

**COLUMBIANA METROPOLITAN  
HOUSING AUTHORITY  
COLUMBIANA COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012**

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





# Dave Yost • Auditor of State

Board of Commissioners  
Columbiana Metropolitan Housing Authority  
325 Moore Street  
East Liverpool, Ohio 43920-2572

We have reviewed the *Independent Auditor's Report* of the Columbiana Metropolitan Housing Authority, Columbiana County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

March 12, 2013

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**COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
COLUMBIANA COUNTY, OHIO  
AUDIT REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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*Garfield Hts., Ohio 44125*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Columbiana Metropolitan Housing Authority  
East Liverpool, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited the accompanying basic financial statements of the Columbiana Metropolitan Housing Authority, Columbiana County, Ohio, as of and for the fiscal year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Columbiana Metropolitan Housing Authority, Ohio's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Columbiana Metropolitan Housing Authority, Ohio, as of June 30, 2012, and the changes in financial position, and, cash flows for the fiscal 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 January 15, 2013, on our consideration of the Columbiana Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Columbiana Metropolitan Housing Authority, Ohio's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

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

January 15, 2013

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)**

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The Columbiana Metropolitan Housing Authority’s (the Authority) Management’s Discussion and Analysis is designed to a) assist the reader in focusing on significant financial issues, b) provide an overview of the Authority’s financial activity, c) identify changes in the Authority’s financial position (its ability to address the next and subsequent year challenges), and d) identify individual issues or concerns.

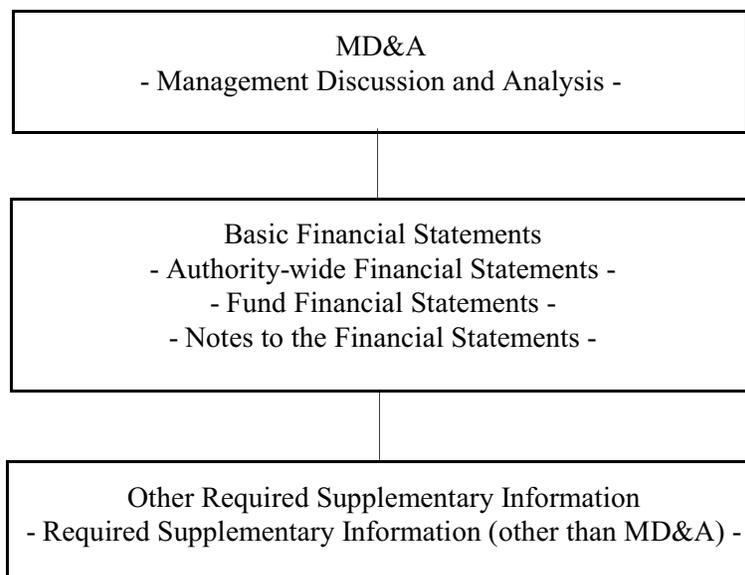
Since the Management’s Discussion and Analysis (MD&A) is designed to focus on the current fiscal year’s activities, resulting changes, and currently known facts, please read it in conjunction with the Authority’s financial statements.

**FINANCIAL HIGHLIGHTS**

- The Authority’s net assets decreased by \$385,038 during 2012. Since the Authority engages in only business-type activities, the decrease is all in the category of business-type net assets.
- The Authority’s total revenues decreased by \$683,322 during 2012, and were \$5,599,793 and \$6,283,115 for 2012 and 2011, respectively.
- The total expenses of all Authority programs increased by \$23,691. Total expenses were \$5,807,214 and \$5,783,523 for 2012 and 2011, respectively.

**USING THIS ANNUAL REPORT**

The following graph outlines the format of this report:



**COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)**

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

**Authority-Wide Financial Statements**

The Authority-wide financial statements are designed to be corporate-like in that all business-type activities are consolidated, which add to a total for the entire Authority.

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

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

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

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

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

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

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
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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.

**Financial Statements**

Traditional users of governmental financial statements will find the financial statements presentation more familiar. The focus is now on major funds, rather than fund types. The Authority consists of exclusively enterprise funds. The enterprise fund utilizes the full accrual basis of accounting. The enterprise fund method of accounting is similar to accounting utilized by private sector accounting.

**THE AUTHORITY'S PROGRAMS**

**Business-Type Programs**

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

Capital Fund Program (CFP) - This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on size and age of the Authority's units.

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 (HAP) made to the landlord. The Program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contribution funding to enable the Authority to structure a lease that sets the participants' rent at 30 percent of household income.

State and Local Program - The State and Local Program includes the Authority's contracts with the City of Salem and the City of East Liverpool, under which the Authority administers a voucher program for the two cities.

Shelter Plus Care Program - Under the Shelter Plus Care Program, the Authority administers contracts with independent landlords that own the property and property owned and managed by Columbiana County Mental Health Board. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The Program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a lease that sets the participants' rent at 30 percent of household income.

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
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Component Unit - The Component Unit represents the Program operated by the Housing Program Limited Corporation, a not-for-profit corporation under the Internal Revenue Service ruling Section 501c(3). This out-of-school program is an educational and recreational program for school-aged residents. The Program is provided on-site at the Authority's family developments. The Program offers a safe, friendly, and clean setting that promotes educational programs targeting a healthy lifestyle and reducing risky behaviors. The Program also reinforces academics by helping students with homework and providing educational computer software in the Authority's computer labs.

**AUTHORITY-WIDE STATEMENTS**

**Statement of Net Assets**

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

**Table 1 - Condensed Statement of Net Assets Compared to Prior Year**

	<u>2012</u>	<u>2011</u>
<b><u>Assets</u></b>		
Current and Other Assets	\$ 1,810,991	\$ 2,086,031
Capital Assets	<u>10,757,748</u>	<u>10,918,367</u>
<b>Total Assets</b>	<b><u>\$ 12,568,739</u></b>	<b><u>\$ 13,004,398</u></b>
<b><u>Liabilities and Net Assets</u></b>		
<b><u>Liabilities</u></b>		
Current Liabilities	\$ 470,274	\$ 416,632
Non-Current Liabilities	<u>528,324</u>	<u>632,587</u>
Total Liabilities	<u>998,598</u>	<u>1,049,219</u>
<b><u>Net Assets</u></b>		
Invested in Capital Assets, Net of Related Debt	10,250,098	10,272,022
Restricted Net Assets	312,202	599,188
Unrestricted Net Assets	<u>1,007,841</u>	<u>1,083,969</u>
Total Net Assets	<u>11,570,141</u>	<u>11,955,179</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 12,568,739</u></b>	<b><u>\$ 13,004,398</u></b>

For more detail information, see Statement of Net Assets presented on page 10.

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)**

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

During 2012, total assets decreased by \$435,659 and total liabilities decreased by \$50,621. The change in total assets was primarily due to the result of current fiscal year activities.

The decrease in total liabilities was primarily due to debt principal payments made during the fiscal year of \$113,836.

Net assets decreased by \$385,038. This decrease is due primarily to the change in operating and capital grant revenue received from HUD for the fiscal year.

**Statement of Revenues, Expenses, and Changes in Net Assets**

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged in only business-type activities.

**Table 2- Statement of Revenues, Expenses, and Changes in Net Assets**

	<u>2012</u>	<u>2011</u>
<b><u>Revenues</u></b>		
Total Tenant Revenues	\$ 764,486	\$ 756,688
Operating Subsidies	4,361,936	4,743,697
Capital Grants	407,232	615,927
Investment Income	11,658	29,224
Other Revenues	54,481	137,579
<b>Total Revenues</b>	<b>5,599,793</b>	<b>6,283,115</b>
<b><u>Expenses</u></b>		
Administrative	1,086,134	975,185
Tenant Services	140,732	128,767
Utilities	448,731	455,579
Maintenance	746,849	807,010
Protective Services	223,889	224,251
Insurance and General Expenses	233,074	336,757
Housing Assistance Payments	2,302,540	2,261,731
Depreciation	625,265	594,243
<b>Total Expenses</b>	<b>5,807,214</b>	<b>5,783,523</b>
Net Increases (Decreases)	(207,421)	499,592
Prior Period Adjustment	(177,617)	0
<b>Change in Net Assets</b>	<b><u>\$ (385,038)</u></b>	<b><u>\$ 499,592</u></b>

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)**

**Major Factors Affecting the Statement of Revenues, Expenses, and Changes in Net Assets**

Tenant revenue remained stable for the year. Revenue increased by \$7,798 in comparison of prior year's revenue.

Operating subsidies and capital grant revenue decreased significantly from the prior year. Current year revenue in these categories was \$4,769,168 in comparison to prior year revenue of \$5,359,624. A decrease of \$590,456 was due primarily to the ARRA grant that ended.

Total expenses remained stable in comparison to prior year. Current year expenses were \$5,807,214 in comparison to prior year expenses of \$5,783,523. The primary changes were an increase in administrative expenses of \$110,949, a decrease in maintenance expenses of \$60,161, and a decrease in general and insurance expenses of \$103,683.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of fiscal year end, the Authority had \$10,757,748 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions, and depreciation) of \$160,619 from the end of last fiscal year.

**Table 3 - Condensed Statement of Changes in Capital Assets**

	2012	2011
Land	\$ 1,064,304	\$ 1,063,604
Construction in Progress	633,125	1,665,422
Buildings	27,489,022	26,055,203
Equipment	942,025	955,143
Accumulated Depreciation	(19,370,728)	(18,821,005)
<b>Total</b>	<b><u>\$ 10,757,748</u></b>	<b><u>\$ 10,918,367</u></b>

The following reconciliation summarizes the change in capital assets, which is presented in detail in Note 3 of the financial statements.

**Table 4 - Change in Capital Assets**

Beginning Balance, June 30, 2011	\$10,918,367
Current Year Additions	464,646
Current Year Depreciation Expense	<u>(625,265)</u>
<b>Ending Balance - June 30, 2012</b>	<b><u>\$ 10,757,748</u></b>

The current year additions were primarily capital improvements to the property.

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
(Unaudited)**

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**Debt Outstanding**

As of fiscal year-end, the Authority had \$507,650 in debt (bonds, notes, etc.) outstanding compared to \$646,345 for the prior fiscal year. A change of \$113,836 was due to principal payments made during the fiscal year and an adjustment to correct the loan balance was made for \$24,859.

**Table 5 - Condensed Statement of Changes in Debt Outstanding**

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	<u>2012</u>	<u>2011</u>
Beginning Balance	\$ 646,345	\$ 778,881
Current Year Principal Payments	(113,836)	(132,536)
Other Adjustments to Current Balance	(24,859)	0
<b>Ending Balance</b>	<u>\$ 507,650</u>	<u>\$ 646,345</u>

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

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

**IN CONCLUSION**

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

**FINANCIAL CONTACT**

The individual to be contacted regarding this report is Claudia Pilarcik, Deputy Director of the Columbiana Metropolitan Housing Authority. Specific requests may be submitted to Claudia Pilarcik, Deputy Director, Columbiana Metropolitan Housing Authority, 325 Moore Street, East Liverpool, Ohio 43920.

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 1,343,165
Restricted Cash and Cash Equivalents	362,135
Receivables, Net	1,455
Prepaid Expenses and Other Assets	65,687
Inventory	<u>38,549</u>
<b>Total Current Assets</b>	<b><u>1,810,991</u></b>

**Capital Assets**

Non-Depreciable Capital Assets	1,697,429
Depreciable Capital Assets, Net	<u>9,060,319</u>
<b>Total Capital Assets</b>	<b><u>10,757,748</u></b>

**TOTAL ASSETS** **\$ 12,568,739**

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 69,302
Accrued Liabilities	25,543
Deferred Revenue	877
Tenant Security Deposits	49,933
Intergovernmental Payable	191,209
Other Current Liabilities	14,568
Current Portion - Mortgages Payable	<u>118,842</u>
<b>Total Current Liabilities</b>	<b><u>470,274</u></b>

**Noncurrent Liabilities**

Mortgages Payable	388,808
Accrued Compensated Absences - Non-Current	<u>139,516</u>
<b>Total Noncurrent Liabilities</b>	<b><u>528,324</u></b>
<b>Total Liabilities</b>	<b><u>998,598</u></b>

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	10,250,098
Restricted Net Assets	312,202
Unrestricted Net Assets	<u>1,007,841</u>
<b>Total Net Assets</b>	<b><u>11,570,141</u></b>

**TOTAL LIABILITIES AND NET ASSETS** **\$ 12,568,739**

See accompanying notes to the basic financial statements.

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b><u>Operating Revenues</u></b>	
Tenant Rental Income	\$ 764,486
Government Operating Grants	4,361,936
Other Revenue	<u>54,481</u>
<b>Total Operating Revenues</b>	<b><u>5,180,903</u></b>
 <b><u>Operating Expenses</u></b>	
Administrative Salaries	1,086,134
Tenant Services	140,732
Utilities	448,731
Maintenance	746,849
Protective Services	223,889
Insurance and General Expense	210,718
Housing Assistance Payment	2,302,540
Depreciation Expense	<u>625,265</u>
<b>Total Operating Expenses</b>	<b><u>5,784,858</u></b>
Operating Income (Loss)	<b><u>(603,955)</u></b>
 <b><u>Non-Operating Revenues (Expenses)</u></b>	
Interest and Investment Revenue	11,658
Interest Expense	<u>(22,356)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<b><u>(10,698)</u></b>
Income (Loss) Before Capital Grants	(614,653)
Capital Grants	<u>407,232</u>
<b>Change in Net Assets</b>	<b>(207,421)</b>
 Total Net Assets, Beginning of Year	 11,955,179
Prior Period Adjustment	<u>(177,617)</u>
 <b>Net Assets, End of Year</b>	 <b><u>\$ 11,570,141</u></b>

See accompanying notes to the basic financial statements.

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b><u>Cash Flows from Operating Activities</u></b>	
Cash Received - HUD Operating Subsidies and Grants	\$ 4,305,745
Cash Received from Tenants and Other Sources	909,380
Cash Payments for Housing Assistance Payments	(2,302,540)
Cash Payments for Administrative Costs	(1,084,122)
Cash Payment for Other Operating Expenses	<u>(1,738,198)</u>
<b>Net Cash Used in by Operating Activities</b>	<b><u>90,265</u></b>
 <b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Capital Additions	(464,646)
Capital Grants	407,232
Interest Expense	(22,356)
Repayment of Long Term Debt	<u>(113,836)</u>
<b>Net Cash Provided (Used) by Capital and Other Related Financing Activities</b>	<b><u>(193,606)</u></b>
 <b><u>Cash Flows from Investing Activities</u></b>	
Investment Income	<u>11,658</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>11,658</u></b>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(91,683)</u>
 Cash and Cash Equivalents, Beginning	 <u>1,796,983</u>
 <b>Cash and Cash Equivalents, Ending</b>	 <b><u>\$ 1,705,300</u></b>
 <b><u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u></b>	
Net Operating (Loss)	\$ (603,955)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	625,265
(Increase) Decrease in:	
Accounts Receivable	113,908
Prepaid Expenses	610
Inventory	(5,860)
Increase (Decrease) in:	
Accounts Payable	37,971
Intergovernmental	6,811
Compensated Absences	24,436
Security Deposits	488
Other Current Liabilities	(86,334)
Accrued Wages and Payroll Taxes	(22,424)
Deferred Revenue	<u>(651)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ 90,265</u></b>

See accompanying notes to the basic financial statements.

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**Summary of Significant Accounting Policies**

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

**Reporting Entity**

The Authority was created under the Ohio Revised Code Section 3735.27 for the purpose of engaging in the development, acquisition, and administrative activities of the low-income housing program and other programs with similar objectives. The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the low-income housing program under the United States Housing Act of 1937, as amended. The Authority contracts with HUD to provide low and moderate income persons with safe and sanitary housing through rent subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

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

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

The definition of a reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

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

**Reporting Entity** (Continued)

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

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

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

**Component Unit**

The accompanying financial statements present the Housing Program Limited Corporation, a component unit of the Authority, over which the Authority exercises significant control, as a blended entity.

The Housing Program Limited Corporation (the Corporation) is a not-for-profit corporation under the IRS ruling 501c(3). The Corporation was created by the Authority to operate its after school program and to be eligible to apply for other funding for which the not-for-profit organization may be eligible. The Board Members of the Corporation consist of the Executive Director, the Finance Director, and another staff member of the Authority.

**Basis of Presentation**

The Authority's basic financial statements consist of a Statement of Net Assets, a Statement of Revenue, Expenses, and Changes in Net Assets, and a Statement of Cash Flows.

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

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

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

**Basis of Presentation** (Continued)

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

**Measurement Focus**

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

**Enterprise Fund**

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

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

**Programs**

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

**Conventional Public Housing and Capital Fund Programs**

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

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

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

**Programs** (Continued)

*Central Office Cost Center (COCC)*

The Authority owns and operates more than 250 dwelling rentals and established a COCC to account for non-project specific costs. These costs are funded from management fees, asset management fees, and bookkeeping fees charged to other Authority programs.

*Housing Choice Voucher Program*

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

*Shelter Plus Care Program and Supporting Housing for Persons with Disabilities*

These programs are designed to provide rental assistance for targeted populations and the Authority often can link the rental assistance provided to supporting services for those receiving the rental assistance. The Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The Program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions funding to enable the Authority to structure a lease that sets the participants' rent at 30 percent of household income.

*State and Local Fund*

The Authority administered a contract with the the City of Salem and the City of Liverpool to provide rental assistance services to their clients. The Authority administers contracts with independent landlords that own the property. This funding enables the Authority to structure a lease that sets the participants' rent at 30 percent of household income.

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

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

**Accounting and Reporting for Nonexchange Transactions**

Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB Statement No. 33 identifies four classes of nonexchange transactions as follows:

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

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

GASB Statement No. 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

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

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

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

**Accounting and Reporting for Nonexchange Transactions** (Continued)

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

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

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

**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.

**Investments**

Investments are restricted by the provisions of the HUD regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year ending June 30, 2012 totaled \$11,658.

**Receivables - Net of Allowance**

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the fiscal year. The allowance for doubtful accounts was \$3,589 at June 30, 2012.

**Prepaid Expenses**

Payments made to vendors for services that will benefit periods beyond June 30, 2012, 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 fiscal year in which the services are consumed.

**Inventory**

The Authority's inventory is comprised of maintenance materials and supplies. Inventory is valued at cost and uses the first-in, first-out (FIFO) flow assumption in determining cost.

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

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

**Inventory** (Continued)

The consumption method is used to record inventory. Under this method, the acquisition of materials and supplies is recorded initially in inventory accounts and charges as expenditures when used. The allowance for obsolete inventory was \$1,008 at June 30, 2012.

**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 a purchase price of \$500 or more per unit; and property betterment and additions costing \$2,500 and more. Depreciation is calculated using the straight-line method over the estimated useful lives of three years to forty years. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

**Due From/To Other Programs**

On the basic financial statements, inter-program receivables and payables listed on the FDS are eliminated.

**Compensated Absences**

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

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both 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 liability.

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

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

**Compensated Absences** (Continued)

The following is a summary of changes in the compensated absence liability.

	Balance			Balance	Due
	<u>6/30/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2012</u>	<u>Within</u>
					<u>One Year</u>
Compensated Absences	\$ 130,580	\$ 75,934	\$ 51,498	\$ 155,016	\$ 15,500

**Deferred Revenue**

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

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets - net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are tenant revenues, operating grant from HUD and other miscellaneous revenue.

Operating expenses are those expenses that are expended directly for the primary activity of the proprietary fund. For the Authority, these expenses are administrative, utilities, maintenance, PILOT, insurance, depreciation, bad debt and housing assistance payments.

**Capital Grant**

This represents grants provided by HUD that the Authority spends on capital assets.

**Income Taxes**

No provision for income taxes is recorded as the Authority is a non-profit, tax exempt entity under the Internal Revenue Code.

**Budgetary Accounting**

The Authority annually prepares its budget as prescribed by HUD. This budget is submitted to HUD and, once approved, is adopted by the Board of the Authority.

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

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

**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 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:

Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Authority has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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.

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

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

**Deposits** (Continued)

At fiscal year end June 30, 2012, the carrying amount of the Authority's deposits totaled \$1,705,300 (including \$100 petty cash) and its bank balance was \$1,758,739. Based on the criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2012, \$987,630 was exposed to custodial risk and collateralized as discussed below, while \$709,852 was covered by the Federal Depository Insurance Corporation, and \$61,257 was uninsured.

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 bank in the name of the Authority.

**Investments**

In accordance with the Ohio Revised Code and HUD investment policy, the Authority is permitted to invest in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, obligations of certain political subdivision of Ohio, and the United States government and its agencies, and repurchase agreements with any eligible depository or any eligible dealers. Public depositories must give security for all public funds on deposit. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based.

The Authority is prohibited from investing in any financial instruments, contracts, or obligations whose value or return is based or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse purchase agreements.

*Interest Rate Risk* - The Authority does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the Authority's practice to limit its investments to three years or less.

*Credit Risk* - HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. The Authority's depository agreement specifically requires compliance with HUD requirements.

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

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

**Investments** (Continued)

*Concentration of Credit Risk* - The Authority places no limit on the amount that may be invested with any one issuer. However, it is the Authority's practice to do business with more than one depository.

The Authority had no investments at June 30, 2012.

**Restricted Cash**

A summary of restricted cash of the Authority is as follows:

Unspent Funding Provided by HUD to make Rental Assistance payments in the Section 8 Housing Choice Voucher Program	\$ 312,202
Tenant Security Deposits	<u>49,933</u>
<b>Total Restricted Cash</b>	<b><u>\$ 362,135</u></b>

NOTE 3: **CAPITAL ASSETS**

The following is a summary of capital assets:

	Balance 07/01/2011	Reclasses	Additions	Deletions	Balance 06/30/2012
<b><u>Capital Assets Not Being Depreciated</u></b>					
Land	\$ 1,063,604	\$ 0	\$ 700	\$ 0	\$ 1,064,304
Construction-in-Progress	<u>1,665,422</u>	<u>(1,439,530)</u>	<u>407,233</u>	<u>0</u>	<u>633,125</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>2,729,026</u>	<u>(1,439,530)</u>	<u>407,933</u>	<u>0</u>	<u>1,697,429</u>
<b><u>Capital Assets Being Depreciated</u></b>					
Buildings and Improvements	23,071,150	1,418,519	15,300	0	24,504,969
Furniture, Equipment, and Machinery-Dwelling	271,132	0	0	0	271,132
Furniture, Equipment, and Machinery-Admin	684,011	21,011	41,413	(75,542)	670,893
Leasehold Improvements	<u>2,984,053</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,984,053</u>
<b>Total Capital Assets Being Depreciated</b>	<u>27,010,346</u>	<u>1,439,530</u>	<u>56,713</u>	<u>(75,542)</u>	<u>28,431,047</u>
<b><u>Accumulated Depreciation</u></b>					
Buildings and Improvements	(17,978,374)	0	(595,723)	0	(18,574,097)
Furniture, Equipment, and Machinery	<u>(842,631)</u>	<u>0</u>	<u>(29,542)</u>	<u>75,542</u>	<u>(796,631)</u>
<b>Total Accumulated Depreciation</b>	<u>(18,821,005)</u>	<u>0</u>	<u>(625,265)</u>	<u>75,542</u>	<u>(19,370,728)</u>
Depreciable Assets, Net	<u>8,189,341</u>	<u>1,439,530</u>	<u>(568,552)</u>	<u>0</u>	<u>9,060,319</u>
<b>Total Capital Assets, Net</b>	<u>\$ 10,918,367</u>	<u>\$ 0</u>	<u>\$ (160,619)</u>	<u>\$ 0</u>	<u>\$ 10,757,748</u>

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

**NOTE 4: LONG-TERM DEBT**

**Lease/Purchase Agreement - Citicorp North America, Inc.**

The Authority entered into an energy performance contract with Honeywell International, Inc., on February 11, 2004, for \$1,294,815. Citicorp North America, Inc. financed the Project. The term of the agreement is 144 semi-annual payments of \$69,823 at a fixed interest rate of 4.35. The outstanding balance as of June 30, 2012 is \$507,650.

The following is a summary of changes in long-term debt for the fiscal year ended June 30, 2012:

	<u>Balance</u> <u>06/30/11</u>	<u>Adjustment</u>	<u>Retired</u>	<u>Balance</u> <u>06/30/12</u>	<u>Due in</u> <u>One Year</u>
Citicorp North America, Inc.	\$ 646,345	\$ (24,859)	\$ (113,836)	\$ 507,650	\$ 118,842

Debt maturities for the next five years are estimated as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 118,842	\$ 20,804	\$ 139,646
2014	124,067	15,579	139,646
2015	129,523	10,123	139,646
2016	135,218	4,428	139,646
<b>Total</b>	<u>\$ 507,650</u>	<u>\$ 50,934</u>	<u>\$ 558,584</u>

**NOTE 5: RISK MANAGEMENT**

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

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

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NOTE 6: **DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

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

- The Traditional Pension Plan (TP) - a cost sharing, multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings;
- The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the Traditional Pension and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377, or by using the OPERS website at [www.opers.org](http://www.opers.org).

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011 and 2012, member and employer contribution rates were consistent across all three plans. The 2011 and 2012 member contribution rates were 10.0 percent for members and 14.0 percent for employers of covered payroll. The Authority's contribution for the fiscal years ended June 30, 2012, 2011, and 2010 were \$135,153, \$139,234, and \$137,232, respectively. All required payments of contributions have been made through June 30, 2012.

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

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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.

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.

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

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

B. **Funding Policy** (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In fiscal year ending 2012, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent for the year ended June 30, 2012.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended June 30, 2012, which were used to fund post-employment benefits was \$38,615.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 8: **RESTRICTED NET ASSETS**

For the fiscal year ended June 30, 2012, the Authority had \$312,202 in unspent funding provided by HUD to the Authority for the purpose of making rental assistance payments under the Section 8 Housing Choice Voucher Program

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012  
 (CONTINUED)**

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NOTE 9: **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 June 30, 2012.

**Litigations**

In the normal course of operations, the Authority may be subject to litigations and claims. At June 30, 2012, the Authority was not aware of any such matters.

NOTE 10: **PRIOR PERIOD ADJUSTMENT**

Adjustments were necessary to the beginning net asset balances as follows:

Supportive Housing Program -	
Overpayment Owed to HUD from Prior Periods	\$ (190,779)
Accounts Receivable Overstated	(31,694)
Adjustment to Long-Term Debt	24,859
Other Adjustments	<u>19,997</u>
<b>Total Adjustments</b>	<b><u>\$ (177,617)</u></b>

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

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

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
<i>Direct Programs:</i>		
<u>Public Housing Programs</u>		
Shelter Plus Care Program	14.238	\$ 300,483
Low Rent Public Housing Program	14.850	1,781,149
ROSS Grant Program	14.870	73,952
Capital Fund Program	14.872	699,467
Total Public Housing Programs		<u>2,855,051</u>
<u>Section 8 Programs</u>		
Supportive Housing Program	14.181	243,324
Section 8 Housing Choice Voucher Program	14.871	1,662,778
Total Section 8 Programs		<u>1,906,102</u>
<i>Total Direct Programs</i>		
		<u>4,761,153</u>
<i>Pass-Through Programs:</i>		
<u>Pass-Through from City of Salem</u>		
HOME Investment Partnership Program	14.239	3,903
<u>Pass-Through from City of East Liverpool</u>		
HOME Investment Partnership Program	14.239	4,112
<i>Total Pass-Through Programs</i>		
		<u>8,015</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>4,769,168</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 4,769,168</u>

This schedule is prepared on the accrual basis of accounting.

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

*Certified Public Accountants*

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

*Garfield Hts., Ohio 44125*

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**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  
Columbiana Metropolitan Housing  
East Liverpool, Ohio

Regional Inspector General for Audit  
Department of Housing and Urban  
Development

We have audited the financial statements of the Columbiana Metropolitan Housing Authority, Ohio, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated January 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting as **Item No. 2012-001**. 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.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to management of the Columbiana Metropolitan Housing Authority, Ohio, in a separate letter dated January 15, 2013.

The Columbiana Metropolitan Housing Authority, Ohio's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Columbiana Metropolitan Housing Authority, Ohio's response and, accordingly, we express no opinion on it.

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

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

January 15, 2013

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

*Certified Public Accountants*

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

*Garfield Hts., Ohio 44125*

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

Board of Commissioners  
Columbiana Metropolitan Housing Authority  
East Liverpool, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Compliance**

We have audited the compliance of the Columbiana Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2012. The Columbiana Metropolitan Housing Authority, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Columbiana Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Columbiana Metropolitan Housing Authority, Ohio's compliance based on our audit.

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

In our opinion, the Columbiana Metropolitan Housing Authority, Ohio, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2012.

### **Internal Control Over Compliance**

The management of the Columbiana Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Columbiana Metropolitan Housing Authority, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Columbiana Metropolitan Housing Authority, Ohio's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operations 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 management, the Board of Directors, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



James G. Zupka CPA, Inc.  
Certified Public Accountants

January 15, 2013

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
JUNE 30, 2012**

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

2012(i)	Type of Financial Statement Opinion	Unqualified
2012(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2012(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	Yes
2012(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2012(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2012(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2012(v)	Type of Major Programs' Compliance Opinion	Unqualified
2012(vi)	Are there any reportable findings under .510?	No
2012(vii)	Major Programs (list):  <div style="margin-left: 40px;">Low Rent Public Housing - CFDA #14.850  Shelter Plus Care Program - CFDA #14.238</div>	
2012(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
2012(ix)	Low Risk Auditee?	Yes

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**OMB CIRCULAR A-133 & .505**  
**JUNE 30, 2012**  
**(CONTINUED)**

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

**Item No. 2012-001 - Significant Deficiency - Proper Recording in the Financial Statements**

Statement of Condition/Criteria

Financial reporting is essential to ensure that the information provided to the reader of the financial statements is complete and accurate. During our audit, we noted the following errors in the financial statements:

1. The capital grant revenue was overstated by \$225,893.
2. Accounts receivable was overstated and required a prior period adjustment of \$31,694.
3. Some inter-program balances were mis-classified as other receivables and liabilities.
4. An adjustment was necessary to correct the debt balance in the amount of \$24,859.
5. HUD determined that the Authority was over-reimbursed in the amount of \$190,779 in the Supportive Housing Program

Cause/Effect

The Authority and its fee accountant did not properly reconcile the accounting records at fiscal year-end.

Recommendation

We recommend that the Authority implement controls and procedures related to financial reporting that will enable management to identify, prevent, detect, and correct potential mis-statements in the financial statements and footnotes.

Auditee's Response

The Authority will implement the above recommendation.

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

None.

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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The prior audit report, as of June 30, 2011, had no audit findings or management letter recommendations.



# Dave Yost • Auditor of State

**COLUMBIANA METROPOLITAN HOUSING AUTHORITY**

**COLUMBIANA 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  
MARCH 26, 2013**