

**SHELBY METROPOLITAN HOUSING AUTHORITY
SIDNEY, OHIO**

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2009**



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Shelby Metropolitan Housing Authority, Shelby County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 2, 2010

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SHELBY METROPOLITAN HOUSING AUTHORITY
SIDNEY, OHIO

AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2009

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MANNING & ASSOCIATES CPAS, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

INDEPENDENT AUDITORS' REPORT

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

Regional Inspector General of Audit
Department of Housing & Urban Development

We have audited the accompanying basic financial statements of the Shelby Metropolitan Housing Authority as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of Shelby Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Shelby Metropolitan Housing Authority as of December 31, 2009, and the respective changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 2010 on our consideration of the Shelby Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations* and is not a required part of the basic financial statements. The combining financial data schedule ("FDS") and cost certifications are presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

Manning & Associates CPAs, LLC
Dayton, Ohio

June 28, 2010

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**SHELBY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

Unaudited

This Management's Discussion and Analysis (MD&A) for the Shelby Metropolitan Housing Authority (Shelby MHA) is intended to assist the reader identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify and offer a discussion about changes in Shelby MHA's financial position. It is designed to focus on the financial activity for the fiscal year ended December 31, 2009, resulting changes and currently known facts. Please read it in conjunction with the financial statements found elsewhere in this report.

Overview of the Financial Statements

The Basic Financial Statements included elsewhere in this report are:

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

The **Statement of Net Assets** is very similar to, and what most people would think of as, a Balance Sheet. In the first half it reports the value of assets Shelby MHA holds at 12/31/09, that is, the cash Shelby MHA has, the amounts that are owed Shelby MHA from others, and the value of the equipment Shelby MHA owns. In the other half of the report it shows the liabilities Shelby MHA has, that is, what Shelby MHA owes others at 12/31/09; and what net assets (or what is commonly referred to as equity) Shelby MHA has at 12/31/09. The two parts of the report are in balance, thus why many might refer to this type of report as a Balance Sheet, in that the total of the assets part equals the total of the liabilities plus net assets (or equity) part.

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

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

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

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

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

**SHELBY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

Unaudited

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

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

Shelby MHA's Business Type Funds

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

Shelby MHA's programs include the following:

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

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

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

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

**SHELBY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

Unaudited

Condensed Financial Statements

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

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

	<u>2009</u>	<u>2008</u>
Current Assets	\$ 627,000	\$ 453,000
Capital Assets	5,947,000	6,072,000
Other Non- Current Assets	<u>0</u>	<u>0</u>
Total Assets	<u>6,574,000</u>	<u>6,525,000</u>
Current Liabilities	261,000	97,000
Long-Term Liabilities	<u>47,000</u>	<u>46,000</u>
Total Liabilities	<u>308,000</u>	<u>134,000</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	5,947,000	6,072,000
Restricted Net Assets	62,000	24,000
Unrestricted Net Assets	<u>257,000</u>	<u>286,000</u>
Total Nets Assets	<u>6,266,000</u>	<u>6,382,000</u>
Total Liabilities and Net Assets	<u>\$ 6,574,000</u>	<u>\$ 6,525,000</u>

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

Capital Assets were reduced by \$125,000 from the prior year end. Causing that change was that depreciation on existing assets outpaced new capital additions in the period. The increase in Current Assets (\$174,000) just about matched the increase in Current Liabilities (\$164,000), a reflection of the January 2010 Housing Choice Voucher program funding HUD provided the agency late in December 2009.

The bottom line, that is the Total Net Assets, was reduced from the prior year-end by \$49,000. That change in Total Net Assets is the result of decreases in the components of Invested in Capital Assets, Net of Related Debt (\$125,000) and Unrestricted Net Assets (\$29,000), netted against an increase in Restricted Net Assets (\$37,000). Since the component of Net Assets of Invested in Capital Assets, Net of Related Debt by definition is tied to the Capital Assets balance, this same change of \$125,000 is what was referred to in the above about the change in Capital Assets. The small reduction in Unrestricted Net Assets reflects the small loss the agency incurred from operations in administering the agency's programs. The slight increase in Restricted Net Assets reflects reduced spending by the agency in the period of funding provided by HUD to make rental assistance payments in its Housing Choice Voucher program.

**SHELBY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

Unaudited

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

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

	2009	2008
<u>Revenues</u>		
Tenant Revenues – Rents & Other	\$ 342,000	\$ 350,000
Operating Subsidies & Grants	1,441,000	1,387,000
Capital Grants	213,000	308,000
Investment Income	5,000	9,000
Other Revenues	37,000	24,000
Total Revenues	\$ 2,038,000	\$ 2,078,000
<u>Expenses</u>		
Administrative	\$ 395,000	\$ 408,000
Tenant Services	2,000	2,000
Utilities	162,000	164,000
Maintenance	406,000	348,000
General	79,000	82,000
Housing Assistance Payments	773,000	800,000
Depreciation	338,000	325,000
Total Expenses	\$ 2,155,000	\$ 2,129,000
Net Increase / (Decrease)	\$ (117,000)	\$ (51,000)

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

Revenues in total in 2009 were about \$40,000 less than in the prior year. That reduction is reflected in the net change between the drop in Capital Grants (\$93,000) and the increase in Operating Grants (\$54,000). The drop in Capital Grants was due to the agency spending less of the Capital Grants funds provided by HUD to make Capital Improvements, such as building improvements and equipment purchases, in the current year as compared to the previous year. The increase in Operating Grants was spread across all of the HUD programs the agency administers. Total expenses increased about \$26,000, an increase of only 1%. Despite the minor change in total expenses, HAP Expense dropped \$27,000 from the previous period. That change is in large part what caused the change in Restricted Net Assets discussed in the previous section. The largest increase in expenses was in Maintenance Expense, an increase of \$58,000 (or 17%) from the previous year. An increase in contracted services to make needed repairs to agency facilities was the cause of that increase.

**SHELBY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

Unaudited

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

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

		2009		2008
Land and Land Rights	\$	1,686,000	\$	1,686,000
Buildings and Improvements		9,544,000		9,430,000
Equipment		747,000		739,000
Accumulated Depreciation		(6,169,000)		(5,831,000)
Construction in Progress		139,000		48,000
Total	\$	5,947,000	\$	6,072,000

As was mentioned in the previous section where the changes in the Statement of Net Assets was discussed, the increase in accumulated depreciation from year-end 2008 to 2009 (\$338,000) outpaced the increase in capital accounts for buildings and improvements, equipment and construction in progress. With the exception of the change in accumulated depreciation, all of the increases in capital assets in year-end 2009 were made with Capital Revenue through the Capital Fund Program.

There is no **comparison of debt outstanding** at the year-end versus at the end of the prior year because Shelby had no debt at the end of 12/31/08 and has none at 12/31/09.

Economic Factors

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

Financial Contact

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

SHELBY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	537,633
Intergovernmental Receivables		0
Tenant Receivables - Net of \$8,000 Allowance		8,015
Fraud Recovery - Net of \$34,193 Allowance		9,352
Inventory		31,141
Prepaid Expenses		40,469
TOTAL CURRENT ASSETS	\$	<u>626,610</u>

NONCURRENT ASSETS

Capital Assets - Net of \$6,169,233 Accumulated Depreciation	\$	<u>5,947,227</u>
TOTAL ASSETS	\$	<u><u>6,573,837</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	94,523
Intergovernmental Payable		36,588
Tenant Security Deposits		32,991
Accrued Wages and Payroll Taxes		17,670
Deferred Revenue		79,097
TOTAL CURRENT LIABILITIES	\$	<u>260,869</u>

NONCURRENT LIABILITIES

Other Liabilities		<u>47,396</u>
TOTAL LIABILITIES	\$	<u>308,265</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$	5,947,227
Restricted Net Assets		61,695
Unrestricted Net Assets		<u>256,650</u>
TOTAL NET ASSETS	\$	<u><u>6,265,572</u></u>

See Accompanying Notes to the Basic Financial Statements

SHELBY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009

REVENUE

Program Operating Grants/Subsidies	\$ 1,423,685
Rental Income	342,006
Other Income	<u>54,573</u>

TOTAL OPERATING REVENUE \$ 1,820,264

EXPENSES

Housing Assistance Payments	\$ 772,992
Utilities	162,416
Material and Labor	341,421
Administrative Salaries	224,972
Employee Benefits	144,632
Auditing Fees	6,095
Other Administrative	76,841
General	85,190
Residential Services	2,005
Depreciation	<u>338,269</u>

TOTAL EXPENSES \$ 2,154,833

OPERATING LOSS \$ (334,569)

NONOPERATING REVENUES/(EXPENSES)

Interest and Investment Revenue	4,643
Gain on Sale of Assets	0
Capital Grants	<u>213,188</u>
	<u>\$ 217,831</u>

CHANGE IN NET ASSETS \$ (116,738)

NET ASSETS, Beginning of year 6,382,310

NET ASSETS, End of year \$ 6,265,572

See Accompanying Notes to the Basic Financial Statements

SHELBY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from HUD/Grants	\$ 1,423,685
Cash Received from Tenants	340,192
Cash Received from Other Income	107,995
Cash Payments for Housing Assistance Payments	(772,992)
Cash Payments for Other Operating Expenses	(869,425)
NET CASH PROVIDED (USED) BY FOR OPERATING ACTIVITIES	<u>\$ 229,455</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of Property and Equipment	\$ (213,188)
Sale of Assets	0
Capital Grants Received	213,188
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ 0</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	\$ 4,643
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 234,098
CASH AND CASH EQUIVALENTS, BEGINNING	<u>303,535</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 537,633</u></u>

RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES

Net Operating Loss	\$ (334,569)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:	
Depreciation	338,269
Changes in Operating Assets and Liabilities that Increase/Decrease Cash Flows:	
Receivables	55,525
Inventory	(1,771)
Prepaid Expenses	6,194
Accounts Payable	66,364
Accrued Wages and Payroll Taxes	3,383
Intergovernmental Payables	17,959
Other Liabilities	78,228
Tenant Security Deposits	(127)
NET CASH PROVIDED (USED) BY FOR OPERATING ACTIVITIES	<u><u>\$ 229,455</u></u>

See Accompanying Notes to the Basic Financial Statements

SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

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

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

Basis of Presentation

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

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

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

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

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

SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Measurement Focus and Basis of Accounting

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

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

Estimates

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

Cash and Cash Equivalents

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

Inventory

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

Receivable – Net of Allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectibility of outstanding tenant receivable balances at the end of the year. The allowance of uncollectible receivable was \$8,000 for tenant receivables and \$34,193 for fraud receivables at December 31, 2009.

SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fixed Assets

Fixed assets are stated at cost and depreciation is computed using the straight-line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, the do not add to the value of the asset or materially extend the asset life, are not capitalized.

Compensated Absences

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

All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absence accrual amount.

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

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

Investments

The provisions of the HUD Regulations restrict investments. Investments are stated at fair value. Cost based measures were applied to nonnegotiable certificates of deposit and money market investments. Interest income earned in fiscal year ending December 31, 2009 totaled \$4,643.

Due From/To Other Programs

Inter-program receivables and payables on the FDS Schedule on pages 20-23 are eliminated on the Statement of Net Assets.

Prepaid Expenses

Payments made to vendors for services that will be benefit periods beyond December 31, 2009, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2009

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

At fiscal year end, the carrying amount of the Authority's deposits were \$537,413 and the bank balance was \$726,167. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2009, \$250,000 of the Authority's bank balance was covered by Federal Depository Insurance and deposits totaling \$476,167 were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent. Included in the carrying value of the Authority's deposits is \$220 in petty cash.

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Authority's Board. All deposits are collateralized with eligible securities in amounts equal to 105 percent of the carrying value of deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank, and pledged as a pool of collateral against the public deposits it holds.

Investments

The Authority has no formal investment policy, but rather the Authority relies on HUD regulations to serve as the Authority's investment policy. HUD regulations related to allowable deposits and investments are more restrictive than what is set forth in the Ohio Revised Code. The Authority had no investments at December 31, 2009.

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2009

NOTE 2 – DEPOSITS AND INVESTMENTS, continued

Concentration of Credit Risk

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

Cash and investments at year-end were as follows:

<u>Cash and Investment Type</u>	<u>Fair Value</u>	<u>Investments Maturities (in Years)</u>
Carrying Amount of Deposits- Unrestricted	\$ 471,006	<1 \$ 471,006
Carrying Amount of Deposits- Restricted	66,627	66,627
Totals	<u>\$ 537,633</u>	<u>\$ 537,633</u>

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

NOTE 3 – CAPITAL ASSETS

The following is a summary of capital assets:

	<u>BALANCE 12/31/08</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE 12/31/09</u>
Capital Assets, Not Being Depreciated				
Land	\$ 1,685,579	\$ 0	\$ 0	\$ 1,685,579
Construction in Progress	48,217	91,646	0	139,863
Total Capital Assets, Not Being Depreciated	<u>\$ 1,733,796</u>	<u>\$ 91,646</u>	<u>\$ 0</u>	<u>\$ 1,825,442</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	\$ 9,430,382	\$ 113,605	\$ 0	\$ 9,543,987
Furniture and Equipment	739,094	7,937	0	747,031
Totals at Historical Costs	<u>\$ 10,109,476</u>	<u>\$ 121,542</u>	<u>\$ 0</u>	<u>\$ 10,291,018</u>
Less: Accumulated Depreciation	<u>5,830,965</u>	<u>(338,268)</u>	<u>0</u>	<u>6,169,233</u>
Total Capital Assets, Net, Being Depreciated	<u>\$ 4,338,511</u>	<u>\$ (216,726)</u>	<u>\$ 0</u>	<u>\$ 4,121,785</u>
Total Net Capital Assets	<u>\$ 6,072,307</u>	<u>\$ (125,080)</u>	<u>\$ 0</u>	<u>\$ 5,947,227</u>

The depreciation expense for year ended December 31, 2009 is \$338,269.

SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2009

NOTE 4 – DEFINED BENEFIT PENSION PLAN

A. Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, and survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits including post-employment health care coverage. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll. For the year ended December 31, 2008 and 2009, members in state and local classifications contributed 10 percent of covered payroll.

The Authority's contribution rate for 2007 was 13.85 percent and for 2008 was 14.0 percent. For the period January 1 through June 30, 2007, a portion of the Authority's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. For 2008, 7 percent of the Authority's contribution was allocated to fund the post-employment health care plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Authority of 14 percent for 2008 and 2009.

The Authority's required contributions for pension obligations to the traditional plan for the years ended December 31, 2009, 2008, and 2007 were \$53,731, \$56,356, and \$56,525, respectively. The full amount has been contributed for 2009, 2008, and 2007.

SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2009

NOTE 5 – POST- EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPED benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employers contributed 17.40%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated n accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2007, the employer contribution allocated the health care plan for January 1 through June 30, 2007 and July 1 through December 31, 2007 was 5.0% and 6.0% of covered payroll, respectively. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll.

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

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2009

NOTE 6- COMPENSATED ABSENCES

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

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

At December 31, 2009 based on the vesting method, \$47,396 was accrued by the Authority for unused vacation and sick time, it is managements belief this to be all long-term.

NOTE 7 – CONTINGENCIES

Grants

The Authority received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at December 31, 2009.

Risk Management

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

Litigation and Claims

In the normal course of operations, the Authority may be subject to litigation and claims. At December 31, 2009 the Authority was involved in no matters which management believes would have a material effect on the financial statements.

Subsequent Events

In 2009, the Authority adopted FASB ASC 855 (formerly SFAS No. 165) "Subsequent Events" which clarifies accounting for disclosure of events that occur after the balance sheet date, but before financial statements are issued or are available to be issued. Pursuant to FASB ASC 855, the Authority evaluated events and transactions occurring after the balance sheet date through June 28, 2010, which is the date that the financial statements are issued, and noted no events.

**SHELBY METROPOLITAN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2009**

NOTE 8 – BASIS OF PRESENTATION

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

NOTE 9 –PAYMENT IN LIEU OF TAXES

The Authority has cooperation agreements with certain municipalities under which it makes payment in lieu of real estate taxes for various public services. Expense recognized for payment in lieu of taxes totaled \$17,959.

**SHELBY METROPOLITAN HOUSING AUTHORITY
COMBINING BALANCE SHEET
FDS SCHEDULE SUBMITTED TO HUD
DECEMBER 31, 2009**

FDS Line Item No.	Account Description	Low Rent	Housing Choice Voucher	Capital Fund Program	State/ Local	TOTAL
<u>ASSETS</u>						
111	Cash - Unrestricted	\$274,571	\$158,444	\$0	\$5,000	\$438,015
112	Cash - Restricted - Modernization and Development	\$0	\$0	\$4,932	\$0	\$4,932
113	Cash - Other Restricted	\$0	\$61,695	\$0	\$0	\$61,695
114	Cash - Tenant Security Deposits	\$32,991	\$0	\$0	\$0	\$32,991
100	Total Cash	\$307,562	\$220,139	\$4,932	\$5,000	\$537,633
121	Accounts Receivable - PHA Projects	\$0	\$0	\$0	\$0	\$0
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$0	\$0
124	Accounts Receivable - Other Government	\$0	\$0	\$0	\$0	\$0
125	Accounts Receivable - Miscellaneous	\$0	\$0	\$0	\$0	\$0
126	Accounts Receivable-Tenants	\$16,015	\$0	\$0	\$0	\$16,015
126.1	Allowance for Doubtful Accounts - Tenants	(\$8,000)	\$0	\$0	\$0	(\$8,000)
128	Fraud Recovery	\$1,503	\$42,043	\$0	\$0	\$43,546
128.1	Allowance for Doubtful Accounts - Fraud	(\$1)	(\$34,193)	\$0	\$0	(\$34,194)
120	Total Receivables, net of allowances for doubtful accounts	\$9,517	\$7,850	\$0	\$0	\$17,367
142	Prepaid Expenses and Other Assets	\$40,469	\$0	\$0	\$0	\$40,469
143	Inventories	\$31,141	\$0	\$0	\$0	\$31,141
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$12,734	\$0	\$0	\$0	\$12,734
150	TOTAL CURRENT ASSETS	\$401,423	\$227,989	\$4,932	\$5,000	\$639,344
161	Land	\$1,685,579	\$0	\$0	\$0	\$1,685,579
162	Buildings	\$9,543,987	\$0	\$0	\$0	\$9,543,987
163	Furniture, Equipment & Machinery - Dwellings	\$484,071	\$0	\$0	\$0	\$484,071
164	Furniture, Equipment & Machinery - Administration	\$248,643	\$14,317	\$0	\$0	\$262,960
166	Accumulated Depreciation	(\$6,154,916)	(\$14,317)	\$0	\$0	(\$6,169,233)
167	Construction in Progress	\$0	\$0	\$139,863	\$0	\$139,863
150	TOTAL FIXED ASSETS, NET OF ACCUMULATED DEPRECIATION	\$5,807,364	\$0	\$139,863	\$0	\$5,947,227
190	TOTAL ASSETS	\$6,208,787	\$227,989	\$144,795	\$5,000	\$6,586,571

**SHELBY METROPOLITAN HOUSING AUTHORITY
 COMBINING BALANCE SHEET
 FDS SCHEDULE SUBMITTED TO HUD
 DECEMBER 31, 2009**

FDS Line Item No.	Account Description	Low Rent	Housing Choice Voucher	Capital Fund Program	State/ Local	TOTAL
<u>LIABILITIES & RETAINED EARNINGS</u>						
312	Accounts Payable <= 90 days	\$94,523	\$0	\$0	\$0	\$94,523
321	Accrued Wage/ Payroll Taxes Payable	\$16,020	\$1,650	\$0	\$0	\$17,670
322	Accrued Compensated Absences - Current	\$0	\$0	\$0	\$0	\$0
331	Accounts Payable - HUD PHA Programs	\$0	\$0	\$0	\$0	\$0
333	Accounts Payable - Other Government	\$36,588	\$0	\$0	\$0	\$36,588
341	Tenant Security Deposits	\$32,991	\$0	\$0	\$0	\$32,991
342	Deferred Revenue	\$0	\$74,165	\$4,932	\$0	\$79,097
347	Interprogram Due To	\$0	\$12,734	\$0	\$0	\$12,734
310	TOTAL CURRENT LIABILITIES	\$180,122	\$88,549	\$4,932	\$0	\$273,603
354	Accrued Compensated Absences-Noncurrent	\$41,270	\$6,126	\$0	\$0	\$47,396
300	TOTAL LIABILITIES	\$221,392	\$94,675	\$4,932	\$0	\$320,999
<u>EQUITY</u>						
508.1	Invested in Capital Assets, Net of Related De	\$5,807,364	\$0	\$139,863	\$0	\$5,947,227
511.1	Restricted Net Assets	\$0	\$61,695	\$0	\$0	\$61,695
512.1	Unrestricted Net Assets	\$180,031	\$71,619	\$0	\$5,000	\$256,650
513	TOTAL EQUITY/ NET ASSETS	\$5,987,395	\$133,314	\$139,863	\$5,000	\$6,265,572
600	TOTAL LIABILITIES & EQUITY	\$6,208,787	\$227,989	\$144,795	\$5,000	\$6,586,571

SHELBY METROPOLITAN HOUSING AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS
FDS SCHEDULE SUBMITTED TO HUD
DECEMBER 31, 2009

FDS Line			Housing	Capital	State/	
Item No.	Account Description	Low Rent	Choice Vouchers	Fund Program	Local	TOTAL
<u>REVENUE</u>						
703	Net Tenant Rental Revenue	\$337,888	\$0	\$0	\$0	\$337,888
704	Tenant Revenue - Other	\$4,118	\$0	\$0	\$0	\$4,118
705	Total Tenant Revenue	\$342,006	\$0	\$0	\$0	\$342,006
706	HUD PHA Operating Grants	\$524,414	\$886,204	\$13,067	\$0	\$1,423,685
706.1	Capital Grants	\$73,325	\$0	\$139,863	\$0	\$213,188
708	Other Government Grants	\$0	\$0	\$0	\$16,988	\$16,988
711	Investment Income - Unrestricted	\$4,327	\$209	\$0	\$0	\$4,536
714	Fraud Recovery	\$0	\$2,914	\$0	\$0	\$2,914
715	Other Revenue	\$34,517	\$154	\$0	\$0	\$34,671
716	Gain/Loss on Sale of Fixed Assets	\$0	\$0	\$0	\$0	\$0
720	Investment Income - Restricted	\$0	\$107	\$0	\$0	\$107
700	TOTAL REVENUE	\$978,589	\$889,588	\$152,930	\$16,988	\$2,038,095
<u>EXPENSES</u>						
911	Administrative Salaries	\$165,434	\$59,538	\$0	\$0	\$224,972
912	Auditing Fees	\$5,205	\$890	\$0	\$0	\$6,095
914	Compensated Absences	\$0	\$0	\$0	\$0	\$0
915	Employee Benefit Contributions - Admin	\$59,277	\$27,254	\$0	\$0	\$86,531
916	Office Expenses	\$0	\$0	\$0	\$0	\$0
917	Legal Expense	\$5,404	\$0	\$0	\$0	\$5,404
918	Travel	\$4,328	\$1,100	\$0	\$0	\$5,428
919	Other	\$38,463	\$14,479	\$13,067	\$0	\$66,009
924	Tenant Services - Other	\$2,005	\$0	\$0	\$0	\$2,005
931	Utilities - Water	\$26,336	\$0	\$0	\$0	\$26,336
932	Utilities - Electricity	\$67,462	\$0	\$0	\$0	\$67,462
933	Utilities - Gas	\$40,965	\$0	\$0	\$0	\$40,965
936	Sewer	\$27,653	\$0	\$0	\$0	\$27,653
941	Ordinary Maintenance & Operations-labc	\$156,121	\$0	\$0	\$0	\$156,121
942	Ordinary Maintenance & Operations - Materials & Other	\$43,749	\$0	\$0	\$0	\$43,749
943	Ordinary Maintenance & Operations - Contract Costs	\$141,551	\$0	\$0	\$0	\$141,551
945	Employee Benefit Contributions - Ordinary Maintenance	\$58,101	\$0	\$0	\$0	\$58,101
961	Insurance Premiums	\$38,059	\$8,870	\$0	\$0	\$46,929
962	Other General Expenses	\$1,222	\$0	\$0	\$0	\$1,222
952.1	Compensated Absences	\$1,626	\$41	\$0	\$0	\$1,667
963	Payment in Lieu of Taxes	\$17,959	\$0	\$0	\$0	\$17,959
964	Bad Debts - Tenant Rents	\$11,029	\$0	\$0	\$0	\$11,029
969	TOTAL OPERATING EXPENSES	\$911,949	\$112,172	\$13,067	\$0	\$1,037,188

SHELBY METROPOLITAN HOUSING AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS
FDS SCHEDULE SUBMITTED TO HUD
DECEMBER 31, 2009

FDS Line Item No.	Account Description	Low Rent	Housing Choice Vouchers	Capital Fund Program	State/ Local	TOTAL
970	Excess Operating Revenue Over Operating Expenses	\$66,640	\$777,416	\$139,863	\$16,988	\$1,000,907
971	Extraordinary Maintenance	\$6,384	\$0	\$0	\$0	\$6,384
973	Housing Assistance Payments	\$0	\$756,204	\$0	\$16,788	\$772,992
974	Depreciation	\$338,269	\$0	\$0	\$0	\$338,269
900	TOTAL EXPENSES/ OTHER FINANCIAL SOURCES (USES	\$1,256,602	\$868,376	\$13,067	\$16,788	\$2,154,833
1001	Transfers in	\$51,802	\$0	\$0	\$0	\$51,802
1002	Transfers Out	(\$51,802)	\$0	\$0	\$0	(\$51,802)
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(\$278,013)	\$21,212	\$139,863	\$200	(\$116,738)
1103	Beginning Equity	\$6,265,408	\$112,102	\$0	\$4,800	\$6,382,310
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0	\$0	\$0
513	Total Equity/Net Assets	\$5,987,395	\$133,314	\$139,863	\$5,000	\$6,265,572
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$0	\$0
114	Prorata Maximum Annual Contributions	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$0	\$0
1120	Unit Months Available	2,100	2,628	0	117	4,845
1121	Number of Units Months Leased	2,056	2,591	0	117	4,764

**SHELBY METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Federal CFDA Number</u>	<u>Funds Expended</u>
<u>FROM U. S. DEPT. OF HUD DIRECT PROGRAMS</u>		
Annual Contribution		
Public Housing:		
PHA Owned Housing:		
Operating Subsidy - Low Rent	14.850	\$ <u>451,478</u>
Modernization Program:		
Capital Fund Program	14.872	\$ <u>304,123</u>
Annual Contribution		
Contract C-5098:		
Housing Assistance Payments:		
Choice Voucher	14.871	\$ <u>792,391</u>
TOTAL - ALL PROGRAMS		\$ <u><u>1,547,992</u></u>

BASIS OF PRESENTATION

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

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

MANNING & ASSOCIATES CPAS, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

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

Board of Commissioners
Shelby Metropolitan Housing Authority
Sidney, Ohio

We have audited the financial statements of the Shelby Metropolitan Housing Authority, as of and for the year ended December 31, 2009, and have issued our report thereon dated June 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Shelby Metropolitan Housing Authority
Report on Internal Control Over Financial Reporting and on Compliance
And Other Matters Based On An Audit of Financial Statements Performed
In Accordance with Government Auditing Standards
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This report is intended solely for the information and use of the board of commissioner and management of the authority, and Auditor of the State and federal awarding agencies, and is not intended to be and should not be used by anyone other than those specified parties.

Manning & Associates CPAs, LLC
Dayton, Ohio

June 28, 2010

**MANNING & ASSOCIATES CPAS, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414**

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

Board of Commissioners
Shelby Metropolitan Housing Authority
Sidney, Ohio

Compliance

We have audited the compliance of the Shelby Metropolitan Housing Authority, Sidney, Ohio, (Authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

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

Shelby Metropolitan Housing Authority
Report on Compliance with Requirements Applicable to Each
Major Program and on Internal Control Over Compliance in
Accordance with *OMB Circular A-133*
Page 2

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

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

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

Manning & Associates CPAs, LLC
Dayton, Ohio

June 28, 2010

**Shelby County Metropolitan Housing Authority
December 31, 2009**

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

1. SUMMARY OF AUDITORS' RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)?	NO
Was there any reported material non-compliance at the financial statement level (GAGAS)?	NO
Were there any material internal control weakness reported for major federal programs?	NO
Were there any other significant deficiencies in internal control reported for major federal programs?	NO
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	NO
Major Programs (list):	CFDA#14.871, 14.850 & 14.872
Dollar Threshold: Type A/B Programs	Type A: \$300,000 Type B: All others
Low Risk Auditee?	YES

**Shelby County Metropolitan Housing Authority
December 31, 2009**

**Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505 - Continued**

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings or questioned costs for the year ended December 31, 2009.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended December 31, 2009.

4. FINDINGS RELATED TO FINANCIAL STATEMENTS AND FEDERAL AWARDS

There were no findings or questioned costs for the year ended December 31, 2008.



Mary Taylor, CPA
Auditor of State

SHELBY METROPOLITAN HOUSING AUTHORITY

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 12, 2010**