

**NOBLE METROPOLITAN
HOUSING AUTHORITY
CAMBRIDGE, OHIO**

AUDIT REPORT

**FOR THE YEAR ENDED
MARCH 31, 2012**

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



Dave Yost • Auditor of State

Board of Directors
Noble Metropolitan Housing Authority
1100 Maple Court
Cambridge, Ohio 43725

We have reviewed the *Independent Auditor's Report* of the Noble Metropolitan Housing Authority, Noble County, prepared by James G. Zupka, CPA, Inc., for the audit period April 1, 2011 through March 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

November 28, 2012

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**NOBLE METROPOLITAN HOUSING AUTHORITY
CAMBRIDGE, OHIO
AUDIT REPORT
FOR THE YEAR ENDED MARCH 31, 2012**

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

Certified Public Accountants

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Noble Metropolitan Housing Authority
Cambridge, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the Noble Metropolitan Housing Authority, Ohio, as of and for the year ended March 31, 2012, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Noble 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 financial position of the Noble Metropolitan Housing Authority, Ohio, as of March 31, 2012, and the respective changes in financial position, and cash flows, 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 our report dated September 21, 2012, on our consideration of the Noble 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 grants 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 10 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 Noble Metropolitan Housing Authority, Ohio's financial statements as a whole. The accompanying Schedules of Capital Costs Completed and Supplemental Financial Data Schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The above noted schedules 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 as a whole.


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

September 21, 2012

**NOBLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2012
(Unaudited)**

Throughout this document, references to “we”, “our”, “Authority” or “us” refer to the Noble Metropolitan Housing Authority.

Management’s Discussion and Analysis

The Noble 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 challenges), and (d) identify individual fund issues or concerns.

Since the Management’s Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and currently known facts, please read it in conjunction with the Authority’s financial statements (beginning on page 11).

FINANCIAL HIGHLIGHTS

- The Authority’s total net assets decreased by \$95,208 (or 7 percent) during the fiscal year ended 2012. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$1,296,465 and \$1,391,673 for 2012 and 2011, respectively.
- The Authority’s total revenue decreased by \$110,446 (or 17 percent) during the fiscal year ended 2012, and were \$527,480 and \$637,926 for 2012 and 2011, respectively.
- The total expenses of all Authority programs decreased by \$2,202 (or less than 1 percent). Total expenses were \$622,688 and \$624,890 for fiscal year ended 2012 and 2011, respectively.

**NOBLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2012
(Unaudited)**

USING THIS ANNUAL REPORT

The 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
- pgs 11 - 13**

**-Notes to Financial Statements
(Expanded/Restructured) - pgs 14 - 21**

**Other Required Supplementary
Information**

**- Required Supplementary Information
pg 22
(Other than MD&A)
(Expanded)**

The primary focus of the Agency’s financial statements is on both the Agency as a whole (Agency-wide) and the major individual funds. Both perspectives (Agency-wide and Major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Agency to Agency) and enhance the Agency’s accountability.

**NOBLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2012
(Unaudited)**

AUTHORITY-WIDE FINANCIAL STATEMENTS

The Authority-wide financial statements (see pages 11 - 13) are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire Authority.

These Statements include a **Statement of Net 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, equals “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:

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. For the year ended March 31, 2012, there was no related debt.

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”.

The Authority-wide financial statements also include a **Statement of Revenues, Expenses and Changes 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 Changes 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, capital and related financing activities and investing activities.

**NOBLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2012
(Unaudited)**

AUTHORITY-WIDE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

The Agency consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting. The Authority has the following programs: Public Housing, Capital Fund, and Housing Choice Voucher Program. The financial statements reflect the transactions for these programs.

THE AUTHORITY'S PROGRAMS

The Authority's significant programs are:

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

Housing Choice Voucher Program - under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30 percent of household income.

Statement of Net Assets

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

**NOBLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2012
(Unaudited)**

AUTHORITY-WIDE FINANCIAL STATEMENT (Continued)

Table 1 - Statement of Net Assets

	2012	2011
Current and Other Assets	\$ 119,001	\$ 353,271
Capital Assets, Net of Depreciation	1,200,882	1,118,304
Total Assets	\$ 1,319,883	\$ 1,471,575
Current Liabilities	\$ 19,409	\$ 77,276
Long-Term Liabilities	4,009	2,626
Total Liabilities	23,418	79,902
Net Assets:		
Invested in Capital Assets	1,200,882	1,118,304
Restricted	40,920	59,545
Unrestricted	54,663	213,824
Total Net Assets	1,296,465	1,391,673
Total Liabilities and Net Assets	\$ 1,319,883	\$ 1,471,575

For more detailed information see page 11 for the Statement of Net Assets.

Major Factors Affecting the Statements of Net Assets

The decrease in assets of \$151,692 was due mainly to decreases in cash and cash equivalents as a result of the Public Housing Program using funds for capital assets additions and operations.

Table 2 presents details on the change in Unrestricted Net Assets

Table 2 - Change of Unrestricted Net Assets

Beginning Balance - March 31, 2011	\$ 213,824
Results of Operations	(95,208)
Adjustments:	
Current Year Depreciation Expense	76,038
Capital Expenses	(158,616)
Use of Restricted Assets	18,625
Ending Balance - March 31, 2012	\$ 54,663

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

**NOBLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2012
(Unaudited)**

AUTHORITY-WIDE FINANCIAL STATEMENTS (Continued)

Major Factors Affecting the Statements of Net Assets (Continued)

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

Table 3 - Statement of Revenue, Expenses & Changes in Net Assets

	2012	2011
<u>Revenues</u>		
Operating Subsidies	\$ 444,832	\$ 509,094
Capital Grants	10,276	61,072
Tenant Revenue	66,279	58,962
Investment Income	981	3,716
Gain on Sale of Asset	0	654
Other Revenues	5,112	4,428
Total Revenues	527,480	637,926
<u>Expenses</u>		
Administrative	102,996	135,423
Tenant Services	32	78
Utilities	12,950	12,631
Ordinary Maintenance and Operations	56,224	60,844
Insurance and Other Expenses	5,470	3,292
Payments in Lieu of Taxes	5,130	4,492
Housing Assistance Payments	363,848	343,279
Depreciation	76,038	64,851
Total Expenses	622,688	624,890
Net Increases (Decreases)	\$ (95,208)	\$ 13,036

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

HUD PHA Operating Grants decreased by \$64,262 (or 13 percent). The Capital Grant revenue decreased by \$50,796. The Housing Authority received less in Housing Choice Voucher subsidy in 2012 and did not use capital funds for operations.

Total tenant revenue increased by \$7,317 (or 12 percent). This increase was primarily due to increased tenant rents.

The total expenses slightly decreased by \$2,202 (or less than 1 percent). This decrease in expenses is mainly due to the decrease in administrative and maintenance expenses.

The Housing Assistance Payments slightly increased by \$20,569 (or 6 percent).

**NOBLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2012
(Unaudited)**

CAPITAL ASSETS

As of year end, the Authority has \$1,200,882 invested in a variety of capital assets as reflected in the following schedule, net of accumulated depreciation. This represents a net increase (current purchases less depreciation) of \$82,578 (or 8 percent) from the end of last year.

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

	2012	2011
Land and Land Rights	\$ 84,000	\$ 84,000
Buildings and Building Improvements	1,515,224	1,482,986
Furniture, Equipment and Machinery	305,370	191,142
Leasehold Improvements	115,326	113,451
Construction in Progress	10,276	0
Accumulated Depreciation	<u>(829,314)</u>	<u>(753,275)</u>
Total	<u>\$ 1,200,882</u>	<u>\$ 1,118,304</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 20 of the notes.

Table 5 - Changes in Capital Assets

Beginning Balance - March 31, 2011	\$ 1,118,304
Current Year Additions	158,616
Current Year Depreciation Expense	<u>(76,038)</u>
Ending Balance - March 31, 2012	<u>\$ 1,200,882</u>
Current Year Additions are Summarized as follows:	
- Various Equipment and Furniture	\$ 55,249
- Replacement of siding and gutters	32,238
- Other Renovations	10,276
- New Gazebo - Willow Arms	1,875
- New Vehicle	<u>58,978</u>
Total 2012 Additions	<u>\$ 158,616</u>

DEBT

Debt Outstanding

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

**NOBLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2012
(Unaudited)**

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local inflationary, recessionary and employment trends, which can effect 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 Jolinda Baranich, Executive Director, Noble Metropolitan Housing Authority, P.O. Box 1388, Cambridge, Ohio 43725.

NOBLE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
MARCH 31, 2012

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 60,725
Restricted Cash and Cash Equivalents	55,319
Accounts Receivable - HUD	135
Accounts Receivable - Tenants (Net of Allowance for Doubtful Accounts of \$77)	93
Prepays	1,984
Inventories	<u>745</u>
Total Current Assets	<u>119,001</u>

Capital Assets

Non-Depreciable Capital Assets	94,276
Depreciable Capital Assets, Net	<u>1,106,606</u>
Total Capital Assets	<u>1,200,882</u>

TOTAL ASSETS **\$1,319,883**

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 8,896
Accounts Payable - Other Governments	5,130
Tenant Security Deposits	5,242
Deferred Revenues	<u>141</u>
Total Current Liabilities	<u>19,409</u>

Noncurrent Liabilities

FSS Program Liability	<u>4,009</u>
Total Noncurrent Liabilities	<u>4,009</u>

TOTAL LIABILITIES **23,418**

Net Assets

Invested in Capital Assets	1,200,882
Restricted Net Assets	40,920
Unrestricted Net Assets	<u>54,663</u>

TOTAL NET ASSETS **\$1,296,465**

See accompanying notes to the basic financial statements.

NOBLE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2012

<u>Operating Revenues</u>	
Net Tenant Revenue	\$ 66,279
HUD Operating Grants	444,832
Other Revenue	<u>5,112</u>
Total Operating Revenues	<u>516,223</u>
<u>Operating Expenses</u>	
Housing Assistance Payments	363,848
Administrative	102,996
Tenant Services	32
Utilities	12,950
Maintenance	56,224
General	<u>10,600</u>
Total Operating Expenses before Depreciation	<u>546,650</u>
Income Before Depreciation	(30,427)
Depreciation	<u>76,038</u>
Operating Income	<u>(106,465)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Capital Grants	10,276
Interest Income	<u>981</u>
Total Non-Operating Revenues (Expenses)	<u>11,257</u>
Change in Net Assets	(95,208)
Total Net Assets - Beginning of Year	<u>1,391,673</u>
Total Net Assets - End of Year	<u>\$1,296,465</u>

See accompanying notes to the basic financial statements.

NOBLE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2012

<u>Cash Flows from Operating Activities</u>	
Cash Received from HUD	\$ 444,697
Cash Received from Tenants	66,035
Cash Received from Other Revenues	6,171
Cash Payments for Housing Assistance	(363,848)
Cash Payments for Administrative Expenses	(112,961)
Cash Payments to FSS Escrow	1,383
Cash Payments for Other Operating Expenses	(79,168)
Net Cash Provided by Operating Activities	<u>(37,691)</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	(207,440)
Capital Grants Received	10,276
Net Cash Used by Capital and Other Related Financing Activities	<u>(197,164)</u>
 <u>Cash Flows from Investing Activities</u>	
Interest Received	981
Net Cash Provided by Investing Activities	<u>981</u>
Net Increase in Cash and Cash Equivalents	(233,874)
Cash and Cash Equivalents, Beginning	<u>349,918</u>
Cash and Cash Equivalents, Ending	<u>\$ 116,044</u>
 <u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u>	
Net Operating Income	\$ (106,465)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	76,038
(Increase) Decrease in:	
Accounts Receivable - HUD	(135)
Accounts Receivable - Tenants	(93)
Fraud Recovery	1,152
Prepays	(12)
Inventories	(516)
Increase (Decrease) in:	
Accounts Payable	(9,437)
Accounts Payable - Other Governments	638
Tenant Security Deposits	(385)
FSS Program Liability	1,383
Deferred Revenue	141
Net Cash Provided by Operating Activities	<u>\$ (37,691)</u>

NOTE: Non-cash acquisition of capital assets for \$48,824 were reflected as Accounts Payable in fiscal year 2011.

See accompanying notes to the basic financial statements.

NOBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012

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

Organization and Reporting Entity

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

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the “primary government”. A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity.

Basis of Presentation

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

The Authority has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletin issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to follow FASB guidance issued after November 30, 1989.

NOBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012
(CONTINUED)

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

Basis of Presentation (Continued)

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

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

Enterprise fund reporting focuses on the determination of the change 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 and Basis of Accounting

The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of revenues, expenses and 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 flows needs of its enterprise activity.

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

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012
(CONTINUED)

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

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are stated at fair value. Cost based measures of fair value were applied to nonnegotiable certificates of deposit and money market investments, with a maturity of more than three months when purchased.

Capital Assets

Capital assets are recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. Depreciation is computed on the straight line method based on the following estimated useful lives:

Buildings	40 years
Building Improvements	15 years
Land Improvements	15 years
Furniture, Equipment & Machinery	10 years

Capitalization of Interest

The Authority's policy is not to capitalize interest related to the construction or purchase of capital assets.

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NOBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012
(CONTINUED)

NOTE 2: **DEPOSITS AND INVESTMENTS**

A. **Deposits**

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

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.

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.

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.

At year-end, the carrying amount of the Authority's deposits was \$116,044 (including \$60,725 of unrestricted funds and \$55,319 of restricted funds) and the bank balance was \$141,727.

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of year-end, deposits totaling \$141,727 were covered by Federal Depository Insurance.

NOBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012
(CONTINUED)

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

B. Investments

HUD, State Statute, and Board resolutions authorize the Authority to invest in obligations of the U. S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records its investments at fair value. At March 31, 2012, the Authority held no investments as defined by GASB Statement No. 40.

Custodial Credit Risk

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

**NOBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012
(CONTINUED)**

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

B. **Investments** (Continued)

Interest Rate Risk

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires those funds which are not operating reserve funds to be invested in investments with a maximum term of one year or the Authority's operating cycle. For investments of the Authority's operating reserve funds, the maximum term can be up to three years. The intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

Generally, the Authority places no limit on the amount it may invest in any one insurer. However, the investment policy limits the investment of HUD-approved mutual funds to no more than 20 percent of the Authority's available investment funds. The Authority's deposits in financial institutions represents 100 percent of its deposits.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of year-end, the Authority had no exposure to foreign currency rate risk, as regulated by HUD.

NOTE 3: **RESTRICTED ASSETS**

The Authority's assets restricted as to purpose are as follows:

Tenant Security Deposits	\$ 5,242
Family Self Sufficiency (FSS) Program Escrow**	4,009
Housing Assistance Payments (HAP) Equity	40,920
Tenant Council	<u>5,148</u>
Total Restricted Assets	<u>\$ 55,319</u>

**The FSS Program is designed to promote employment and increase savings among families receiving Section 8 vouchers or living in public housing.

NOBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012
(CONTINUED)

NOTE 4: CAPITAL ASSETS

A summary of capital assets at March 31, 2012 is as follows:

	Balance 3/31/2011	Transfers	Additions	Deletions	Balance 3/31/2012
<u>Capital Assets not Being Depreciated</u>					
Land	\$ 84,000	\$ 0	\$ 0	\$ 0	\$ 84,000
Construction in Progress	0	0	10,276	0	10,276
Total Capital Assets not Being Depreciated	84,000	0	10,276	0	94,276
<u>Capital Assets Being Depreciated</u>					
Building and Building Improvements	1,482,986	0	32,238	0	1,515,224
Leasehold Improvements	113,451	0	1,875	0	115,326
Furniture, Equipment, and Machinery	191,142	0	114,228	0	305,370
Total Capital Assets Being Depreciated	1,787,579	0	148,341	0	1,935,920
<u>Accumulated Depreciation</u>					
Building and Building Improvements	(630,233)	0	(53,975)	0	(684,208)
Leasehold Improvements	(29,689)	0	(7,380)	0	(37,069)
Furniture, Equipment, and Machinery	(93,353)	0	(14,684)	0	(108,037)
Total Accumulated Depreciation	(753,275)	0	(76,039)	0	(829,314)
Total Capital Assets Being Depreciated, Net	1,034,304	0	72,302	0	1,106,606
Total Capital Assets, Net	\$ 1,118,304	\$ 0	\$ 82,578	\$ 0	\$ 1,200,882

NOTE 5: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; damage to and theft or destruction of assets; errors and omissions; injuries to employees and natural disaster. The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public officials liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance risk pool comprised of thirty-nine (39) Ohio housing authorities, of which Noble is one. Settled claims have not exceeded the Authority's insurance in any of the past three years.

NOBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012
(CONTINUED)

NOTE 6: **CONTINGENCIES**

The Authority is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

The Authority has received federal grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

NOTE 7: **MANAGEMENT AGREEMENT**

The Noble Metropolitan Housing Authority (the Authority) entered into a housing management agreement with the Cambridge Metropolitan Housing Authority (CMHA) on March 30, 1987. Pursuant to the agreement CMHA provides all management services to the Authority in order that the Authority shall comply with all applicable laws of the State of Ohio and of the United States Government, and with the terms of all contracts which the Authority has executed or may, from time to time, execute with HUD. As compensation for these services, the Authority transfers to CMHA the monthly administrative fees allocated to Noble based on approved budgets. Total management fees for the fiscal year ended March 31, 2012 were \$49,214.

**NOBLE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CAPITAL GRANTS - COMPLETED
FOR THE YEAR ENDED MARCH 31, 2012**

Annual Contributions Contract C-838

1. The total amount of modernization costs of the capital grant is shown below:

<u>Project OH</u>	Capital Grant <u>OH16P06950203</u>
Funds Approved	\$ 7,210
Funds Expended	<u>7,210</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 7,210
Funds Expended	<u>7,210</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>

2. All modernization work in connection with the capital grant has been completed.
3. The entire actual modernization cost or liabilities incurred by the Housing Authority have been fully paid.
4. There are no undischarged mechanics', laborers', contractors', or material-mens' liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work; and
5. The time in which such liens could be filed has expired.

**NOBLE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY-WIDE BALANCE SHEET SUMMARY
MARCH 31, 2012**

	Project Total	Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted	\$38,067	\$26,667	\$64,734	\$64,734
113 Cash - Other Restricted	\$5,148	\$40,920	\$46,068	\$46,068
114 Cash - Tenant Security Deposits	\$5,242		\$5,242	\$5,242
100 Total Cash	\$48,457	\$67,587	\$116,044	\$116,044
122 Accounts Receivable - HUD Other Projects	\$135		\$135	\$135
126 Accounts Receivable - Tenants	\$170		\$170	\$170
126.1 Allowance for Doubtful Accounts - Tenants	(\$77)		(\$77)	(\$77)
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$228		\$228	\$228
142 Prepaid Expenses and Other Assets	\$1,984		\$1,984	\$1,984
143 Inventories	\$745		\$745	\$745
150 Total Current Assets	\$51,414	\$67,587	\$119,001	\$119,001
161 Land	\$84,000		\$84,000	\$84,000
162 Buildings	\$1,515,224		\$1,515,224	\$1,515,224
164 Furniture, Equipment & Machinery - Administration	\$305,370		\$305,370	\$305,370
165 Leasehold Improvements	\$115,326		\$115,326	\$115,326
166 Accumulated Depreciation	(\$829,314)		(\$829,314)	(\$829,314)
167 Construction in Progress	\$10,276		\$10,276	\$10,276
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,200,882	\$0	\$1,200,882	\$1,200,882
180 Total Non-Current Assets	\$1,200,882	\$0	\$1,200,882	\$1,200,882
190 Total Assets	\$1,252,296	\$67,587	\$1,319,883	\$1,319,883
312 Accounts Payable <= 90 Days	\$8,876	\$20	\$8,896	\$8,896
333 Accounts Payable - Other Government	\$5,130		\$5,130	\$5,130
341 Tenant Security Deposits	\$5,242		\$5,242	\$5,242
342 Deferred Revenues	\$141		\$141	\$141
310 Total Current Liabilities	\$19,389	\$20	\$19,409	\$19,409
353 Non-current Liabilities - Other		\$4,009	\$4,009	\$4,009
350 Total Non-Current Liabilities	\$0	\$4,009	\$4,009	\$4,009
300 Total Liabilities	\$19,389	\$4,029	\$23,418	\$23,418
508.1 Invested In Capital Assets, Net of Related Debt	\$1,200,882	\$0	\$1,200,882	\$1,200,882
511.1 Restricted Net Assets		\$40,920	\$40,920	\$40,920
512.1 Unrestricted Net Assets	\$32,025	\$22,638	\$54,663	\$54,663
513 Total Equity/Net Assets	\$1,232,907	\$63,558	\$1,296,465	\$1,296,465
600 Total Liabilities and Equity/Net Assets	\$1,252,296	\$67,587	\$1,319,883	\$1,319,883

**NOBLE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
FOR THE TWELVE MONTHS ENDED MARCH 31, 2012**

	Project Total	Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue	\$63,625		\$63,625	\$63,625
70400 Tenant Revenue - Other	\$2,654		\$2,654	\$2,654
70500 Total Tenant Revenue	\$66,279	\$0	\$66,279	\$66,279
70600 HUD PHA Operating Grants	\$53,541	\$391,291	\$444,832	\$444,832
70610 Capital Grants	\$10,276		\$10,276	\$10,276
71100 Investment Income - Unrestricted	\$848	\$41	\$889	\$889
71400 Fraud Recovery		\$4,067	\$4,067	\$4,067
71500 Other Revenue	\$1,045		\$1,045	\$1,045
72000 Investment Income - Restricted		\$92	\$92	\$92
70000 Total Revenue	\$131,989	\$395,491	\$527,480	\$527,480
91200 Auditing Fees	\$3,338	\$3,616	\$6,954	\$6,954
91300 Management Fee	\$5,880	\$43,334	\$49,214	\$49,214
91400 Advertising and Marketing	\$919		\$919	\$919
91600 Office Expenses	\$2,484		\$2,484	\$2,484
91700 Legal Expense	\$588		\$588	\$588
91800 Travel	\$347		\$347	\$347
91900 Other	\$35,362	\$7,128	\$42,490	\$42,490
91000 Total Operating - Administrative	\$48,918	\$54,078	\$102,996	\$102,996
92400 Tenant Services - Other	\$32		\$32	\$32
92500 Total Tenant Services	\$32	\$0	\$32	\$32
93100 Water	\$7,236		\$7,236	\$7,236
93200 Electricity	\$4,758		\$4,758	\$4,758
93300 Gas	\$956		\$956	\$956
93000 Total Utilities	\$12,950	\$0	\$12,950	\$12,950
94200 Ordinary Maintenance and Operations - Materials and Other	\$15,960		\$15,960	\$15,960
94300 Ordinary Maintenance and Operations Contracts	\$40,264		\$40,264	\$40,264
94000 Total Maintenance	\$56,224	\$0	\$56,224	\$56,224

**NOBLE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
FOR THE TWELVE MONTHS ENDED MARCH 31, 2012**

	Project Total	Housing Choice Vouchers	Subtotal	Total
96110 Property Insurance	\$1,427		\$1,427	\$1,427
96120 Liability Insurance	\$1,427		\$1,427	\$1,427
96130 Workmen's Compensation	\$625		\$625	\$625
96100 Total Insurance Premiums	\$3,479	\$0	\$3,479	\$3,479
96300 Payments in Lieu of Taxes	\$5,130		\$5,130	\$5,130
96400 Bad debt - Tenant Rents	\$1,991		\$1,991	\$1,991
96000 Total Other General Expenses	\$7,121	\$0	\$7,121	\$7,121
96900 Total Operating Expenses	\$128,724	\$54,078	\$182,802	\$182,802
97000 Excess of Operating Revenue over Operating Expenses	\$3,265	\$341,413	\$344,678	\$344,678
97300 Housing Assistance Payments		\$363,848	\$363,848	\$363,848
97400 Depreciation Expense	\$76,038		\$76,038	\$76,038
90000 Total Expenses	\$204,762	\$417,926	\$622,688	\$622,688
10010 Operating Transfer In	\$4,305		\$4,305	\$4,305
10020 Operating transfer Out	-\$4,305		-\$4,305	-\$4,305
10100 Total Other Financing Sources (Uses)	\$0	\$0		
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$72,773	-\$22,435	-\$95,208	-\$95,208
11030 Beginning Equity	\$1,305,680	\$85,993	\$1,391,673	\$1,391,673
11170 Administrative Fee Equity		\$22,638	\$22,638	\$22,638
11180 Housing Assistance Payments Equity		\$40,920	\$40,920	\$40,920
11190 Unit Months Available	\$336	\$1,104	\$1,440	\$1,440
11210 Number of Unit Months Leased	\$336	\$1,105	\$1,441	\$1,441
11270 Excess Cash	\$13,750		\$13,750	\$13,750
11620 Building Purchases	\$10,276		\$10,276	\$10,276

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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
Noble Metropolitan Housing Authority
Cambridge, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the financial statements of the business-type activities of the Noble Metropolitan Housing Authority, Ohio, (the Authority) as of and for the year ended March 31, 2012, and have issued our report thereon dated September 21, 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 of America.

Internal Control Over Financial Reporting

Management of the Noble 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 Noble 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 Noble Metropolitan Housing Authority, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Noble 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 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 the Noble 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*.

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

September 21, 2012

**NOBLE METROPOLITAN HOUSING AUTHORITY
CAMBRIDGE, OHIO
STATUS OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED MARCH 31, 2012**

The prior audit report, as of March 31, 2011, included no citations or compliance findings. Management letter recommendations have been corrected or procedures instituted to prevent occurrences in this audit period.



Dave Yost • Auditor of State

NOBLE METROPOLITAN HOUSING AUTHORITY

NOBLE 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
DECEMBER 11, 2012**