

**MORROW METROPOLITAN HOUSING AUTHORITY**

Financial Condition

As of

September 30, 2013

Together with Auditors' Report





# Dave Yost • Auditor of State

Board of Trustees  
Morrow Metropolitan Authority  
619 West Marion Road  
Suite 107  
Mt. Gilead, Ohio 43338

We have reviewed the *Independent Auditor's Report* of the Morrow Metropolitan Authority, Morrow County, prepared by Kevin L. Penn, Inc., for the audit period October 1, 2012 through September 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

April 24, 2014

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**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Morrow Metropolitan Housing Authority  
Morrow Ohio

### ***Report on the Financial Statements***

I have audited the accompanying financial statements of the business-type activities of Morrow Metropolitan Housing Authority, Morrow County as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Morrow Metropolitan Housing 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***

My responsibility is to opine on these financial statements based on my audit. I 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 me 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 my judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, I consider internal control relevant to the Morrow Metropolitan Housing 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 Morrow Metropolitan Housing Authority's internal control. Accordingly, I 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 my evaluation of the overall financial statement presentation.

I believe the audit evidence I obtained is sufficient and appropriate to support my audit opinions.

### ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Morrow Metropolitan Housing Authority, Morrow County, Ohio as of September 30, 2013, and the respective changes in financial position and cash flows for the 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. I 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 my inquiries, to the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not opine or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to opine or provide any other assurance.

#### ***Supplementary***

My audit was conducted to opine on the Morrow Metropolitan Housing Authority's basic financial statements taken as a whole. The Supplemental Financial Data Schedules present additional analysis and is not a required part of the basic financial statements.

The Supplemental Financial Data Schedules and Schedule of Federal Award Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. I subjected these schedules to the auditing procedures I applied to the basic financial statements. I also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, this information is 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*, I have also issued my report dated February 11, 2014 on my consideration of the Morrow Metropolitan Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of my 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 Morrow Metropolitan Housing Authority's internal control over financial reporting and compliance.

Kevin L. Penn, Inc.

February 11, 2014

# **Morrow Metropolitan Housing Authority**

## **Management's Discussion and Analysis**

**September 30, 2013**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Morrow Metropolitan Housing Authority's (the Authority's) 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 fiscal year challenges), and (d) identify individual fund issues or concerns.

This Management Discussion and Analysis is new, and will now be presented at the front of each year's financial statements.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 12).

### **FINANCIAL HIGHLIGHTS**

- During FY 2013, the Authority's Net Position decreased by \$17,140 (or 23%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type Net Position. Net Position for fiscal year 2012 were \$75,038 and Net Position for fiscal year 2013 were \$57,898.
- The revenue decreased by \$56,491 (or 9%). Total revenues were \$570,227 during FY 2013, and was \$626,718 for FY 2012.
- The total expenses of the Authority decreased \$82,391 (or 12%). Total expenses were \$669,758 for FY 2012 and \$587,367 in FY 2013.

## **Authority-Wide Financial Statements**

The Authority-wide financial statements (see pgs 12-14) are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

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

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

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

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

Unrestricted Net Position: Consists of Net Position that do not meet the definition of “Net Position Invested in Capital Assets, Net of Related Debt”, or “Restricted Net Position”.

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

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

Finally, Statement of Cash Flows (see page 14) is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

## **Fund Financial Statements**

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

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

## **The Authority's Programs**

### Business Type Funds

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% of adjusted household income.

Other Programs - In addition to the major funds above, the Authority also maintains other grant programs.

HOME Activities – represents HUD resources developed from contracts with the Morrow County.

Business Activities – represents Non-HUD resources developed from contracts with other Housing Authorities.

## **AUTHORITY – WIDE STATEMENT**

### **Statement of Net Position**

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

#### **TABLE 1**

#### **STATEMENT OF NET POSITION**

	<u>FY 2013</u>	<u>FY 2012</u>
Current and Other Assets	\$ 79,812	\$ 84,644
Capital Assets	<u>5,113</u>	<u>6,974</u>
Total Assets	<u>84,925</u>	<u>91,618</u>
Other Liabilities	2,317	3,391
Non-Current Liabilities	<u>24,710</u>	<u>13,189</u>
Total Liabilities	<u>27,027</u>	<u>16,580</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	5,113	6,974
Restricted	19,025	32,774
Unrestricted	<u>33,760</u>	<u>35,290</u>
Total Net Position	<u>\$ 57,898</u>	<u>\$ 75,038</u>

For more detailed information see page 12 for the Statement of Net Position.

#### **Major Factors Affecting the Statement of Net Position**

Current and other assets (primarily cash) were decreased by \$4,832 or 6% and liabilities increased by \$10,447 or 63% in FY 2013. HUD funding allows the Authority to retain excess funding for possible usage in future years on Housing Authority Payments only, therefore \$19,025 is considered restricted.

The Capital Assets had a net decrease of \$1,861 during the fiscal year. For more detail see “Capital Assets and Debt Administration” below.

**TABLE 2****CHANGE OF UNRESTRICTED NET POSITION**

Unrestricted Net Position 9/30/2012		\$	35,290
Results of Operations:	(3,391)		
Adjustments:			
Depreciation (1)	2,951		
Adjusted Results from Operations			(440)
Capital Expenditures			(1,090)
			<hr/>
Unrestricted Net Position 09/30/13		\$	<u>33,760</u>

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

**TABLE 3****CHANGE OF RESTRICTED NET POSITION**

Restricted Net Position 9/30/2012		\$	32,744
Results of Operations			
Fraud Recovery	0		
FSS Forfeitures	0		
TBRA/HOME	729		
Overspend Current Year HAP	(14,448)		
Adjusted Results from Operations			<hr/> (13,719)
Restricted Net Position 9/30/2013		\$	<u>19,025</u>

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

**TABLE 4**

**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>FY 2013</u>	<u>FY 2012</u>
Revenues		
HUD PHA Operating Grants	\$ 566,577	\$ 624,918
Other Revenues – Other	3,650	1,558
Other Revenues – Fraud Recovery	<u>0</u>	<u>242</u>
Total Revenue	<u>570,227</u>	<u>626,718</u>
Expenses		
Administrative	39,337	54,009
General	59,586	51,175
Housing Assistance Payments	485,493	561,796
Depreciation	<u>2,951</u>	<u>2,778</u>
Total Expenses	<u>587,367</u>	<u>669,758</u>
Net Increase/(Decrease)	<u>\$ (17,140)</u>	<u>\$ (43,040)</u>

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

HUD PHA Grants decreased by \$58,341 in FY 2013 or 9%. This decrease was due to the federal budget sequester.

The decrease to Administrative expenses was caused by a reduction in staff.

Housing Assistance Payments decreased in FY 2013 by \$76,303 or 13%. Leasing remained lower than normal, and UML's finished at 97% for the year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of 09/30/13, the Authority had \$5,113 invested in capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation).

**TABLE 5**

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

	<u>Business-Type Activities</u>	
	<u>FY 2013</u>	<u>FY 2012</u>
Equipment – Administrative	\$20,297	\$ 19,207
Accumulated Depreciation	<u>(15,184)</u>	<u>(12,233)</u>
Total	<u>\$ 5,113</u>	<u>\$ 6,974</u>

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

**TABLE 6**

**CHANGE IN CAPITAL ASSETS**

Beginning Balance, 10/1/2012	\$ 6,974
Additions	1,090
Disposition	0
Depreciation	<u>(2,951)</u>
Ending Balance, 9/30/2013	<u>\$ 5,113</u>

This year's major additions are:

Morrow MHA made capital asset purchases of \$1,090 during FY 2013.

**Debt Outstanding**

As of 9/30/13, the Authority had no outstanding debt (bonds, notes, etc.)



## **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 amount of housing assistance
- Inflationary pressure on utility rates, supplies and other costs

## **FINANCIAL CONTACT**

The individual to be contacted regarding this report is Jason Booth, Executive Director for the Morrow Metropolitan Housing Authority, at (419) 946-5789. Specific requests may be submitted to the Authority at 619 West Marion Road, Suite 107, Mt. Gilead, OH 43338.

MORROW METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013

ASSETS

**Current Assets**

Cash and Cash Equivalents (Note 1)	\$32,131
Accounts Receivable - HUD	1,947
Prepaid Expenses	1,999
Total Current Assets	<u>36,077</u>

**Non-Current Assets**

Restricted Cash	43,735
Property and Equipment - Net (Note 1)	5,113
Total Non-Current Assets	<u>48,848</u>
<b>TOTAL ASSETS</b>	<u><u>\$84,925</u></u>

LIABILITIES AND NET POSITION

**Current Liabilities**

Accrued Liabilities	\$1,521
Accrued Compensated Absences	796
Total Current Liabilities	<u>2,317</u>

**Non-Current Liabilities**

Family Self-Sufficiency Deposits Payable	24,710
Total Non-Current Liabilities	<u>24,710</u>
Total Liabilities	<u><u>\$27,027</u></u>

**Net Position**

Invested in Capital Assets, Net of Related Debt	\$5,113
Restricted	19,025
Unrestricted	33,760
Total Net Position	<u><u>\$57,898</u></u>

The accompanying notes are an integral part of the financial statements.

MORROW METROPOLITAN HOUSING AUTHORITY  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

**Operating Revenue:**

HUD Grants	\$566,577
Other Revenue	3,650
	<hr/>
Total Operating Revenue	570,227

**Operating Expenses:**

Housing Assistance Payments	485,493
Administrative Salaries	33,856
Employee Benefits	5,251
Other Administrative Expenses	57,587
Depreciation Expense	2,951
General Expenses	2,229
	<hr/>
Total Operating Expenses	587,367
Operating Income (Loss)	<hr/> (17,140)
Change in Net Position	(17,140)
Net Position- Beginning of Year	<hr/> 75,038
Net Position- End of Year	<hr/> <hr/> \$57,898

The accompanying notes are an integral part of the financial statements.

MORROW METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Cash Flows From Operating Activities:	
Cash payments to suppliers for goods and services	\$(49,324)
Cash payments for salaries and benefits	(39,107)
Housing assistance payments	(485,493)
HUD operating subsidies and grants	566,577
Other receipts	3,650
Other payments	(2,229)
	<hr/>
Net Cash Provided (Used) by Operating Activities	(5,926)
Cash Flows From Capital and Related Financing Activities:	
Fixed Assets Addition	(1,090)
	<hr/>
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,090)
Cash Flows From Investing Activities:	
	0
	<hr/>
Net Cash Provided (Used) by Investing Activities	0
	<hr/>
Increase (Decrease) in Cash and Cash Equivalents	(7,016)
Cash and Cash Equivalents - Beginning of Year	82,882
	<hr/>
Cash and Cash Equivalents - End of Year	<u>\$75,866</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Income (Loss)	\$(17,140)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	2,951
(Increase) decrease in:	
Accounts Receivable	(1,947)
Prepaid Expenses	(237)
Increase (decrease) in:	
Accounts Payable - Vendor	(937)
Accrued Compensated Absences	(129)
Accrued Expenses	11,513
	<hr/>
Net cash used in operating activities	<u><u>\$(5,926)</u></u>

The accompanying notes are an integral part of the financial statements.

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
September 30, 2013**

**NOTE 1 - Summary of Significant Accounting Policies:**

The financial statements of the Morrow Metropolitan Housing Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

**Reporting Entity**

The 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 basic financial statements comply with the provisions of GASB Statement No. 39, *Determining Whether Organizations are Component Units*, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable. Based on the above criteria, the Authority has no component units.

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
September 30, 2013**

**NOTE 1 - Summary of Significant Accounting Policies: (continued)**

Fund Accounting

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

Proprietary Fund Types:

Proprietary funds are used to account for the Authority's ongoing activities that are similar to those found in the private sector. The following is the Authority's only proprietary fund type:

*Enterprise Fund* – The Authority is accounted for on a flow of economic resources measurement focus. With this 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 revenues, expenses and changes in Net Position presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets. The statement of cash flows provides information about how the Authority finances and meets cash flow needs.

The Authority accounts for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements. The Authority has elected not to apply FASB statements and interpretations issued after November 30, 1989.

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
September 30, 2013**

**NOTE 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 the 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 assets life, are not capitalized. The capitalization threshold used by the Authority is \$500. The following are the useful lives used for depreciation purposes:

<u>Description</u>	<u>Estimated Useful Lives - Years</u>
Furniture	7
Equipment	7
Computer hardware	3
Computer software	3

Total depreciation expense for the 2013 fiscal year was \$2,951.

Cash and Cash Equivalents

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

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

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
September 30, 2013**

**NOTE 1 - Summary of Significant Accounting Policies: (continued)**

Net Position

Net Position represent the difference between assets and liabilities. Net Position invested in capital assets consist of capital assets net of accumulated depreciation. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislature adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulation of other governments. 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 are available, the Authority first applies restricted Net Position. The Authority did not have Net Position restricted by enabling legislature at September 30, 2013.

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.

Prepaid Items

Payments made to vendors for services that will benefit beyond fiscal year-end are recorded as prepaid items via the consumption method.

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Authority had restricted assets of \$19,025.

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 for Housing and Urban Development Grants and other revenues. Operating expenses are necessary costs to provide goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenues.



**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
September 30, 2013**

**NOTE 1 - Summary of Significant Accounting Policies: (continued)**

Accounts Receivable

Management considers all accounts receivable (excluding the fraud recovery receivable) to be collected in full.

**NOTE 2 – Cash and Cash Equivalents**

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

All monies are deposited into banks as determined by the Authority. Funds are deposited in either interest bearing or non-interest bearing accounts at the Authority’s discretion. Security shall be furnished for all accounts in the Authority’s name.

Cash and cash equivalents included in the Authority's cash position at September 30, 2013 are as follows:

Demand deposits:

Bank balance - Checking	\$ 51,278	Bank balance - Savings	\$ 24,710
Items-in-transit	<u>( 122)</u>	Items-in-transit	<u>0</u>
Carrying balance	<u>\$ 51,156</u>	Carrying balance	<u>\$ 24,710</u>

Of the fiscal year-end bank balance, \$75,866 of the total checking and saving account balances was covered by federal deposit insurance.

Based on the Authority having only demand deposits at September 30, 2013, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

**NOTE 3 – Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year 2013, the Authority purchased commercial insurance for public officials and employment practices liability for general insurance, property, crime, electronic equipment, and automobile insurance. Public officials liability and employment practices liability insurance each carries a \$2,500 deductible. Property and electronic equipment insurance each carries a \$500 deductible. Vehicle carries a \$250 deductible for comprehensive damages and \$500 deductible for collision. Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
September 30, 2013**

**NOTE 4 – Capital Assets**

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

	<u>Balance</u> <u>10/1/2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>9/30/2013</u>
Capital Assets - Cost				
Furniture and equipment	\$19,207	\$ 1,090	\$ 0	\$20,297
Less: accumulated depreciation				
Furniture and equipment	<u>( 12,233)</u>	<u>( 2,951)</u>	<u>0</u>	<u>( 15,184)</u>
Capital assets, net	<u>\$ 6,974</u>	<u>\$(1,861)</u>	<u>\$ -</u>	<u>\$ 5,113</u>

**NOTE 5 - FSS Escrow Payable**

The Authority is involved in the Family Self-Sufficiency program through the Housing Choice Vouchers Program. Each month contributions are deposited into the Authority's savings account on behalf of the program participants. Participants are limited to a five year contract (with a two year extension option) at which time, they 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, the money earned is used by the Authority to reinvest into the Voucher Program.

**NOTE 6 – Defined Benefit Pension Plans – Ohio Public Employees Retirement System**

***Plan Description*** – All employees of the Authority are eligible to participate 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 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.
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.

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
September 30, 2013**

**NOTE 6 – Defined Benefit Pension Plans – Ohio Public Employees Retirement System**  
**(Continued)**

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-retirement health care coverage. The authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available comprehensive annual financial report which includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

***Funding Policy*** – The Authority and covered employees contribute at actuarially determined rates for 2013, 14% and 10%, respectively, of covered employee payroll to OPERS. The Authority’s contributions to OPERS for the years ended September 30, 2013, 2012, and 2011 were \$4,758, \$6,491 and \$6,588, respectively which were equal to the required contributions for each year. The employees’ contributions to OPERS for the year ended September 30, 2013 were \$3,399. Employer and employee contributions equaled 100% of charges.

***Other Post Retirement Benefits*** – In order to qualify for post-retirement health care coverage, age- and service retirees under the Traditional Pension and Combined plans must have ten 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-Retirement Employment Benefit (OPEB) as described in GASB Statement 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.

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 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 was 5%. 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.

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
September 30, 2013**

**NOTE 6 – Defined Benefit Pension Plans – Ohio Public Employees Retirement System**  
**(Continued)**

Employer contributions are advance-funded on an actuarially determined basis and are determined by state statute. The Traditional Pension and Combined Plans had 357,584 active contributing participants as of December 31, 2012. The number of active contributing participants for both plans used in the December 31, 2012 actuarial valuation was 356,388.

Employer contributions made to fund post-employment benefits were approximately \$2,353. The assumptions and calculations used below were based on the System's latest Actuarial Review performed as of December 31, 2012 (latest actuarial review). An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actual gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2012 was 6.5 percent.

OPERS (assuming the number of active employees remains constant) assumes an annual increase of 4.00% compounded annually for the base portion of an individual's pay increase. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.3%.

Health care costs were assumed to increase at a projected wage inflation rate plus an additional factor ranging from .50% to 4% for the next 7 years. In subsequent years (8 and beyond), health care costs were assumed to increase 4% (the projected wage inflation rate).

As of December 31, 2012, the audited estimated Net Position available for OPEB were \$10.7 billion. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were \$29.6 billion and \$18.9 billion, respectively.

The Health Care Preservation Fund (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. Member and employer contribution rates increased as of January 1, of each year from 2006 to 2008. These rate increases allowed additional funds to be allocated to the health care plan.

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
September 30, 2013**

**NOTE 7 – Compensated Absences**

The following is a summary of compensated absences at September 30, 2013:

	<u>Balance at 9/30/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 9/30/13</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 925	\$ 1,275	\$ ( 1,405)	\$ 795	\$ 795

**NOTE 8 – Contingent Liabilities**

**A. Grants**

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any such disallowed claims could have a material adverse effect on the overall financial position of the Authority at September 30, 2013.

**B. Litigation**

The Authority is unaware of any outstanding lawsuits or other contingencies

**NOTE 9 – Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Konx Metropolitan Housing Authority and is presented on the accrued basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

**NOTE 12 - FDS Schedule Submitted to HUD**

For the fiscal year ended September 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.

**NOTE 13 - Subsequent Events**

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through February 11, 2014, the date on which the financial statements were available to be issued.

**MORROW METROPOLITAN HOUSING AUTHORITY  
MORROW COUNTY**

**NOTES TO FINANCIAL STATEMENTS  
September 30, 2013**

**NOTE 14 – 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.

*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.

Morrow Metropolitan Housing Authority  
Statement of Net Position  
September 30, 2013

Financial Data Schedule Submitted to U.S. Department of HUD

Line item	Account Description	Housing Choice Voucher	Home Investment Partnerships	TOTALS
111	Cash - Unrestricted	\$ 32,131	\$ -	\$ 32,131
113	Cash - Other Restricted	43,006	729	43,735
100	Total Cash	<u>75,137</u>	<u>729</u>	<u>75,866</u>
122	Accounts Receivable - HUD	1,947		1,947
142	Prepaid Expenses	1,999		1,999
<b>150</b>	<b>Total Current Assets</b>	<u>79,083</u>	<u>729</u>	<u>79,812</u>
164	F/E/M Admin	20,297		20,297
166	Accumulated Depreciation	<u>(15,184)</u>		<u>(15,184)</u>
160	Net Fixed Assets	<u>5,113</u>	<u>-</u>	<u>5,113</u>
<b>190</b>	<b>TOTAL ASSETS</b>	<u><b>\$ 84,196</b></u>	<u><b>\$ 729</b></u>	<u><b>\$ 84,925</b></u>
321	Accrued Wage/Taxes Payable	\$ 1,521		\$ 1,521
322	Accrued Comp. Abs. - Current	796		796
331	A/P - HUD PHA	24,710		24,710
310	Total Current Liabilities	<u>27,027</u>	<u>-</u>	<u>27,027</u>
	TOTAL Liabilities	27,027	-	27,027
508.1	Invested in Capital Assets Net	5,113	-	5,113
511.1	Restricted Net Position	18,296	729	19,025
512.1	Unrestricted Net Position	33,760		33,760
513	TOTAL NET POSITION	<u>57,169</u>	<u>729</u>	<u>57,898</u>
<b>600</b>	<b>TOTAL LIAB. &amp; NET POSITION</b>	<u><b>\$ 84,196</b></u>	<u><b>\$ 729</b></u>	<u><b>\$ 84,925</b></u>

Morrow Metropolitan Housing Authority  
Statement of Revenues and Expenses  
For the Year Ended September 30, 2013

Financial Data Schedule Submitted to U.S. Department of HUD

<b>Line item</b>	<b>Account Description</b>	<b>Housing Choice Voucher</b>	<b>Home Investment Partnerships</b>	<b>TOTALS</b>
706	HUD PHA Operating Grants	\$ 530,077	\$ 36,500	\$ 566,577
715	Other Revenue	-	3,650	3,650
700	TOTAL REVENUE	<u>530,077</u>	<u>40,150</u>	<u>570,227</u>
911	Admin Salaries	33,986	-	33,986
912	Audit	4,062	-	4,062
913	Management Fee	31,750	3,650	35,400
915	Employee Benefits	5,251	-	5,251
916	Office Expenses	<u>18,125</u>	<u>-</u>	<u>18,125</u>
	Total Operating - Admin.	93,174	3,650	96,824
961.2	Insurance - Liab. Insurance	2,129	-	2,129
961.3	Insurance – Workmen’s Comp.	<u>100</u>	<u>-</u>	<u>100</u>
	Total Insurance	2,229	-	2,229
962.1	Comp. Abs.	<u>(130)</u>	<u>-</u>	<u>(130)</u>
	TOTAL OPERATING EXPENSES	<u>95,273</u>	<u>3,650</u>	<u>98,923</u>
970	Excess Oper. Rev. over Exp.	434,804	36,500	471,304
973	HAP	409,890	35,771	445,661
973.5	HAP - Portability-In	39,832		39,832
974	Depreciation Exp	<u>2,951</u>	<u>-</u>	<u>2,951</u>
900	TOTAL EXPENSES	<u>547,946</u>	<u>39,421</u>	<u>587,367</u>
1000	NET INCOME(LOSS)	<u>\$ (17,869)</u>	<u>\$ 729</u>	<u>\$ (17,140)</u>



Morrow Metropolitan Housing Authority  
 Additional Information Required by HUD  
 For the Year Ended September 30, 2013

Financial Data Schedule Submitted to U.S. Department of HUD

<b><u>Line item</u></b>	<b><u>Account Description</u></b>	<b><u>Housing Choice Voucher</u></b>	<b><u>Home Investment Partnerships</u></b>
11170	Administrative Fee Equity	\$ 38,873	
11180	Housing Assistance Payment Equity	\$ 18,296	
11190	Unit Months Available	1,171	85
11210	Number of Unit Months Leased	1,171	12

MORROW METROPOLITAN HOUSING AUTHORITY

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2013

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development			
Direct Program:			
Section 8 Tenant Based Cluster:			
Housing Choice Vouchers	14.871	N/A	\$ 530,077
Passed Through Morrow County			
Home Investment Partnership Program:			
Community Home Improvement	14.239	B-C-08-054-2 14	<u>36,500</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>\$ 566,577</u></u>

The accompanying notes are an integral part of the financial statements.



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

Board of Trustees  
Morrow Metropolitan Housing Authority  
Morrow, Ohio

I 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 Morrow Metropolitan Housing Authority, Morrow County, Ohio as of and for the year ended September 30, 2013, and the related notes to the financial statements, and have issued my report thereon dated February 11, 2014.

***Internal Control Over Financial Reporting***

As part of my financial statement audit, I considered the Morrow Metropolitan Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support my opinion(s) on the financial statements, but not to the extent necessary to opine on the effectiveness of the Morrow Metropolitan Housing Authority's internal control. Accordingly, I 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 Morrow Metropolitan Housing 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.

My 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, I did not identify any deficiencies in internal control that I consider material weaknesses. However, unidentified material weaknesses may exist.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the Morrow Metropolitan Housing 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 my audit and accordingly, I do not express an opinion. The results of my tests disclosed no instances of noncompliance or other matters I must report under *Government Auditing Standards*.

### ***Purpose of this Report***

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

Kevin L. Penn, Inc.

February 11, 2014



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

Board of Trustees  
Morrow Metropolitan Housing Authority  
Morrow, Ohio

***Report on Compliance for Each Major Federal Program***

I have audited the Morrow Metropolitan Housing 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 Morrow Metropolitan Housing Authority's major federal program for the year ended September 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Morrow Metropolitan Housing Authority's major federal program.

***Management's Responsibility***

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

***Auditor's Responsibility***

My responsibility is to opine on the Morrow Metropolitan Housing Authority's compliance for each of the Morrow Metropolitan Housing Authority's major federal program based on my audit of the applicable compliance requirements referred to above. My 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 me 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 Morrow Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe my audit provides a reasonable basis for my compliance opinion on the Morrow Metropolitan Housing Authority's major program. However, my audit does not provide a legal determination of the Morrow Metropolitan Housing Authority's compliance.

### ***Opinion on Each Major Federal Program***

In my opinion, the Morrow 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 year ended September 30, 2013.

### ***Report on Internal Control Over Compliance***

The Morrow Metropolitan Housing 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 my compliance audit, I considered the Morrow Metropolitan Housing Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine my 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, I have not opined on the effectiveness of the Morrow Metropolitan Housing 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.

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

This report only describes the scope of my 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.

Kevin L. Penn, Inc.

February 11, 2014

**Morrow Metropolitan Housing Authority**  
 Schedule of Findings  
 September 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over compliance:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
Identification of major programs: 14.871	Housing Choice Voucher Program
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000 (Type A)
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings

No matters were reported.

**Morrow Metropolitan Housing Authority**  
Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2013

There were no audit findings, during the 2012 fiscal year.





# Dave Yost • Auditor of State

**MORROW METROPOLITAN HOUSING AUTHORITY**

**MORROW 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  
MAY 8, 2014**