

AUDITED BASIC FINANCIAL STATEMENTS
OF THE
MORGAN METROPOLITAN HOUSING AUTHORITY
JULY 1, 2012 – JUNE 30, 2013



**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Morgan Metropolitan Housing Authority
Morgan County
4580 North State Route 376 NW
McConnelsville, Ohio 43756

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Morgan Metropolitan Housing Authority, Morgan County, Ohio (the Authority), as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Ten West Locust Street

Newark, Ohio 43055

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1-800-523-6611

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Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Authority's basic financial statements taken as a whole.

The Financial Data Schedules are presented for purpose of additional analysis as required by the Department of Housing and Urban Development, and are not a required part of the basic financial statements.

The Federal Awards Expenditures Schedule also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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* in considering the Authority's internal control over financial reporting and compliance.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
December 13, 2013

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

It is a privilege to present for you the financial picture of the Morgan Metropolitan Housing Authority. The Morgan 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 changes), and (d) identify the single enterprise fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

- Net position was \$2,191,155 and \$2,286,595 for 2013 and 2012, respectively. The statements reflect a decrease in total net position of \$95,440 (or 4%), during 2013. This decrease is reflective of the fiscal year’s activities.
- The total revenues were \$1,000,197 and \$1,024,676 for 2013 and 2012, respectively. The statements reflect a decrease in total revenues of \$24,479 (or 2%), during 2013.
- The total expenses were \$1,095,637 and \$1,116,531 for 2013 and 2012, respectively. The statements reflect a decrease in total expenses of \$20,894 (or 2%), during 2013.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

<p>MD&A ~ Management’s Discussion and Analysis ~</p>
<p>Basic Financial Statements ~ Statement of Net Position ~ ~ Statement of Revenues, Expenses and Changes in Net Position ~ ~ Statement of Cash Flows ~ ~ Notes to the Basic Financial Statements ~</p>
<p>Other Required Supplementary Information ~ Required Supplementary Information (other than the MD&A) ~</p>

The focus is on the Authority as a single enterprise fund. This format will allow the user to address relevant questions, broaden a basis for comparison (fiscal year to fiscal year or Authority to Authority) and enhance the Authority’s accountability.

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to be corporate-like in that all business-type programs are consolidated into one single enterprise fund for the Authority.

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

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position is reported in three broad categories (as applicable):

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets, net of accumulated depreciation, 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. The Authority does not have outstanding debt related to capital assets as of June 30, 2013.

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

Unrestricted: Consists of Net Position that do not meet the definition of "Net Investment in Capital Assets," or "Restricted." This account resembles the old operating reserves account.

The basic financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as operating grant revenue and rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as capital grant revenue, interest income and interest expense.

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

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

The Authority's programs that are consolidated into a single enterprise fund are as follows:

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

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Housing Choice Voucher Program (HCV) – Under the Housing Choice Voucher Program, the Authority subsidizes rents to 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 funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

Resident Opportunities and Self Sufficiency (ROSS) – A grant program that provides funds for job training and supportive services to help residents of public housing transition from welfare to work. ROSS also provides funding to link elderly/disabled residents to critical services which can help them continue to live independently.

Business Activities – The Business Activity Fund was set up to separate the non-HUD activities from the HUD funded programs. This fund is mainly used to account for the management fees received from the Housing Opportunities and Personal Empowerment (HOPE) Board for managing rental property for tenants with developmental disabilities.

State & Local – The State & Local fund was set up to track grant money received for low income housing programs through state and local sources.

Statement of Net Position

The following table reflects the condensed Statement of Net Position compared to prior fiscal year.

STATEMENT OF NET POSITION

	<u>2013</u>	(Restated) <u>2012</u>
Current Assets	\$248,881	\$309,096
Capital Assets	<u>2,018,754</u>	<u>2,089,330</u>
Total Assets	<u>2,267,635</u>	<u>2,398,426</u>
Current Liabilities	53,950	79,492
Non-Current Liabilities	<u>22,530</u>	<u>32,339</u>
Total Liabilities	<u>76,480</u>	<u>111,831</u>
Net Position:		
Net Investment in Capital Assets	2,018,754	2,084,999
Restricted	21,796	67,403
Unrestricted	<u>150,605</u>	<u>134,193</u>
Total Net Position	<u>\$2,191,155</u>	<u>\$2,286,595</u>

For more detailed information see page 10 for the Statement of Net Position.

Major factors affecting the Statement of Net Position: Total Assets decreased by \$130,791. Liabilities decreased by \$35,351 because of more timely payment of bills around fiscal year end. Capital Assets decreased by \$70,576 due to removal of obsolete items from our depreciation schedule. Restricted net position decreased by \$45,607 because the Authority used reserves to cover funding shortfalls in the HCV program. Finally, unrestricted net position increased by \$16,412 because of conservative budgeting in the public housing program in order to increase our reserves.

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

	<u>2013</u>	(Restated) <u>2012</u>
Revenues		
Tenant Revenue	\$ 71,686	\$ 76,209
Operating Grants	825,981	834,170
Capital Grants	75,116	87,746
Fraud Recovery	3,285	2,412
Interest	3,171	3,155
Other Revenues	<u>20,958</u>	<u>20,984</u>
Total Revenue	<u>1,000,197</u>	<u>1,024,676</u>
Expenses		
Administrative	207,811	211,568
Tenant Services	7,210	6,830
Utilities	84,291	81,127
Insurance	18,048	24,402
Maintenance	125,281	133,002
General	16,597	21,575
Interest	110	276
Housing Assistance Payments	477,956	483,725
Depreciation	<u>158,333</u>	<u>154,026</u>
Total Expenses	<u>1,095,637</u>	<u>1,116,531</u>
Change in Net Position	(95,440)	(91,855)
Net Position at July 1	<u>2,286,595</u>	<u>2,378,450</u>
Net Position at June 30	<u>\$ 2,191,155</u>	<u>\$ 2,286,595</u>

Major factors affecting the Statement of Revenue, Expenses, and Changes in Net Position include: HUD funding shortfalls continue to adversely affect the revenue of all Authority's programs. The Housing Choice Voucher program has seen the largest decline in funding. The Authority has attempted to decrease the administrative expenses of our programs due to the funding shortfall. Utility costs, namely water and sewer, continue to increase dramatically.

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

CAPITAL ASSETS

As of fiscal year-end, the Authority had \$2,018,754 invested in net capital assets as reflected in the following schedule which represents a net decrease (addition, deductions and depreciation) of \$70,576 from the end of last fiscal year.

**CAPITAL ASSETS AT FISCAL YEAR-END
(NET OF ACCUMULATED DEPRECIATION)**

	<u>Business-Type Activities</u>	
	<u>2013</u>	<u>2012</u>
Land	\$279,150	\$ 279,150
Buildings	4,054,936	3,979,820
Equipment – Administrative	86,140	153,367
Equipment – Dwellings	97,288	118,863
Leasehold Improvements	342,941	342,941
Accumulated Depreciation	<u>(2,841,701)</u>	<u>(2,784,811)</u>
Total	<u>\$2,018,754</u>	<u>\$2,089,330</u>

The following reconciliation summarizes the change in Capital Assets. Capital fund projects were the main factors affecting a change in capital assets. See Note 4 for more detail over Capital Assets.

CHANGE IN CAPITAL ASSETS

	<u>Business Type Activities</u>
Beginning Balance	\$2,089,330
Additions	87,757
Depreciation	<u>(158,333)</u>
Ending Balance	<u>\$2,018,754</u>

During fiscal year 2013, the Authority disposed of \$101,443 of furniture and equipment, which was fully depreciated.

DEBT OUTSTANDING

As of June 30, 2013, the Authority has no outstanding debt as compared to \$4,331 in a note payable at June 30, 2012. The decrease of \$4,331 represents the current year debt repayment which was the final payment on the note. For further information related to fiscal year 2013 debt activity, see Note 5.

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

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, recession and employment trends, which can affect resident incomes and therefore the demand for housing assistance.
- Inflationary pressure on utility rates, supplies and other costs.

IN CONCLUSION

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

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Kelly Hardman, Executive Director of the Morgan Metropolitan Housing Authority at (740) 962-4930.

Respectfully submitted,

Kelly Hardman, Executive Director

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2013**

Assets

Current Assets:

Cash and Cash Equivalents	\$	165,419
Restricted Cash		62,764
Receivable, Net		4,044
Inventories, Net		7,773
Prepaid Items		<u>8,881</u>

Total Current Assets 248,881

Non-Current Assets:

Capital Assets:

Nondepreciable Capital Assets		279,150
Depreciable Capital Assets, Net of Accumulated Depreciation		<u>1,739,604</u>
Total Capital Assets		<u>2,018,754</u>

Total Non-Current Assets 2,018,754

Total Assets 2,267,635

Liabilities

Current Liabilities:

Accounts Payable		2,487
Accrued Wages and Payroll Taxes		8,920
Intergovernmental Payable		1,058
Tenant Security Deposits		24,875
Accrued Compensated Absences		6,792
Unearned Revenue		2,143
Accrued Liabilities-Other		<u>7,675</u>

Total Current Liabilities 53,950

Non-Current Liabilities:

Accrued Compensated Absences		6,437
FSS and ROSS Liability		<u>16,093</u>

Total Non-Current Liabilities 22,530

Total Liabilities 76,480

Net Position

Net Investment in Capital Assets		2,018,754
Restricted		21,796
Unrestricted		<u>150,605</u>

Total Net Position \$ 2,191,155

The notes to the basic financial statements are an integral part of the statements.

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Operating Revenues		
Tenant Revenue	\$	71,686
Operating Grants		825,981
Fraud Recovery		3,285
Other Revenues		<u>20,958</u>
Total Operating Revenue		<u>921,910</u>
Operating Expenses		
Administrative	207,811	
Tenant Services	7,210	
Utilities	84,291	
Insurance	18,048	
Maintenance	125,281	
General	16,597	
Housing Assistance Payments	477,956	
Depreciation	<u>158,333</u>	
Total Operating Expenses		<u>1,095,527</u>
Operating Loss		<u>(173,617)</u>
Nonoperating Revenues (Expenses)		
Interest Revenue		3,171
HUD Capital Grants		75,116
Interest Expense		<u>(110)</u>
Total Nonoperating Revenues		<u>78,177</u>
Change in Net Position		(95,440)
Net Position at July 1, 2012, Restated		<u>2,286,595</u>
Net Position at June 30, 2013	\$	<u><u>2,191,155</u></u>

The notes to the basic financial statements are an integral part of this statement.

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Cash flows from operating activities:

Cash received from tenants	\$ 72,519
Cash received from other sources	24,243
Cash received from HUD and other grant sources	825,745
Cash payments for administrative	(464,697)
Cash payments for housing assistance payments	(477,956)
	<u>(20,146)</u>
Net cash used in operating activities	<u>(20,146)</u>

Cash flows from capital and related financing activities:

Principal payments on debt	(4,331)
Interest payments on debt	(110)
Capital funds received	75,116
Purchases of capital assets	(87,757)
	<u>(17,082)</u>
Net cash used in capital and related financing activities	<u>(17,082)</u>

Cash flows from investing activities:

Interest received	3,171
Net cash provided by investing activities	3,171
Net change in cash and cash equivalents	(34,057)
Cash and cash equivalents at July 1, 2012	262,240
Cash and cash equivalents at June 30, 2013	\$ 228,183

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$ (173,617)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	158,333
Changes in assets and liabilities:	
Accounts receivable, net	25,092
Inventories, net	1,458
Prepaid items	(392)
Accounts payable	(29,781)
Accrued wages and payroll taxes	(378)
Other liabilities	(861)
	<u>(861)</u>
Net cash used in operating activities	\$ (20,146)

The notes to the basic financial statements are an integral part of this statement.

MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Morgan 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 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. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, and Statement No. 39, *Determining Whether Certain Organizations are Component Units*, in that the financial statements include all organizations, activities, and functions for which the Authority is financially accountable. Financial accountability is defined by the component unit being fiscally dependent on the Authority. The Authority is not a component unit of any larger entity.

Basis of Presentation

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

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

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

Measurement Focus

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 position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Housing Choice Voucher Program (HCVP) – Under the Housing Choice Voucher Program, the Authority subsidizes rents to 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 ACC with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

Resident Opportunities and Self Sufficiency Program (ROSS) – A grant program that provides funds for job training and supportive services to help residents of public housing transition from welfare to work. ROSS also provides funding to link elderly/disabled residents to critical services which can help them continue to live independently.

Business Activities – The Business Activity Fund was set up to separate the non-HUD activities from the HUD funded programs. This fund is mainly used to account for the management fees received from the county for managing a HOPE project.

State & Local – The State & Local fund was set up to track grant money received for low income housing programs through state and local sources.

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 nongovernmental 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).

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

PHA grants and subsidies will be defined as 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 position, equity, or fund balance as restricted.

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 unearned 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.

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are reported at market value. Interest earned in fiscal year 2013 for both programs totaled \$3,171.

Unearned Revenue

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2013, are recorded as prepaid items 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.

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

Capital 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, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The Authority's capitalization policy is \$1,750. The following are the estimated useful lives used for depreciation purposes:

Buildings – residential	27.5
Buildings – non residential	40
Building improvements	15
Furniture – dwelling	7
Furniture – non-dwelling	7
Equipment – dwelling	5
Equipment – non-dwelling	7
Autos and trucks	5
Computer hardware	3
Computer software	3
Leasehold improvements	15
Land improvements	15

Cash, Cash Equivalents and Investments

For cash flow reporting purposes, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less. Nonnegotiable certificates of deposit are reported as investments in the financial statements.

Due From/To Other Programs

On the basic financial statements, receivables and payables resulting from the short-term interprogram loans are eliminated.

Accrued Liabilities

All payables and accrued liabilities are reported in the basic financial statements.

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 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.

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budgetary Accounting

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is submitted to the Department of Housing and Urban Development and once approved is adopted by the Board of the Housing Authority.

Estimates

The preparation of the financial statements in accordance 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.

Receivables – net of allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable and fraud recovery receivable balances at the end of the fiscal year. The allowance for doubtful accounts was \$100 at June 30, 2013.

Inventories

Inventories are stated at cost, (first-in, first-out method). Inventory consists of supplies and maintenance parts. The allowance for obsolete inventory was \$860 at June 30, 2013.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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. There was no related debt as of June 30, 2013. Net position is recorded as restricted when there are limitations imposed on their use either by internal or external restrictions. The amount reported as restricted net position at fiscal year end represents the amounts restricted by HUD for future Housing Assistance Payments. When an expense is incurred for purposes which both restricted and unrestricted net position is available, the Authority first applies restricted resources. The Authority did not have net position restricted by enabling legislation at June 30, 2013.

Operating/Nonoperating 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 grants from HUD and other miscellaneous revenue. Nonoperating revenues are HUD capital grants and interest income. HUD capital grants are the amounts received by the Authority for capital improvements and administration of the public housing programs.

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.

2. DEPOSITS AND INVESTMENTS

Deposits

At fiscal year end, the carrying amount of the Authority's deposits was \$228,183 and the bank balance was \$230,780. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosure*, as of June 30, 2013, \$250,000 was covered by Federal Depository Insurance and \$0 was exposed to custodial risk.

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

2. DEPOSITS AND INVESTMENTS - CONTINUED

Custodial credit risk is the risk that in the event of bank failure, the Authority's 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 at least 110% of the carrying value of the 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 all of the public deposits it holds, or as specific collateral held at the Federal Reserve bank in the name of the Authority.

Investments

The Authority has a formal investment policy. The Authority follows GASB Statement No. 31, *Accounting and Financial reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At June 30, 2013, the Authority had no investments.

Interest Rate Risk – As a means of limiting its exposure to fair value losses caused by rising interest rates, the Authority's investment policy requires that all funds in excess of the estimated needs for 90 days be invested with the bank quoting the highest interest rate on a short-term basis. It is the Authority's practice to limit its investments to less than two years. The stated intent of the policy is to avoid the need to sell investments prior to maturity.

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 requirement. The Authority has no investment policy that would further 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. That Authority has no investment policy dealing with investment custodial risk beyond the requirements in HUD regulations and State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the controller or qualified trustee.

Concentration of Credit Risk – The Authority limits the amount that may be invested with any one issuer to the amount that will be covered by FDIC or FSLIC insurance. Excess amounts are put out for bid to at least three banks and deposited with the bank with the highest quoted interest rate.

3. RESTRICTED CASH

The following restricted cash balance on the financial statements consists of the following:

Excess cash advanced to the Housing Choice Voucher	
Program by HUD for Housing Assistance Payments	\$ 21,796
FSS Escrow Funds	3,877
Tenant Security Deposits	24,875
ROSS Escrow Funds	<u>12,216</u>
Total Restricted Cash	<u>\$ 62,764</u>

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

4. CAPITAL ASSETS

The following is a summary of capital assets at June 30, 2013:

	<u>Balance at July 1, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2013</u>
Capital Assets Not Depreciated				
Land	\$ <u>279,150</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>279,150</u>
Total Capital Assets Not Depreciated	<u>279,150</u>	<u>0</u>	<u>0</u>	<u>279,150</u>
Capital Assets Depreciated				
Building and Improvements	4,322,761	75,116	0	4,397,877
Furniture and Equipment	<u>272,230</u>	<u>12,641</u>	<u>(101,443)</u>	<u>183,428</u>
Total Capital Assets Depreciated	<u>4,594,991</u>	<u>87,757</u>	<u>(101,443)</u>	<u>4,581,305</u>
Accumulated Depreciation				
Building and Improvements	(2,525,331)	(155,042)	0	(2,680,373)
Equipment	<u>(259,480)</u>	<u>(3,291)</u>	<u>101,443</u>	<u>(161,328)</u>
Total Accumulated Depreciation	<u>(2,784,811)</u>	<u>(158,333)</u>	<u>101,443</u>	<u>(2,841,701)</u>
Total Capital Assets Depreciated, Net	<u>1,810,180</u>	<u>(70,576)</u>	<u>0</u>	<u>1,739,604</u>
Total Capital Assets, Net	\$ <u>2,089,330</u>	\$ <u>(70,576)</u>	\$ <u>0</u>	\$ <u>2,018,754</u>

5. LONG-TERM LIABILITIES

Long-term liabilities are summarized as follows:

<u>Description</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
FSS Escrow Liability	\$ 17,021	\$ 6,326	\$(19,470)	\$3,877	\$ 0
ROSS Escrow Liability	<u>8,444</u>	<u>5,640</u>	<u>(1,868)</u>	<u>12,216</u>	<u>0</u>
Total Escrow Liability	<u>25,465</u>	<u>11,966</u>	<u>(21,338)</u>	<u>16,093</u>	<u>0</u>
Long-term Debt – Capital	4,331	0	(4,331)	0	0
Compensated Absence Payable	<u>12,417</u>	<u>16,082</u>	<u>(15,270)</u>	<u>13,229</u>	<u>6,792</u>
Total	\$ <u>42,213</u>	\$ <u>28,048</u>	\$ <u>(40,939)</u>	\$ <u>29,322</u>	\$ <u>6,792</u>

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

5. LONG-TERM LIABILITIES - CONTINUED

The Authority is involved in the Family Self-Sufficiency program through the Housing Choice Vouchers Program. The noncurrent liability-other of \$16,093 represents escrow money held in escrow for residents participating in the Family Self-Sufficiency Program and the ROSS program. Each month contributions are deposited into the Authority's savings account on behalf of the program participants. Participants enter into an initial five year contract (with an option for a two year extension upon Authority's approval). At the end of the contract, the participant either meet their program goals and may withdraw their money earned from the savings account, or they fail to meet their goals and forfeit their money. If a forfeiture occurs in the Family Self-Sufficiency program, the money earned is used by the Authority to reinvest into the Housing Choice Voucher Program.

6. DEFINED BENEFIT PENSION PLAN

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan – A cost-sharing multiple-employer defined benefit pension plan.
2. The Member-Directed Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% 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 thereon.
3. The Combined Plan – A cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions 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 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 in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 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 2012 and 2013, member and employer contribution rates were consistent across all three plans. The 2012 and 2013 member contribution rates were 10.0% for members and 14.0% for employers of covered payroll. The Authority's required contributions to OPERS for the years ended June 30, 2013, 2012, and 2011, were \$23,076, \$20,719, and \$24,562, respectively. These costs have been charged to the employee fringe benefit account. All required payments of contributions have been made through June 30, 2013.

MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

7. POST-EMPLOYMENT BENEFITS

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 issue a stand-alone financial report. Interest parties may obtain a copy by writing OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

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.

OPERS' Post Employment Health Care plan was established under, and is administrated 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. For 2013 and 2012, the employer contributions allocated to the health care plan was 1% of covered payroll.

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, 2013, which were used to fund post-employment benefits, were \$6,593.

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

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

8. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended June 30, 2013, the Authority electronically submitted an unaudited balance sheet summary, revenue and expense summary, and other data to HUD as required on the GAAP basis. The audited version of the entity wide balance sheet summary and entity wide revenue and expense summary are included as supplemental data. The schedules are presented in the manner prescribed by U. S. Department of Housing and Urban Development.

9. CONTINGENT LIABILITIES

Under the terms of Federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

10. 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 fiscal years.

11. RELATED PARTY TRANSACTIONS

An employee of the Authority has relatives that own HUD properties and receive Section 8 payments. The employee has received a conflict of interest waiver from HUD.

One of the board members is a pastor of a church renting facility space from the Authority.

12. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2013, the Authority implemented Government Accounting Standard Board (GASB) *Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62."*

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the Authority's financial statements.

GASB Statement No. 63 provides for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related note disclosures. The changes were incorporated in the Authority's fiscal year 2013 financial statements, however, there was no effect on beginning net position.

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

12. CHANGE IN ACCOUNTING PRINCIPLES – CONTINUED

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). The implementation of this statement did not result in any change in the Authority's financial statements.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the Authority's financial statements.

13. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was necessary to remove transactions related to the Suicide Coalition from the Business Activities program as these funds were not considered to be Authority's funds. The adjustment resulted in a decrease in beginning net position by \$1,755.

MORGAN METROPOLITAN HOUSING AUTHORITY
 ENTITY WIDE BALANCE SHEET SUMMARY - FDS SCHEDULE SUBMITTED TO HUD
 JUNE 30, 2013

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	1 Business Activities	State & Local	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$152,773		\$6,785	\$5,861		\$165,419		\$165,419
112 Cash - Restricted - Modernization and Development								
113 Cash - Other Restricted		\$12,216	\$25,673			\$37,889		\$37,889
114 Cash - Tenant Security Deposits	\$24,875					\$24,875		\$24,875
115 Cash - Restricted for Payment of Current Liabilities								
100 Total Cash	\$177,648	\$12,216	\$32,458	\$5,861	\$0	\$228,183	\$0	\$228,183
121 Accounts Receivable - PHA Projects								
122 Accounts Receivable - HUD Other Projects								
124 Accounts Receivable - Other Government					\$1,264	\$1,264		\$1,264
125 Accounts Receivable - Miscellaneous			\$973			\$973		\$973
126 Accounts Receivable - Tenants	\$367					\$367		\$367
126.1 Allowance for Doubtful Accounts - Tenants	-\$50					-\$50		-\$50
126.2 Allowance for Doubtful Accounts - Other			\$0		\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current								
128 Fraud Recovery			\$1,540			\$1,540		\$1,540
128.1 Allowance for Doubtful Accounts - Fraud			-\$50			-\$50		-\$50
129 Accrued Interest Receivable								
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$317	\$0	\$2,463	\$0	\$1,264	\$4,044	\$0	\$4,044
131 Investments - Unrestricted								
132 Investments - Restricted								
135 Investments - Restricted for Payment of Current Liability								
142 Prepaid Expenses and Other Assets	\$8,345		\$536			\$8,881		\$8,881
143 Inventories	\$8,633					\$8,633		\$8,633
143.1 Allowance for Obsolete Inventories	-\$860					-\$860		-\$860
144 Inter Program Due From	\$1,305					\$1,305	-\$1,305	\$0
145 Assets Held for Sale								
150 Total Current Assets	\$195,388	\$12,216	\$35,457	\$5,861	\$1,264	\$250,186	-\$1,305	\$248,881
161 Land	\$274,650		\$4,500			\$279,150		\$279,150
162 Buildings	\$3,980,586		\$74,350			\$4,054,936		\$4,054,936
163 Furniture, Equipment & Machinery - Dwellings	\$97,288					\$97,288		\$97,288
164 Furniture, Equipment & Machinery - Administration	\$65,468		\$20,672			\$86,140		\$86,140
165 Leasehold Improvements	\$342,941					\$342,941		\$342,941
166 Accumulated Depreciation	-\$2,817,801		-\$23,900			-\$2,841,701		-\$2,841,701
167 Construction in Progress								
168 Infrastructure								
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,943,132	\$0	\$75,622	\$0	\$0	\$2,018,754	\$0	\$2,018,754

171 Notes, Loans and Mortgages Receivable - Non-Current								
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due								
173 Grants Receivable - Non Current								
174 Other Assets								
176 Investments in Joint Ventures								
180 Total Non-Current Assets	\$1,943,132	\$0	\$75,622	\$0	\$0	\$2,018,754	\$0	\$2,018,754
190 Total Assets	\$2,138,520	\$12,216	\$111,079	\$5,861	\$1,264	\$2,268,940	-\$1,305	\$2,267,635
311 Bank Overdraft								
312 Accounts Payable <= 90 Days	\$2,066		\$421			\$2,487		\$2,487
313 Accounts Payable >90 Days Past Due								
321 Accrued Wage/Payroll Taxes Payable	\$7,445		\$1,475			\$8,920		\$8,920
322 Accrued Compensated Absences - Current Portion	\$5,041		\$1,751			\$6,792		\$6,792
324 Accrued Contingency Liability								
325 Accrued Interest Payable								
331 Accounts Payable - HUD PHA Programs								
332 Account Payable - PHA Projects								
333 Accounts Payable - Other Government			\$1,058			\$1,058		\$1,058
341 Tenant Security Deposits	\$24,875					\$24,875		\$24,875
342 Deferred Revenues	\$798			\$1,345		\$2,143		\$2,143
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds								
344 Current Portion of Long-term Debt - Operating Borrowings								
345 Other Current Liabilities								
346 Accrued Liabilities - Other	\$6,704				\$1,264	\$7,968		\$7,968
347 Inter Program - Due To			\$971	\$41		\$1,012	-\$1,305	-\$293
348 Loan Liability - Current								
310 Total Current Liabilities	\$46,929	\$0	\$5,676	\$1,386	\$1,264	\$55,255	-\$1,305	\$53,950
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue								
352 Long-term Debt, Net of Current - Operating Borrowings								
353 Non-current Liabilities - Other		\$12,216	\$3,877			\$16,093		\$16,093
354 Accrued Compensated Absences - Non Current	\$4,950		\$1,487			\$6,437		\$6,437
355 Loan Liability - Non Current								
356 FASB 5 Liabilities								
357 Accrued Pension and OPEB Liabilities								
350 Total Non-Current Liabilities	\$4,950	\$12,216	\$5,364	\$0	\$0	\$22,530	\$0	\$22,530
300 Total Liabilities	\$51,879	\$12,216	\$11,040	\$1,386	\$1,264	\$77,785	-\$1,305	\$76,480
508.1 Invested In Capital Assets, Net of Related Debt	\$1,943,132		\$75,622			\$2,018,754		\$2,018,754
511.1 Restricted Net Assets			\$21,796			\$21,796		\$21,796
512.1 Unrestricted Net Assets	\$143,509	\$0	\$2,621	\$4,475	\$0	\$150,605		\$150,605
513 Total Equity/Net Assets	\$2,086,641	\$0	\$100,039	\$4,475	\$0	\$2,191,155	\$0	\$2,191,155
600 Total Liabilities and Equity/Net Assets	\$2,138,520	\$12,216	\$111,079	\$5,861	\$1,264	\$2,268,940	-\$1,305	\$2,267,635

MORGAN METROPOLITAN HOUSING AUTHORITY
 ENTITY WIDE REVENUE AND EXPENSE SUMMARY - FDS SCHEDULE SUBMITTED TO HUD
 JUNE 30, 2013

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	1 Business Activities	State & Local	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$70,877					\$70,877		\$70,877
70400 Tenant Revenue - Other	\$809					\$809		\$809
70500 Total Tenant Revenue	\$71,686	\$0	\$0	\$0	\$0	\$71,686		\$71,686
70600 HUD PHA Operating Grants	\$249,924	\$48,166	\$521,325			\$819,415		\$819,415
70610 Capital Grants	\$75,116					\$75,116		\$75,116
70710 Management Fee								
70720 Asset Management Fee								
70730 Book Keeping Fee								
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue								
70800 Other Government Grants					\$6,566	\$6,566		\$6,566
71100 Investment Income - Unrestricted	\$3,090		\$42			\$3,132		\$3,132
71200 Mortgage Interest Income								
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery			\$3,285			\$3,285		\$3,285
71500 Other Revenue	\$12,000		\$5,938	\$3,020		\$20,958		\$20,958
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted			\$39			\$39		\$39
70000 Total Revenue	\$411,816	\$48,166	\$530,629	\$3,020	\$6,566	\$1,000,197		\$1,000,197
91100 Administrative Salaries	\$41,540	\$31,831	\$31,338	\$1,289		\$105,998		\$105,998
91200 Auditing Fees	\$2,916		\$3,289			\$6,205		\$6,205
91300 Management Fee								
91310 Book-keeping Fee								
91400 Advertising and Marketing	\$212		\$62			\$274		\$274
91500 Employee Benefit contributions - Administrative	\$29,511	\$16,335	\$20,300			\$66,146		\$66,146
91600 Office Expenses	\$9,754		\$4,162	\$73		\$13,989		\$13,989
91700 Legal Expense	\$3,840					\$3,840		\$3,840
91800 Travel	\$776		\$1,105			\$1,881		\$1,881
91810 Allocated Overhead								
91900 Other	\$4,679		\$4,799			\$9,478		\$9,478
91000 Total Operating - Administrative	\$93,228	\$48,166	\$65,055	\$1,362	\$0	\$207,811		\$207,811
92000 Asset Management Fee								
92100 Tenant Services - Salaries								
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services								
92400 Tenant Services - Other	\$380		\$6,830			\$7,210		\$7,210

92500 Total Tenant Services	\$380	\$0	\$6,830	\$0	\$0	\$7,210	\$7,210
93100 Water	\$71,058		\$133			\$71,191	\$71,191
93200 Electricity	\$10,374		\$457			\$10,831	\$10,831
93300 Gas	\$2,154		\$115			\$2,269	\$2,269
93400 Fuel							
93500 Labor							
93600 Sewer							
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense							
93000 Total Utilities	\$83,586	\$0	\$705	\$0	\$0	\$84,291	\$84,291
94100 Ordinary Maintenance and Operations - Labor	\$38,212				\$6,161	\$44,373	\$44,373
94200 Ordinary Maintenance and Operations - Materials and Other	\$13,252		\$543			\$13,795	\$13,795
94300 Ordinary Maintenance and Operations Contracts	\$30,592		\$9,359			\$39,951	\$39,951
94500 Employee Benefit Contributions - Ordinary Maintenance	\$26,757				\$405	\$27,162	\$27,162
94000 Total Maintenance	\$108,813	\$0	\$9,902	\$0	\$6,566	\$125,281	\$125,281
95100 Protective Services - Labor							
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$17,038		\$1,010			\$18,048	\$18,048
96120 Liability Insurance							
96130 Workmen's Compensation							
96140 All Other Insurance							
96100 Total insurance Premiums	\$17,038	\$0	\$1,010	\$0	\$0	\$18,048	\$18,048
96200 Other General Expenses							
96210 Compensated Absences	\$11,891		\$3,379			\$15,270	\$15,270
96300 Payments in Lieu of Taxes			\$502			\$502	\$502
96400 Bad debt - Tenant Rents	\$6		\$819			\$825	\$825
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$11,897	\$0	\$4,700	\$0	\$0	\$16,597	\$16,597
96710 Interest of Mortgage (or Bonds) Payable							
96720 Interest on Notes Payable (Short and Long Term)			\$110			\$110	\$110
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$110	\$0	\$0	\$110	\$110
96900 Total Operating Expenses	\$314,942	\$48,166	\$88,312	\$1,362	\$6,566	\$459,348	\$459,348
97000 Excess of Operating Revenue over Operating Expenses	\$96,874	\$0	\$442,317	\$1,658	\$0	\$540,849	\$540,849
97100 Extraordinary Maintenance							

97200	Casualty Losses - Non-capitalized							
97300	Housing Assistance Payments			\$477,956		\$477,956		\$477,956
97350	HAP Portability-In							
97400	Depreciation Expense	\$154,063		\$4,270		\$158,333		\$158,333
97500	Fraud Losses							
97600	Capital Outlays - Governmental Funds							
97700	Debt Principal Payment - Governmental Funds							
97800	Dwelling Units Rent Expense							
90000	Total Expenses	\$469,005	\$48,166	\$570,538	\$1,362	\$6,566	\$1,095,637	\$1,095,637
10010	Operating Transfer In							
10020	Operating transfer Out							
10030	Operating Transfers from/to Primary Government							
10040	Operating Transfers from/to Component Unit							
10050	Proceeds from Notes, Loans and Bonds							
10060	Proceeds from Property Sales							
10070	Extraordinary Items, Net Gain/Loss							
10080	Special Items (Net Gain/Loss)							
10091	Inter Project Excess Cash Transfer In							
10092	Inter Project Excess Cash Transfer Out							
10093	Transfers between Program and Project - In							
10094	Transfers between Project and Program - Out							
10100	Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$57,189	\$0	-\$39,909	\$1,658	\$0	-\$95,440	-\$95,440
11020	Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11030	Beginning Equity	\$2,143,830	\$0	\$139,948	\$4,572	\$0	\$2,288,350	\$2,288,350
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0			-\$1,755		-\$1,755	-\$1,755
11050	Changes in Compensated Absence Balance							
11060	Changes in Contingent Liability Balance							
11070	Changes in Unrecognized Pension Transition Liability							
11080	Changes in Special Term/Severance Benefits Liability							
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100	Changes in Allowance for Doubtful Accounts - Other							
11170	Administrative Fee Equity			\$78,243		\$78,243		\$78,243
11180	Housing Assistance Payments Equity			\$21,796		\$21,796		\$21,796
11190	Unit Months Available	720		1680	0	2400		2400
11210	Number of Unit Months Leased	713		1620	0	2333		2333
11270	Excess Cash	\$106,096				\$106,096		\$106,096
11610	Land Purchases	\$0				\$0		\$0
11620	Building Purchases	\$75,116				\$75,116		\$75,116
11630	Furniture & Equipment - Dwelling Purchases	\$0				\$0		\$0
11640	Furniture & Equipment - Administrative Purchases	\$0				\$0		\$0
11650	Leasehold Improvements Purchases	\$0				\$0		\$0
11660	Infrastructure Purchases	\$0				\$0		\$0
13510	CFFP Debt Service Payments	\$0				\$0		\$0
13901	Replacement Housing Factor Funds	\$0				\$0		\$0

**MORGAN METROPOLITAN HOUSING AUTHORITY
COST CERTIFICATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**OH16P066
501-11**

Total Expended	\$ <u>72,446</u>
Total Received	\$ <u>72,446</u>

1. The actual cost certification was signed on May 16, 2013.
2. All costs have been paid through June 30, 2013 and there are no outstanding liabilities.
3. The final costs on the certification agree to the Authority's records.

**MORGAN METROPOLITAN HOUSING AUTHORITY
 FEDERAL AWARDS EXPENDITURES SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor / Pass Through Grantor Program Title</u>	<u>Pass- Through Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Public and Indian Housing - Low Rent Public Housing	N/A	14.850	\$ 249,924
Resident Opportunity and Supportive Services	N/A	14.870	48,166
Section 8 Housing Choice Vouchers	N/A	14.871	521,325
Public Housing Capital Fund	N/A	14.872	75,116
Total Federal Award Expenditures			<u>\$ 894,531</u>

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE

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



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Morgan Metropolitan Housing Authority
Morgan County
4580 North State Route 376 NW
McConnelsville, Ohio 43756

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Morgan Metropolitan Housing Authority, Morgan County, (the Authority) as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 13, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
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FAX (740) 345-5635

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
December 13, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Morgan Metropolitan Housing Authority
Morgan County
4580 North State Route 376 NW
McConnelsville, Ohio 43756

To the Board of Directors:

Report on Compliance for Its Major Federal Program

We have audited the Morgan Metropolitan Housing Authority's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Morgan Metropolitan Housing Authority's major federal program for the fiscal year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Authority's major federal program.

Management's Responsibility

The Authority's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for each of the Authority's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the Authority's major program. However, our audit does not provide a legal determination of the Authority's compliance.

Wilson, Shannon & Snow, Inc.

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Opinion on the Major Federal Program

In our opinion, the Morgan Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2013.

Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Wilson, Shannon E. Shaw, Inc.

Newark, Ohio
December 13, 2013

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Program (list):	Section 8 Housing Choice Vouchers/CFDA #14.871
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**MORGAN METROPOLITAN HOUSING AUTHORITY
MORGAN COUNTY**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
*OMB CIRCULAR A-133 § .505***

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected</u>	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid: <u>Explain</u>
2012-001	Cash Management – The Authority failed to allocate interest on deposits held in the FSS Escrow account.	Yes	N/A