

**CLERMONT METROPOLITAN
HOUSING AUTHORITY
CLERMONT COUNTY, OHIO**

AUDIT REPORT

**FOR THE YEAR ENDED
SEPTEMBER 30, 2013**

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



Dave Yost • Auditor of State

Board of Directors
Clermont Metropolitan Housing Authority
65 South Market Street
Batavia, Ohio 45103

We have reviewed the *Independent Auditor's Report* of the Clermont Metropolitan Housing Authority, Clermont County, prepared by James G. Zupka, CPA, Inc., for the audit period October 1, 2012 through September 30, 2013. 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 Clermont 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

April 8, 2014

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**CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Clermont Metropolitan Housing Authority
Batavia, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the Clermont Metropolitan Housing Authority, Clermont County, Ohio, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, in making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Clermont Metropolitan Housing Authority, as of September 30, 2013, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 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 the 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Clermont Metropolitan Housing Authority, Ohio's basic financial statements. The Statement of Modernization Costs - Completed and the Financial Data Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Statement of Modernization Cost - Completed, the Financial Data Schedules and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Modernization Cost - Completed, the Financial Data Schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2014, on our consideration of the Clermont 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 an compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

James G. Zupka
CPA, President

Digitally signed by James G. Zupka, CPA,
President
DN: cn=James G. Zupka, CPA, President,
o=James G. Zupka, CPA, Inc.,
ou=Accounting,
email=jgzcpa@sbcglobal.net, c=US
Date: 2014.03.28 08:54:49 -04'00'

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

March 11, 2014

**CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Unaudited)**

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

Management’s Discussion and Analysis

The Clermont 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 and (d) identify individual fund issues or concerns.

Since the Management 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 13).

FINANCIAL HIGHLIGHTS

- The Authority’s total assets were \$10,288,312 and \$10,870,297 for 2013 and 2012 respectively. The Authority-wide statements reflect a decrease in total assets of \$581,985 during 2013.
- Revenues increased by \$227,178 (or 3.8 percent) during 2013, and were \$6,237,764 and \$6,010,586 for 2013 and 2012 respectively.
- The total expenses of all Authority programs decreased by \$22,596 or (.3 percent). Total expenses were \$6,820,448 and \$6,843,044 for 2013 and 2012 respectively.

**CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(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
(new) - pgs 13-15**

**- Notes to Financial Statements
(Expanded/Restructured) - pgs 16 - 29**

Other Required Supplementary Information

**- Required Supplementary Information - pg 30
(Other than MD&A) (Expanded)**

The primary focus of the Authority’s financial statements is on the Authority as a whole (Authority-wide). This allows the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority’s accountability.

CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Unaudited)

AUTHORITY-WIDE FINANCIAL STATEMENTS

The Authority-wide financial statements (see pages 13-15) 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 Position**, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The Statement is presented in the format where assets minus liabilities equals "Net Position", 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 Position (the "**Unrestricted** Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly equity) are reported in three broad categories:

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

Unrestricted Net Position: Consists of Net Position that do not meet the definition of "Net Investment in Capital Assets, ", or "Restricted Net Position".

The Authority-wide financial statements also include a **Statement of Revenues, Expenses, and Changes in Net Position** (similar to an Income Statement). This statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, 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 Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

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

**CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Unaudited)**

Fund Financial Statements

The Authority 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.

Many of the programs maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

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 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.

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 housing.

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 participant's rent at 30 percent of household income.

Shelter Plus Care Program - The Shelter Plus Care Program is funded by a grant from HUD. The Authority is awarded an annual grant to house homeless families with disabilities, which includes severe mental illness, chronic substance abuse, physical disabilities, HIV/AIDS, or MRDD. The grant provides one bedroom rental assistance to 5 households. The housing assistance is provided by the Authority by contracting with independent landlords and subsidizing the family's rent. The supportive services are handled through the local mental health and counseling centers.

**CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Unaudited)**

AUTHORITY STATEMENTS

Statement of Net Position

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

Table 1 - Condensed Statement of Net Position Compared to Prior Year

	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$2,255,272	\$2,687,754
Capital Assets	<u>8,033,040</u>	<u>8,182,543</u>
Total Assets	<u>\$10,288,312</u>	<u>\$10,870,297</u>
Current Liabilities	\$ 183,166	\$ 200,054
Noncurrent Liabilities	<u>64,316</u>	<u>46,729</u>
Total Liabilities	<u>247,482</u>	<u>246,783</u>
Net Position:		
Net Investment in Capital Assets	8,033,040	8,182,543
Restricted	693,874	980,410
Unrestricted	<u>1,313,916</u>	<u>1,460,561</u>
Total Net Position	<u>10,040,830</u>	<u>10,623,514</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$10,288,312</u>	<u>\$10,870,297</u>

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

Major Factors Affecting the Statement of Net Position

During 2013, current and other assets decreased by \$432,482 due to funding reductions via an operating reserve offset resulting in operational adjustments and to new HAP cash management procedures. Liabilities remained stable, increasing by only \$699.

**CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Unaudited)**

Capital assets decreased from \$8,182,543 to \$8,033,040. The decrease can be contributed primarily due to depreciation expense vs. capital expenditures.

Change of Restricted and Unrestricted Net Position

Table 2 presents details of the change in Net Position.

Table 2 - Change of Net Position

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Investment In Capital Asset</u>
Beginning Balance - September 30, 2012	\$ 1,460,561	\$ 980,410	\$ 8,182,543
Results of Operation	(582,684)	0	0
Adjustments:			
Current Year Depreciation Expense (1)	676,490	0	(676,490)
Capital Expenditure (2)	(526,987)	0	526,987
Transfer to Restricted Net Position	<u>286,536</u>	<u>(286,536)</u>	<u>0</u>
Ending Balance - September 30, 2013	<u>\$ 1,313,916</u>	<u>\$ 693,874</u>	<u>\$ 8,033,040</u>

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

(2) Capital expenditures represent an outflow of unrestricted net position, but are not treated as an expense against Results of Operations, and therefore must be deducted.

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

**CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Unaudited)**

Statement of Revenues, Expenses, and Changes in Net Position

The following table 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 and Changes in Net Position

	<u>2013</u>	<u>2012</u>
<u>Revenues</u>		
Total Tenant Revenues	\$ 515,144	\$ 482,843
Operating Subsidies	5,249,515	5,309,178
Capital Grants	464,432	193,998
Investment Income	1,013	3,003
Other Revenues	<u>7,660</u>	<u>21,564</u>
Total Revenues	<u>6,237,764</u>	<u>6,010,586</u>
<u>Expenses</u>		
Administrative	894,033	944,796
Utilities	183,389	182,188
Maintenance	421,277	452,089
Insurance and General Expenses	95,440	132,167
Housing Assistance Payments	4,549,819	4,494,152
Depreciation	<u>676,490</u>	<u>637,652</u>
Total Expenses	<u>6,820,448</u>	<u>6,843,044</u>
Net Increase (Decrease)	<u>\$ (582,684)</u>	<u>\$ (832,458)</u>

MAJOR FACTORS AFFECTING THE STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

Total revenue increased by \$227,178 in comparison with last year's statements. The decrease is due mainly to the following:

- Increases in Capital Grants due to additional funds drawn down
- Increases in Tenant Revenue

**CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Unaudited)**

Total expenses decreased from last year by \$22,596. This decrease was due to the following activities.

- Insurance and General expenses decreased primarily due to reduction in severance expense.
- Administrative decrease due to a reduction in personnel
- Maintenance expenses also added to the reduction

CAPITAL ASSETS

As of year end, the Authority had \$8,033,040 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (current additions less depreciation) of \$149,503 or 2 percent from the end of last year.

Table 4 - Condensed Statement of Changes in Capital Assets

	<u>2013</u>	<u>2012</u>
Land and Land Rights	\$ 1,931,214	\$ 1,931,214
Buildings	16,512,358	16,157,337
Equipment	412,206	280,253
Leasehold Improvement	545,348	505,333
Accumulated Depreciation	<u>(11,368,086)</u>	<u>(10,691,594)</u>
Total	<u>\$ 8,033,040</u>	<u>\$ 8,182,543</u>

**CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(Unaudited)**

The following reconciliation summarizes the change in Capital Assets.

Table 5 - Changes in Capital Assets

Beginning Balance - September 30, 2012	\$ 8,182,543
Current Year Additions	526,987
Current Year Depreciation Expense	<u>(676,490)</u>
Ending Balance - September 30, 2013	<u>\$8,033,040</u>

DEBT

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

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

The individual to be contacted regarding this report is Timothy Holland, Executive Director of the Clermont Metropolitan Housing Authority, at (513) 732-6010. Specific requests may be submitted to the Clermont Metropolitan Housing Authority at 65 South Market Street, Batavia, Ohio 45103.

**CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$1,932,942
Restricted Cash and Cash Equivalents	308,048
Receivables, Net	7,924
Prepaid Expenses and Other Assets	<u>6,358</u>

Total Current Assets 2,255,272

Non-Current Assets

Capital Assets:

Non-Depreciable Capital Assets	1,931,214
Depreciable Capital Assets, Net	<u>6,101,826</u>

Total Non-Current Assets 8,033,040

TOTAL ASSETS \$10,288,312

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 42,665
Accrued Liabilities	49,075
Intergovernmental Payables	30,125
Tenant Security Deposits	60,669
Other Current Liabilities	<u>632</u>

Total Current Liabilities 183,166

Non-Current Liabilities:

Accrued Compensated Absences Non-Current	32,170
Other Non-Current Liabilities	<u>32,146</u>

Total Non-Current Liabilities 64,316

TOTAL LIABILITIES \$ 247,482

NET POSITION

Net Investment in Capital Assets	\$ 8,033,040
Restricted	693,874
Unrestricted	<u>1,313,916</u>

TOTAL NET POSITION \$10,040,830

See the accompanying notes to the basic financial statements.

**CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

<u>OPERATING REVENUES</u>	
Tenant Revenue	\$ 515,144
Government Operating Grants	5,249,515
Other Revenue	<u>7,660</u>
TOTAL OPERATING REVENUES	<u>5,772,319</u>
<u>OPERATING EXPENSES</u>	
Administrative	894,033
Utilities	183,389
Maintenance	421,277
General	95,440
Housing Assistance Payment	4,549,819
Depreciation	<u>676,490</u>
TOTAL OPERATING EXPENSES	<u>6,820,448</u>
Operating Income (Loss)	<u>(1,048,129)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest and Investment Revenue	<u>1,013</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>1,013</u>
Income (Loss) before Contributions	(1,047,116)
Capital Grants	<u>464,432</u>
Change in Net Position	(582,684)
Total Net Position - Beginning of the Year	<u>10,623,514</u>
TOTAL NET POSITION - ENDING OF THE YEAR	<u>\$10,040,830</u>

See the accompanying notes to the basic financial statements.

**CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

<u>Cash Flows from Operating Activities</u>	
Operating Grants Received	\$ 5,244,519
Tenant Revenue Received	542,201
Other Revenue Received	7,660
Administrative Expenses	(913,300)
Other Operating Expenses	(695,950)
Housing Assistance Payments	<u>(4,549,819)</u>
Net Cash Provided by Operating Activities	<u>(364,689)</u>
 <u>Cash Flows from Investing Activities</u>	
Interest Earned	<u>1,013</u>
Net Cash Provided from Investing Activities	<u>1,013</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Capital Grant Funds Received	464,432
Acquisition of Capital Assets	<u>(526,987)</u>
Net Cash Provided by (Used by) Capital and Related Financing Activities	<u>(62,555)</u>
 Net Decrease in Cash	 (426,231)
 Cash and Cash Equivalents at Beginning of Year	 <u>2,667,221</u>
 Cash and Cash Equivalents at End of Period	 <u>\$ 2,240,990</u>
 <u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u>	
Net Operating Income (Loss)	\$(1,048,129)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	676,490
(Increase) Decrease in HUD Receivable	(4,996)
(Increase) Decrease in Tenant Accounts Receivable	9,632
(Increase) Decrease in Prepaid Assets	1,615
Increase (Decrease) in Accounts Payable	(277)
Increase (Decrease) in Accounts Payable - Other Governments	2,978
Increase (Decrease) in Compensated Absences Payable	(9,208)
Increase (Decrease) in Accrued Expenses Payable	(10,186)
Increase (Decrease) in Tenant Security Deposits	2,601
Increase (Decrease) in Non-Current Liabilities - Other	<u>14,791</u>
 Net Cash Provided by Operating Activities	 <u>\$ (364,689)</u>

See the accompanying notes to the basic financial statements.

**CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Clermont Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (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 Clermont Metropolitan Housing Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, *the Financial Reporting Entity*, (as amended by GASB Statement No. 61) 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 the 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 government 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.

CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (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. A 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 financial statements consist of a statement of net position, a statement of revenue, expenses and changes in net position, 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.

CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(CONTINUED)

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. 62, *Codification of Accounting and Financial Reporting Guidance, Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority follows GASB guidance as applicable to enterprise funds.

Description of Programs

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

Public Housing Program

The public housing program is designed to provide low-cost housing within the Clermont 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.

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 housing.

Housing Choice Voucher Program

The Housing Choice Voucher Program was 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 the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending September 30, 2013 totaled \$1,013.

CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(CONTINUED)

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:

Land Improvements	20 years
Buildings	40 years
Building Improvements	15 years
Furniture, Equipment and Machinery	3-10 years
Leasehold Improvements	15 years

Net Position

Net position represent the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowings used for the acquisition, construction or improvement of those assets. Net position is 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 by HUD with respect to all federally aided projects under an annual contribution contract.

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.

CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(CONTINUED)

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 eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absence accrual amount.

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

In the proprietary funds, the compensated absences are expensed 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 its HUD funded programs. The budget for its programs is prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. The Board of Commissioners adopts the budget through passage of a 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.

In conformity with the requirements of GASB Statement No. 33, the Authority has recognized grant funds expended for capitalizable capital assets acquired after September 30, 2000 as revenues and the related depreciation thereon, as expenses in the accompanying Combined Statement of Revenue and Expenses.

CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(CONTINUED)

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

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.

NOTE 2: **DEPOSITS AND INVESTMENTS**

Deposits

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

1. 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 withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
2. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two periods of designation of depositories. Inactive deposits must either be evidenced by certificate of deposits maturing not later than the end of the current period of designation of the depositories, or by savings or deposit accounts including, but not limited to passbook accounts.
3. 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 certificate 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, 2013, the carrying amount of the Authority's deposits totaled \$2,240,990 (including \$200 in petty cash) and its bank balance was \$2,303,334. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of September 30, 2013, \$1,871,074 was exposed to custodial risk as discussed below, while \$432,260 was covered by the Federal Depository Insurance Corporation.

CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(CONTINUED)

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

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 at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the 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 in the name of the Authority.

Investments

Clermont Metropolitan Housing Authority had no investments at September 30, 2013.

NOTE 3: RESTRICTED CASH AND INVESTMENT

Restricted cash balance as of September 30, 2013 of \$308,048 represents cash on hand for the following:

- Proceeds from the sale of the PHA scattered sites plus interest earned	\$ 87,980
- Tenant Security Deposit	60,669
- Cash on hand advance from HUD to be used for tenants housing assistance payments	127,253
- FSS Escrow held for tenants	<u>32,146</u>
Total Restricted Cash	<u>\$ 308,048</u>

NOTE 4: 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, 2013 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.

CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(CONTINUED)

NOTE 5: CAPITAL ASSETS

	Balance at <u>9/30/2012</u>	Reclasses	Additions	Balance at <u>9/30/2013</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	<u>\$1,931,214</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,931,214</u>
Total Capital Assets Not Being Depreciated	<u>1,931,214</u>	<u>0</u>	<u>0</u>	<u>1,931,214</u>
<u>Capital Assets Being Depreciated</u>				
Buildings and Improvements	16,157,337	0	355,021	16,512,358
Furniture, Equipment, and Machinery	280,253	0	131,953	412,206
Leasehold Improvements	<u>505,333</u>	<u>0</u>	<u>40,015</u>	<u>545,348</u>
Sub-Total Capital Assets Being Depreciated	<u>16,942,923</u>	<u>0</u>	<u>526,989</u>	<u>17,469,912</u>
<u>Accumulated Depreciation</u>				
Buildings and Improvements	(10,237,874)	(68,130)	(591,470)	(10,897,474)
Furniture, Machinery and Equipment	(224,344)	68,486	(49,747)	(205,605)
Leasehold Improvements	<u>(229,376)</u>	<u>(358)</u>	<u>(35,273)</u>	<u>(265,007)</u>
Subtotal Accumulated Depreciation	<u>(10,691,594)</u>	<u>(2)</u>	<u>(676,490)</u>	<u>(11,368,086)</u>
Depreciable Assets, Net	<u>6,251,329</u>	<u>(2)</u>	<u>(149,501)</u>	<u>6,101,826</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 8,182,543</u>	<u>\$ (2)</u>	<u>\$(149,501)</u>	<u>\$ 8,033,040</u>

NOTE 6: DEFINED BENEFIT PENSION PLANS - PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Public Employees Retirement System

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investments earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution 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, whose investment is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(CONTINUED)

NOTE 6: DEFINED BENEFIT PENSION PLANS - PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

Ohio Public Employees Retirement System (Continued)

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) 222-5601 or 1-800-222-7377, or by using the OPERS website at www.opers.org.

The Ohio Revised Code provides statutory authority for member and employer contributions. Effective January 1, 2009, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Authority's contribution rate was 14.0 percent of covered payroll.

The Authority's required contributions to OPERS for the years ended September 30, 2013, 2012, and 2011 were \$90,080, \$90,017, and \$91,989 respectively. All required contributions have been paid.

NOTE 7: 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.

CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(CONTINUED)

NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

A. **Plan Description** (Continued)

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.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In the period, 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

**CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(CONTINUED)**

NOTE 7: POST-EMPLOYMENT BENEFITS (Continued)

B. Funding Policy (Continued)

Traditional Plan was 4.0 in 2012, and was 1.0 percent beginning January 1, 2013. 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 years ended September 30, 2013 which were used to fund post-employment benefits were \$10,740.

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 to January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 8: COMPENSATED ABSENCES

Employees earn 2-5 weeks of annual vacation leave per calendar year, based on years of service. Annual leave may be taken after 1 year of employment. As of September 30, 2013, the accrual for compensated absences (including sick leave) totaled \$72,964 and has been included in the accrued liabilities account balance in the accompanying Statement of Net Position. The Authority considers all compensated absences payable as due within one year.

The following is a summary of changes in compensated absences for the year ended September 30, 2013:

<u>Description</u>	<u>Balance at</u> <u>9/30/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>09/30/2013</u>	<u>Amounts Due</u> <u>In One Year</u>
Compensated Absences	\$ 82,172	\$ 51,097	\$ (60,305)	\$ 72,964	\$ 40,794

CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(CONTINUED)

NOTE 9: **RESTRICTED NET POSITION**

A summary of Restricted Net Position at September 30, 2013 is as follows:

- Cash on hand advanced from HUD to be used for tenants housing assistance payments	\$ 127,253
- Cash on hand that represent proceeds from the sale of PHA scattered sites plus interest	87,980
- Proceeds from the sale of PHA scattered sites in the form of an inter-company receivable balance from the Agency's Business Activities	<u>478,641</u>
Total Restricted Net Position	<u>\$ 693,874</u>

NOTE 10: **CONTINGENCIES**

Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustments 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 recaptured amounts would not have a material adverse effect on the overall financial position of the Authority at September 30, 2013.

Litigations and Claims

In the normal course of operations the PHA may be subject to litigations and claims. At September 30, 2013 the PHA was not aware of any such matters.

NOTE 11: **NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

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

CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(CONTINUED)

NOTE 12. IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

For 2013, the Authority has implemented GASB No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 34*, GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, and GASB Statement No. 65, *Items Previously Reporting as Assets and Liabilities*.

The objective of GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, is to improve financial reporting by addressing issues related to service concession arrangements (SCA's), which are a type of public-private or public-public partnership. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and the implementation of this statement did not result in any change in the Authority's financial statements.

The objective of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an Amendment of GASB Statements No. 14 and No. 34*, is to improve financial reporting for a governmental financial reporting entity. The requirements of this Statement are effective for financial reporting for periods beginning after June 15, 2012, and have been implemented by the Authority.

The objective of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and the implementation of this statement did not result in any change in the Authority's financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial and reporting guidance for deferred outflows of resources and deferred inflows of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the Authority; however, there was no effect on beginning net position.

CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(CONTINUED)

NOTE 12. **IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS** (Continued)

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and have been implemented by the Authority; however, there was no effect on the financial statements of the Authority.

**CLERMONT METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

1. The total amount of modernization costs of the Capital Fund Program grant is shown below:

	<u>OH10P03850110</u>
Funds Approved	\$ 353,420
Funds Expended	<u>353,420</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 353,420
Funds Expended	<u>353,420</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program has been completed.
3. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.
4. There are no discharged 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.

**CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
ENTITY-WIDE BALANCE SHEET SUMMARY
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Project Total	14,871 Housing Choice Vouchers	14,238 Shelter Plus Care	Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	1,384,038	551,444		1,208	1,936,690	-3,748	1,932,942
113 Cash - Other Restricted	87,980	159,399			247,379		247,379
114 Cash - Tenant Security Deposits	60,519			150	60,669		60,669
100 Total Cash	1,532,537	710,843	-	1,358	2,244,738	-3,748	2,240,990
122 Accounts Receivable - HUD Other Projects	4,996				4,996		4,996
126 Accounts Receivable - Tenants	3,597				3,597		3,597
126.1 Allowance for Doubtful Accounts - Tenants	-669				-669		-669
120 Total Receivables, Net of Allowances for Doubtful Accounts	7,924	-	-	-	7,924	-	7,924
132 Investments - Restricted					-		-
142 Prepaid Expenses and Other Assets	6,358				6,358		6,358
144 Inter Program Due From	478,641				478,641	-478,641	-
150 Total Current Assets	2,025,460	710,843	-	1,358	2,737,661	-482,389	2,255,272
161 Land	1,931,214				1,931,214		1,931,214
162 Buildings	15,986,875	68,650		456,833	16,512,358		16,512,358
163 Furniture, Equipment & Machinery - Dwellings	149,300				149,300		149,300
164 Furniture, Equipment & Machinery - Administration	171,647	91,259			262,906		262,906
165 Leasehold Improvements	539,954			5,394	545,348		545,348
166 Accumulated Depreciation	-11,268,800	-76,731		-22,555	-11,368,086		-11,368,086
160 Total Capital Assets, Net of Accumulated Depreciation	7,510,190	83,178	-	439,672	8,033,040	-	8,033,040
180 Total Non-Current Assets	7,510,190	83,178	-	439,672	8,033,040	-	8,033,040
190 Total Assets	9,535,650	794,021	-	441,030	10,770,701	-482,389	10,288,312

CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
ENTITY-WIDE BALANCE SHEET SUMMARY
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Project Total	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	Business Activities	Subtotal	ELIM	Total
311 Bank Overdraft			3,748		3,748	-3,748	-
312 Accounts Payable <=90 Days	33,537	8,355		773	42,665		42,665
321 Accrued Wage/Payroll Taxes Payable	7,021	1,260			8,281		8,281
322 Accrued Compensated Absences - Current Portion	20,625	20,169			40,794		40,794
333 Accounts Payable - Other Government	30,125				30,125		30,125
341 Tenant Security Deposits	60,519			150	60,669		60,669
342 Deferred Revenues	632				632		632
347 Inter Program - Due To				478,641	478,641	-478,641	-
310 Total Current Liabilities	152,459	29,784	3,748	479,564	665,555	-482,389	183,166
353 Non-current Liabilities - Other		32,146			32,146		32,146
354 Accrued Compensated Absences - Non Current	19,776	12,394			32,170		32,170
350 Total Non-Current Liabilities	19,776	44,540	-	-	64,316	-	64,316
300 Total Liabilities	172,235	74,324	3,748	479,564	729,871	-482,389	247,482
508.1 Invested In Capital Assets, Net of Related Debt	7,510,190	83,178		439,672	8,033,040		8,033,040
511.1 Restricted Net Assets	566,621	127,253			693,874		693,874
512.1 Unrestricted Net Assets	1,286,604	509,266	-3,748	-478,206	1,313,916		1,313,916
513 Total Equity/Net Assets	9,363,415	719,697	-3,748	-38,534	10,040,830	-	10,040,830
600 Total Liabilities and Equity/Net Assets	9,535,650	794,021	-	441,030	10,770,701	-482,389	10,288,312

**CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Project Total	14,871 Housing Choice Vouchers	14,238 Shelter Plus Care	Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	480,911			9,916	490,827		490,827
70400 Tenant Revenue - Other	22,947			1,370	24,317		24,317
70500 Total Tenant Revenue	503,858	-	-	11,286	515,144	-	515,144
70600 HUD PHA Operating Grants	503,932	4,725,690	19,893		5,249,515		5,249,515
70610 Capital Grants	464,432				464,432		464,432
71100 Investment Income - Unrestricted	782	189			971		971
71500 Other Revenue	6,671	12,062			18,733	-11,073	7,660
72000 Investment Income - Restricted		42			42		42
70000 Total Revenue	1,479,675	4,737,983	19,893	11,286	6,248,837	-11,073	6,237,764
91100 Administrative Salaries	206,876	318,832		487	526,195		526,195
91200 Auditing Fees	3,506	5,615			9,121		9,121
91500 Employee Benefit contributions - Administrative	92,896	157,344		262	250,502		250,502
91600 Office Expenses	27,336	29,617		1,638	58,591		58,591
91700 Legal Expense	11,220	1,620			12,840		12,840
91800 Travel	6,325	11,896			18,221		18,221
91900 Other	6,448	11,453		502	18,403		18,403
91000 Total Operating - Administrative	354,607	536,377	-	2,889	893,873	-	893,873
92400 Tenant Services - Other	160				160		160
92500 Total Tenant Services	160	-	-	-	160	-	160
93100 Water	50,714			94	50,808		50,808
93200 Electricity	100,998			1,163	102,161		102,161
93300 Gas	3,169			279	3,448		3,448
93800 Other Utilities Expense	26,862			110	26,972		26,972
93000 Total Utilities	181,743	-	-	1,646	183,389	-	183,389
94100 Ordinary Maintenance and Operations - Labor	127,098			718	127,816		127,816
94200 Ordinary Maintenance and Operations - Materials and Other	66,747	45,973		367	113,087		113,087
94300 Ordinary Maintenance and Operations Contracts	109,435			2,204	111,639		111,639
94500 Employee Benefit Contributions - Ordinary Maintenance	68,677			58	68,735		68,735
94000 Total Maintenance	371,957	45,973	-	3,347	421,277	-	421,277

CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Project Total	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	Business Activities	Subtotal	ELIM	Total
96110 Property Insurance	19,325	5,560		581	25,466		25,466
96120 Liability Insurance	11,582				11,582		11,582
96130 Workmen's Compensation	2,719				2,719		2,719
96140 All Other Insurance	7,082				7,082		7,082
96100 Total insurance Premiums	40,708	5,560	-	581	46,849	-	46,849
96200 Other General Expenses		4,288			4,288		4,288
96300 Payments in Lieu of Taxes	30,726				30,726		30,726
96400 Bad debt - Tenant Rents	13,577				13,577		13,577
96000 Total Other General Expenses	44,303	4,288	-	-	48,591	-	48,591
96900 Total Operating Expenses	993,478	592,198	-	8,463	1,594,139	-	1,594,139
97000 Excess of Operating Revenue over Operating Expenses	486,197	4,145,785	19,893	2,823	4,654,698	-11,073	4,643,625
97300 Housing Assistance Payments		4,526,178	23,641		4,549,819		4,549,819
97350 HAP Portability-In		11,073				-11,073	
97400 Depreciation Expense	644,777	18,949		12,764	676,490		676,490
90000 Total Expenses	1,638,255	5,148,398	23,641	21,227	6,831,521	-11,073	6,820,448
10010 Operating Transfer In	5,231				5,231	-5,231	-
10020 Operating transfer Out	-5,231				-5,231	5,231	-
10100 Total Other financing Sources (Uses)	-	-	-	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-158,580	-410,415	-3,748	-9,941	-582,684	-	-582,684
11030 Beginning Equity	9,521,995	1,130,112	-	-28,593	10,623,514		10,623,514
11170 Administrative Fee Equity		592,444			592,444		592,444
11180 Housing Assistance Payments Equity		127,253			127,253		127,253
11190 Unit Months Available	2,628	10,692	60	31	13,411		13,411
11210 Number of Unit Months Leased	2,610	10,844	60	31	13,545		13,545

**CLERMONT METROPOLITAN HOUSING AUTHORITY
CLERMONT COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs:</i>		
Low Rent Public Housing Program	14.850	\$ <u>463,368</u>
Capital Fund Program	14.872	<u>504,996</u>
Section 8 Housing Choice Voucher Program	14.871	<u>4,725,690</u>
Shelter Plus Care	14.238	<u>19,893</u>
Total Direct Awards		<u>5,713,947</u>
Total U.S. Department of Housing and Urban Development		<u>5,713,947</u>
Total Federal Expenditures		<u>\$ 5,713,947</u>

This schedule is prepared on the accrual basis of accounting.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
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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
Clermont Metropolitan Housing Authority
Batavia, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited, in accordance with the 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, the financial statements of the business-type activities of the Clermont Metropolitan Housing Authority, Ohio, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Clermont Metropolitan Housing Authority, Ohio's basic financial statements, and have issued our report thereon dated March 11, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Clermont Metropolitan Housing Authority, Ohio's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of 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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clermont Metropolitan Housing Authority, Ohio's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka
CPA, President

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President
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Date: 2014.03.28 08:55:51 -0400

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

March 11, 2014

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

Certified Public Accountants

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

Board of Directors
Clermont Metropolitan Housing Authority
Batavia, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Clermont 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 the Clermont Metropolitan Housing Authority, Ohio's major federal program for the year ended September 30, 2013. Clermont Metropolitan Housing Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal program based on our audit of the types of compliance requirements referred to above. 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 Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Clermont Metropolitan Housing Authority, complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of the Clermont Metropolitan Housing Authority, is responsible for establishing and maintaining an effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purposes of expressing an opinion on compliance for each major federal program 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 Authority's internal control over compliance.

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

James G. Zupka, CPA,
President

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Inc., ou=Accounting, email=xgzupka@ibglobal.net, c=US
Date: 2014.03.28 08:56:49 -0400

James G. Zupka CPA, Inc.
Certified Public Accountants

March 11, 2014

**CLERMONT METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
SEPTEMBER 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

2013(i)	Type of Financial Statement Opinion	Unmodified
2013(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
2013(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
2013(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2013(iv)	Were there any material internal control weaknesses reported for major Federal programs?	No
2013(iv)	Were there any significant deficiencies in internal control reported for major Federal programs?	No
2013(v)	Type of Major Programs' Compliance Opinion	Unmodified
2013(vi)	Are there any reportable findings under .510(a)?	No
2013(vii)	Major Programs (list): Public Housing - CFDA #14.850 Housing Choice Voucher - CFDA # 14.871 Public Housing Capital Fund - CFDA #14.872	
2013(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
2013(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

**CLERMONT METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

The prior year audit report as of September 30, 2012 included no citations or instances of non-compliance.

Management comments contained in the management letter for the year ended September 30, 2012, have been resolved.



Dave Yost • Auditor of State

CLERMONT METROPOLITAN HOUSING AUTHORITY

CLERMONT 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
APRIL 22, 2014**