING AUTHORITY  
ADAMS COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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

**Summary of Significant Accounting Policies**

The financial statements of the Adams 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 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 rent subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities, and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

**ADAMS METROPOLITAN HOUSING AUTHORITY**  
**ADAMS COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**  
**(CONTINUED)**

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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Reporting Entity** (Continued)

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

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

**Basis of Presentation**

The Authority's 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.

**Fund Accounting**

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

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

**Proprietary Fund Types**

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

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

**ADAMS METROPOLITAN HOUSING AUTHORITY**  
**ADAMS COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**  
**(CONTINUED)**

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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus/Basis of Accounting**

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

**Description of Programs**

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

A. **Public Housing Program**

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

B. **Capital Fund Program**

The Capital Fund Program provides funds annually, via a formula, to public housing agencies for capital and management activities, including modernization and development of housing owned by the Authority.

C. **Housing Choice Voucher Program**

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

**Investments**

The provisions of HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending September 30, 2011 totaled \$151.

**ADAMS METROPOLITAN HOUSING AUTHORITY**  
**ADAMS COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**  
**(CONTINUED)**

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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Capital Assets**

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$1,000 or more per unit. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Depreciation is computed using the straight line method over the following estimated useful lives:

Buildings	40 years
Building Improvements	15 years
Furniture, Equipment, and Machinery	3-7 years

**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 balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

**Operating Revenues and Expenses**

Operating revenues and expenses are those revenues that are generated directly from the primary activities of the Proprietary Fund and expenses incurred for the day to day operation. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD, and other miscellaneous revenue.

**Capital Contributions**

This represents contributions made available to the Authority by HUD, which were used by the Authority to make capital improvements to its federally aided projects.

**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.

**ADAMS METROPOLITAN HOUSING AUTHORITY**  
**ADAMS COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**  
**(CONTINUED)**

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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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 expected to receive termination payouts. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment.

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; and **(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 expense when earned with the amount reported as a fund liability.

**Budgetary Accounting**

The Authority is required by contractual agreements to adopt annual operating budgets for all of its HUD funded programs. The budgets for its programs are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. The Board adopts the budget through passage of an Authority budget resolution.

**Accounting and Reporting for Non-Exchange Transactions**

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

**Estimates**

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

**ADAMS METROPOLITAN HOUSING AUTHORITY**  
**ADAMS COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**  
**(CONTINUED)**

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**NOTE 2: DEPOSITS AND INVESTMENTS**

**Deposits**

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

- A. Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
- B. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.
- C. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by collateral held by the Authority, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

At fiscal year end September 30, 2011, the carrying amount of the Authority's deposits totaled \$374,078 (including \$125 petty cash and \$75 change fund) and its bank balance was \$406,280. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of September 30, 2011, \$406,280 was covered by Federal Depository Insurance.

Custodial credit risk is the risk that, in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to 105 percent of the carrying value of deposits.

**ADAMS METROPOLITAN HOUSING AUTHORITY**  
**ADAMS COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**  
**(CONTINUED)**

**NOTE 2: DEPOSITS AND INVESTMENTS (Continued)**

**Deposits (Continued)**

Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in a single financial institution's collateral 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

**NOTE 3: RESTRICTED CASH AND INVESTMENT**

Restricted cash balance as of September 30, 2011 or \$239,976 represents cash on hand for the following:

FSS Escrow Funds Held for Tenants	\$ 18,998
Tenant Security Deposit	15,764
Cash on Hand - Advance from HUD to be Used for Tenants' Housing Assistance Payments	<u>205,214</u>
<b>Total Restricted Cash and Investment</b>	<b><u>\$ 239,976</u></b>

**NOTE 4: CAPITAL ASSETS**

The following is a summary of changes:

	Balance <u>09/30/2010</u>	<u>Reclasses</u>	<u>Additions</u>	Balance <u>09/30/2011</u>
<b><u>Capital Assets Not Being Depreciated</u></b>				
Land	\$ 379,202	\$ 0	\$ 0	\$ 379,202
Construction-in-Progress	<u>472,943</u>	<u>(472,943)</u>	<u>106,499</u>	<u>106,499</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>852,145</u>	<u>(472,943)</u>	<u>106,499</u>	<u>485,701</u>
<b><u>Capital Assets Being Depreciated</u></b>				
Buildings and Improvements	9,165,118	472,943	84,919	9,722,980
Furniture, Equipment, and Machinery - Dwelling	229,391	0	0	229,391
Administrative	<u>191,240</u>	<u>0</u>	<u>0</u>	<u>191,240</u>
<b>Total Capital Assets Being Depreciated</b>	<u>9,585,749</u>	<u>472,943</u>	<u>84,919</u>	<u>10,143,611</u>
<b><u>Accumulated Depreciation</u></b>				
Buildings and Improvements	(4,905,506)	0	(400,482)	(5,305,968)
Furniture and Equipment	<u>(347,689)</u>	<u>0</u>	<u>(7,002)</u>	<u>(354,691)</u>
<b>Total Accumulated Depreciation</b>	<u>(5,253,195)</u>	<u>0</u>	<u>(407,464)</u>	<u>(5,660,659)</u>
Depreciable Assets, Net	<u>4,332,554</u>	<u>472,943</u>	<u>(322,545)</u>	<u>4,482,952</u>
<b>Total Capital Assets, Net</b>	<b><u>\$ 5,184,699</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ (216,046)</u></b>	<b><u>\$ 4,968,653</u></b>

**ADAMS METROPOLITAN HOUSING AUTHORITY**  
**ADAMS COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**  
**(CONTINUED)**

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NOTE 5: **PENSION PLAN**

**Ohio Public Employees Retirement System**

All Authority full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost sharing, multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a 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 member and (vested) employer contributions plus any investment earnings;
- The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system 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 both the Traditional Pension and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377, or by using the OPERS website at [www.opers.org](http://www.opers.org).

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010 - 2011, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14.00 percent of covered payroll. The Authority's required contributions to OPERS for the years ended September 30, 2011, 2010, and 2009 were \$45,878, \$43,825, and \$43,753, respectively.

**ADAMS METROPOLITAN HOUSING AUTHORITY**  
**ADAMS COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**  
**(CONTINUED)**

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**NOTE 6: POST-EMPLOYMENT BENEFITS**

**A. Plan Description**

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan 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 issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

**B. Funding Policy**

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

**ADAMS METROPOLITAN HOUSING AUTHORITY**  
**ADAMS COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**  
**(CONTINUED)**

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NOTE 6: **POST-EMPLOYMENT BENEFITS**

B. **Funding Policy** (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year ending 2011, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 5.0 percent from October 1 through December 31, 2010, and 4.0 percent from January 1, through September 30, 2011.

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 September 30, 2011, 2010, and 2009 which were used to fund post-employment benefits were \$13,937, \$16,034, and \$18,279, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) 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.

**ADAMS METROPOLITAN HOUSING AUTHORITY  
ADAMS COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011  
(CONTINUED)**

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**NOTE 7: COMPENSATED ABSENCES**

Vacation and sick leave policies are established by the Board of the Authority and are based on local and state laws. All permanent employees will earn 4.6 hours of sick leave per eighty (80) hours of service. Unused sick leave may accumulated without limit. At the time of retirement, employees shall be paid the value of twenty-five (25) percent of unused sick leave subject to a maximum payment equal to sixty (60) days of sick leave. All permanent employees will earn vacation hours accumulated based on length of service. Employees will be paid for all unused vacation time upon their separation from service.

The following is a summary of changes in compensated absences for the year ended September 30, 2011:

	Balance			Balance	Due
	<u>09/30/10</u>	<u>Additions</u>	<u>Used</u>	<u>09/30/11</u>	<u>Within</u>
					<u>One Year</u>
Compensated Leave	<u>\$ 69,413</u>	<u>\$ 26,660</u>	<u>\$ 21,274</u>	<u>\$ 74,799</u>	<u>\$ 37,409</u>

**NOTE 8: NON-CURRENT LIABILITIES - OTHER**

The Non-Current Liabilities - Other reported on the financial statements of \$18,998 represents money held in escrow for the participants in the Family Self-Sufficiency (FSS) Program. Since participants are in the Program for as long as 5 years, monies held in escrow are reported as a non-current liability.

**NOTE 9: NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Authority's federal award programs. The Schedule has been prepared on the accrual basis of accounting.

**ADAMS METROPOLITAN HOUSING AUTHORITY**  
**ADAMS COUNTY, OHIO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**  
**(CONTINUED)**

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**NOTE 10: RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. During fiscal year ending September 30, 2011, the Authority maintained comprehensive insurance coverage with private carriers for health, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

**NOTE 11: CONTINGENCIES**

**Grants**

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

**Litigations and Claims**

In the normal course of operations, the Authority may be subject to litigation and claims. At September 30, 2011, the Authority was not aware of any such matters that would have a material effect on the financial statements.

**ADAMS METROPOLITAN HOUSING AUTHORITY  
ADAMS COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
<i>Direct Programs:</i>		
<b>Public Housing Programs</b>		
Low Rent Public Housing Program	14.850	\$ <u>533,562</u>
<b>Section 8 Tenant Based Programs</b>		
Section 8 Housing Choice Voucher Program	14.871	<u>1,295,327</u>
<b>Public Housing Capital Fund Program</b>		
Public Housing Capital Fund Program	14.872	<u>353,740</u>
<b>Total Expenditures of Federal Awards</b>		<b><u><u>\$ 2,182,629</u></u></b>

This schedule is prepared on the accrual basis of accounting.

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**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
*5240 East 98<sup>th</sup> Street*  
*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

**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  
Adams Metropolitan Housing Authority  
Manchester, Ohio

Regional Inspector General for Audit  
Department of Housing and Urban  
Development

We have audited the financial statements of the Adams Metropolitan Housing Authority, Ohio, as of and for the year ended September 30, 2011, and have issued our report thereon dated April 30, 2012. 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**

Management of the Adams Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Adams Metropolitan Housing Authority, Ohio'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 Adams Metropolitan Housing Authority, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Adams Metropolitan Housing Authority, Ohio's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Adams Metropolitan Housing Authority, Ohio'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 the Trumbull Metropolitan Housing Authority, Ohio'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*.

We noted certain matters that we reported to management of the Adams Metropolitan Housing Authority, Ohio, in a separate letter dated April 30, 2012.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

April 30, 2012

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

Member American Institute of Certified Public Accountants

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Ohio Society of Certified Public Accountants

**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  
Adams Metropolitan Housing Authority  
Manchester, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Compliance**

We have audited the Adams Metropolitan Housing Authority, Ohio'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 the Adams Metropolitan Housing Authority, Ohio's major federal programs for the year ended September 30, 2011. The Adams Metropolitan Housing Authority, Ohio's major federal programs are identified in the Summary of Auditor's 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 Adams Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Adams Metropolitan Housing Authority, Ohio'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; 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 the Adams Metropolitan Housing Authority, Ohio'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 the Adams Metropolitan Housing Authority, Ohio's compliance with those requirements.

In our opinion, the Adams Metropolitan Housing Authority, Ohio, 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 September 30, 2011.

### **Internal Control Over Compliance**

Management of the Adams Metropolitan Housing Authority, Ohio, 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 Adams Metropolitan Housing Authority, Ohio's internal control over compliance with the 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 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 the Adams Metropolitan Housing Authority, Ohio'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.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



James G. Zupka CPA, Inc.  
Certified Public Accountants

April 30, 2012

**ADAMS METROPOLITAN HOUSING AUTHORITY  
ADAMS COUNTY, OHIO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
SEPTEMBER 30, 2011**

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**1. SUMMARY OF AUDITOR'S RESULTS**

2011(i)	Type of Financial Statement Opinion	Unqualified
2011(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2011(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2011(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2011(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2011(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2011(v)	Type of Major Programs' Compliance Opinion	Unqualified
2011(vi)	Are there any reportable findings under .510?	No
2011(vii)	Major Programs (list):  Housing Choice Voucher Program - CFDA #14.871	
2011(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$ 300,000 Type B: all others
2011(ix)	Low Risk Auditee?	Yes

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.

**ADAMS METROPOLITAN HOUSING AUTHORITY  
ADAMS COUNTY, OHIO  
STATUS PRIOR YEAR CITATIONS AND RECOMMENDATIONS  
SEPTEMBER 30, 2011**

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2010-AMHA-1	Bank Reconciliations	Partially	Repeated as a management letter comment in the 2011 fiscal period.
2010-AMHA-2	Failure to file HUD-60002	Yes	Authority met the reporting requirement in the 2011 fiscal period.

The prior audit report, as of September 30, 2010, included management letter recommendations. The management letter recommendations have been repeated, corrected, or procedures instituted to prevent occurrences in this audit period.



# Dave Yost • Auditor of State

**ADAMS METROPOLITAN HOUSING AUTHORITY**

**ADAMS 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  
JULY 12, 2012**