

**GENERAL PURPOSE
FINANCIAL STATEMENTS**

of the

Fayette Metropolitan Housing Authority

for the

Year Ended December 31, 1999

**FAYETTE METROPOLITAN HOUSING AUTHORITY
TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report	1
General Purpose Financial Statements:	
Combined Balance Sheet – Proprietary Fund Type	2
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type	3
Statement of Cash Flows - Proprietary Fund Type	4
Notes to the General Purpose Financial Statements	5 – 9
Supplemental Data:	
Combining Balance Sheet – (FDS schedule format)	10
Combining Statements of Revenues, Expenses and Changes in Retained Earnings - (FDS schedule format)	11
Additional FDS Schedule Information – FDS Schedule Submitted to HUD	12
Schedule of Federal Awards Expenditures	13
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards and PIH Compliance Supplement	14
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 and PIH Compliance Supplement	15 - 16
Summary of Auditors' Results	17 - 18



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Directors
Fayette Metropolitan Housing Authority
Washington Court House, Ohio

We have reviewed the Independent Auditor's Report of the Fayette Metropolitan Housing Authority, Fayette County, prepared by Jones, Cochenour & Company, for the audit period January 1, 1999 through December 31, 1999. 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 Fayette Metropolitan Housing Authority is responsible for compliance with these laws and regulations.



JIM PETRO
Auditor of State

July 6, 2000



INDEPENDENT AUDITORS' REPORT

Board of Directors
Fayette Metropolitan Housing Authority
Washington Court House, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying general purpose financial statements of Fayette Metropolitan Housing Authority, as of and for the year ended December 31, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the Fayette Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Fayette Metropolitan Housing Authority, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 22, 2000 on our consideration of Fayette Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Fayette Metropolitan Housing Authority. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. The combining financial data ("FDS") schedule is presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.


Jones, Cochenour & Co.
June 22, 2000

**Fayette Metropolitan Housing Authority
Combined Balance Sheet
Proprietary Fund Type
Enterprise Fund
December 31, 1999**

ASSETS

Cash and cash equivalents	\$ 244,815
Accounts receivable - HUD	29,191
Accounts receivable - miscellaneous	5,087
Fixed assets - net of accumulated depreciation	<u>8,635</u>
TOTAL ASSETS	\$ <u>287,728</u>

LIABILITIES AND RETAINED EARNINGS

Accounts payable	\$ 7,143
Accounts payable - HUD	68,010
Deferred revenues	103,517
Other liabilities	<u>8,506</u>
	187,176

RETAINED EARNINGS

Retained earnings	<u>100,552</u>
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TOTAL LIABILITIES AND RETAINED EARNINGS	\$ <u>287,728</u>
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See accompanying notes to the general purpose financial statements

Fayette Metropolitan Housing Authority
Combined Statement of Revenues, Expenses and Changes in
Retained Earnings
Proprietary Fund Type
Enterprise Fund
Year Ended December 31, 1999

OPERATING REVENUE		
Program grants/subsidies	\$	630,343
OPERATING EXPENSES		
Housing assistance payments		517,539
Administrative salaries		39,278
Auditing fees		2,532
Employee benefits – administrative		24,372
Other operating – administrative		20,242
Depreciation expense		2,085
Insurance premium		7,570
Ordinary maintenance		1,392
Other general expenses		<u>4,294</u>
	TOTAL OPERATING EXPENSES	<u>619,304</u>
	NET OPERATING INCOME	11,039
NON-OPERATING REVENUE		
Investment income		<u>1,813</u>
	NET INCOME	12,852
RETAINED EARNINGS, BEGINNING, AS RESTATED		<u>87,700</u>
	RETAINED EARNINGS, ENDING	<u>\$ 100,552</u>

See accompanying notes to the general purpose financial statements

Fayette Metropolitan Housing Authority
 Combined Statement of Cash Flows
 Proprietary Fund Type
 Enterprise Fund
 Year Ended December 31, 1999

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from HUD	\$ 670,989
Cash payments for housing assistance payments	(517,539)
Cash payments for salaries	(39,278)
Cash payments for other operating expenses	<u>(99,680)</u>
NET CASH USED FROM OPERATING ACTIVITIES	14,492
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	<u>1,813</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,305
CASH AND CASH EQUIVALENTS, BEGINNING	<u>228,510</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 244,815</u></u>

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Net operating income	\$ 11,039
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	2,085
(Increase) decrease in:	
Accounts receivable - other	795
Accounts receivable - HUD	6,837
Increase (decrease) in:	
Accounts payable	(58,358)
Accounts payable - HUD	(1,877)
Deferred revenue	47,679
FSS escrow	(2,215)
Other liabilities	<u>8,507</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ 14,492</u></u>

See accompanying notes to the general purpose financial statements

Fayette Metropolitan Housing Authority
Notes to the General Purpose Financial Statements
December 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Fayette Metropolitan Housing Authority (the "Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Fayette Metropolitan Housing Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying general purpose financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financial 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.

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the Section 8 program. 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 Section 8 programs.

Fayette Metropolitan Housing Authority
Notes to the General Purpose Financial Statements
December 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary Fund Types

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

Enterprise Fund – This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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 on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 3). Investments are valued at market value. Interest income earned in fiscal year 1999 totaled \$11,761. The interest income earned on the general fund investments is required to be returned to HUD and this amount was \$2,059 for the year ended December 31, 1999.

Fixed Assets

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

Cash and Cash Equivalents

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

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

Fayette Metropolitan Housing Authority
Notes to the General Purpose Financial Statements
December 31, 1999

2. CASH AND INVESTMENTS

HUD Handbook 7475.1 Chapter 4, Section 1 authorizes the PHA to make investments in:

- Direct Obligations of the Federal Government;
- Obligations of Federal Government Agencies;
- Securities of Government-Sponsored Agencies; and
- Demand and Savings Deposits and Certificates of Deposit.

Deposits: The carrying amount of Fayette Metropolitan Housing Authority's deposits, totaled \$244,815. The corresponding bank balances totaled \$245,120. Federal depository insurance covered \$100,000 of the bank balance. Collateral was held by securities in the authority's name for \$145,120. The Authority did not have any investments at December 31, 1999.

3. CONTRACT SERVICES

The authority contracts with Fayette County to provide financial services for the housing authority. The authority does not have any employees instead services are subcontracted from Fayette County.

4. NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

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

5. 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 1999, the Authority's insurance is contracted by and paid through Fayette County. The amount to be contributed to the worker's compensation fund is also paid through Fayette County.

6. FIXED ASSETS

The following is a summary:

Office Equipment	\$	40,273
Accumulated depreciation		<u>(31,638)</u>
NET FIXED ASSETS	\$	<u>8,635</u>

The following is a summary of changes:

	<u>Balance</u> <u>December 31, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31, 1999</u>
Office equipment	\$ 29,554	\$ 10,719	\$ -	\$ 40,273

The depreciation expense for the year ended December 31, 1999 was \$2,085.

Fayette Metropolitan Housing Authority
Notes to the General Purpose Financial Statements
December 31, 1999

7. CHANGES IN FINANCIAL STATEMENT PREPARATION AND BASIS OF ACCOUNTING

For the fiscal year ended December 31, 1999, the Authority has presented for the first time general purpose financial statements by fund type. In conjunction with this presentation, the Authority has changed its basis of accounting from the HUD basis to the accrual basis for proprietary funds, including the valuation of fixed assets. These changes include recognition of revenue when earned for proprietary funds and expenditures/expenses when incurred. Fixed assets were valued at historical cost. Retained earnings as of January 1, 1999 has been restated for these changes to conform to generally accepted accounting principles (GAAP).

These restatements had the following effect on retained earnings and other credits:

<u>Fund Type</u>	<u>Balance Previous Accounting Method December 31, 1998</u>	<u>Adjustments to Reflect Decrease Due to Changes in Basis of Accounting</u>	<u>Restated Balance December 31, 1998</u>
Proprietary Fund Type:			
Enterprise Fund	\$ 65,417	\$ 22,283	\$ 87,700

8. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended December 31, 1999, the Authority for the first time electronically submitted an unaudited version of the combining balance sheet, statement of revenues, expenses and changes in retained earnings and other data to HUD as required on the GAAP basis. The audited version of the FDS schedules are on pages 10-12. The schedules are presented in the manner prescribed by Housing and Urban Development. These schedules can be used to tie the total assets and liabilities into the combined statements.

Fayette Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
December 31, 1999

FDS Line Item No.	Account Description	14.855 Sect. 8 Rent VO Prgm	14.857 Sect. 8 Rent CE Prgm	14.182 Sect. 8 N/C S/R	14.858 HOPE Grant	Total
	ASSETS					
111	Cash - unrestricted	\$ 17,427	\$ 152,632	\$ 62,958	\$ 3,317	\$ 236,334
113	Cash - other restricted	-	8,481	-	-	8,481
122	Accounts receivable - HUD other project	21,816	-	3,334	4,041	29,191
125	Accounts receivable - miscellaneous	5,087	-	-	-	5,087
150	TOTAL CURRENT ASSETS	44,330	161,113	66,292	7,358	279,093
164	Furniture and equipment - administration	40,273	-	-	-	40,273
166	Accumulated depreciation	(31,638)	-	-	-	(31,638)
180	TOTAL NON-CURRENT ASSETS	8,635	-	-	-	8,635
190	TOTAL ASSETS	\$ 52,965	\$ 161,113	\$ 66,292	\$ 7,358	\$ 287,728
	LIABILITIES AND RETAINED EARNINGS					
312	Accounts payable < = 90 days	\$ -	\$ -	\$ -	\$ 7,143	\$ 7,143
331	Accounts payable - HUD PHA programs	-	68,010	-	-	68,010
342	Deferred revenues	55,261	44,828	3,428	-	103,517
310	TOTAL CURRENT LIABILITIES	55,261	112,838	3,428	7,143	178,670
353	Noncurrent liabilities - other	8,506	-	-	-	8,506
300	TOTAL LIABILITIES	63,767	112,838	3,428	7,143	187,176
508	Retained earnings	(10,802)	48,275	62,864	215	100,552
513	TOTAL RETAINED EARNINGS	(10,802)	48,275	62,864	215	100,552
600	TOTAL LIABILITIES AND RETAINED EARNINGS	\$ 52,965	\$ 161,113	\$ 66,292	\$ 7,358	\$ 287,728

Fayette Metropolitan Housing Authority
Combining Statement of Revenues, Expenses and Changes in
Retained Earnings
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
Year Ended December 31, 1999

FDS Line Item No.	Account Description	14,855 Sect. 8 Rent VO Prgm	14,857 Sect. 8 Rent CE Prgm	14,182 Sect. 8 N/C S/R	14,858 HOPE Grant	Total
	REVENUE					
706	HUD PHA grants	\$ 178,642	\$ 407,964	\$ 43,737	\$ 41,948	\$ 672,291
711	Investment income	-	1,813	-	-	1,813
715	Other revenue	-	(3,077)	-	-	(3,077)
700	TOTAL REVENUE	<u>178,642</u>	<u>406,700</u>	<u>43,737</u>	<u>41,948</u>	<u>671,027</u>
	EXPENSES					
911	Administrative salaries	11,681	24,042	3,555	41,948	81,226
912	Auditing fees	684	1,633	215	-	2,532
915	Employees benefit contributions	7,248	14,918	2,206	-	24,372
916	Other operating expenses	6,020	12,390	1,832	-	20,242
942	Ordinary maintenance - materials	414	852	126	-	1,392
961	Insurance premiums	2,251	4,634	685	-	7,570
962	Other general expenses	302	745	110	60	1,217
969	TOTAL OPERATING EXPENSES	<u>28,600</u>	<u>59,214</u>	<u>8,729</u>	<u>42,008</u>	<u>138,551</u>
970	Excess operating revenue over expenses	150,042	347,486	35,008	(60)	532,476
	OTHER EXPENSES					
973	Housing assistance payments	133,073	348,465	36,001	-	517,539
974	Depreciation expense	2,085	-	-	-	2,085
900	TOTAL EXPENSES (Acct. 969, 973, 974)	<u>163,758</u>	<u>407,679</u>	<u>44,730</u>	<u>42,008</u>	<u>658,175</u>
1000	Excess revenue or (expenses) (Acct. 700 minus 900)	14,884	(979)	(993)	(60)	12,852
1103	Beginning retained earnings	(25,686)	49,254	63,857	275	87,700
	ENDING RETAINED EARNINGS	<u>\$ (10,802)</u>	<u>\$ 48,275</u>	<u>\$ 62,864</u>	<u>\$ 215</u>	<u>\$ 100,552</u>

Fayette Metropolitan Housing Authority
 Additional FDS Schedule Information
 FDS Schedule Submitted to HUD
 Proprietary Fund Type
 Enterprise Fund
 December 31, 1999

FDS Line Item No.	Account Description	14.855 Sect. 8 Rent VO Prgm	14.857 Sect. 8 Rent CE Prgm	14.182 Sect. 8 N/C S/R	14.858 HOPE Grant	Total
1103	Beginning equity	\$ (26,686)	\$ 49,254	\$ 63,857	\$ 275	\$ 87,700
1113	Maximum annual contributions (per ACC)	\$ 229,503	\$ 507,414	\$ 52,836	-	\$ 789,753
1115	Contingency reserve	54,618	173,111	79,366	-	307,095
1116	Total annual contributions available	\$ 284,121	\$ 680,525	\$ 132,202	-	\$ 1,096,848
1120	Unit months available	664	1,548	204	-	2,416
1121	Number of unit months leased per report approved by HUD	664	1,366	202	-	2,232

Fayette Metropolitan Housing Authority
 Proprietary Fund Type
 Enterprise Fund
 Schedule of Federal Award Expenditures
 Year Ended December 31, 1999

	<u>FEDERAL CFDA NUMBER</u>	<u>FUNDS EXPENDED</u>
<u>FROM U.S. DEPARTMENT OF HUD</u>		
<u>DIRECT PROGRAMS</u>		
Annual Contribution Contract C-5089 Housing Assistance Payment Program		
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation HOPE	14.856	\$ 43,737
	14.858	41,948
Section 8 Rental Voucher Program	14.855	178,642
Section 8 Rental Certificate Program	14.857	<u>406,152</u>
Total Tenant Bases Cluster		<u>584,794</u>
Total - All Programs		<u>\$ 670,479</u>



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

Board of Directors
Fayette Metropolitan Housing Authority
Washington Court House, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the general purpose financial statements of Fayette Metropolitan Housing Authority as of and for the year ended December 31, 1999, and have issued our report thereon dated June 22, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States issued by the Department of Housing and Urban Development, Office of the Inspector General.

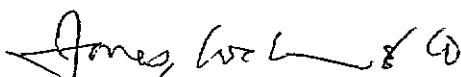
Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fayette Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Fayette Metropolitan Housing Authority in a separate letter dated June 22, 2000.

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


Jones, Cochenour & Co.
June 22, 2000



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

Board of Directors
Fayette Metropolitan Housing Authority
Washington Court House, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of Fayette Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended December 31, 1999. Fayette Metropolitan Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Fayette Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Fayette Metropolitan Housing Authority's compliance based on our audit.

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

In our opinion, Fayette Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1999.

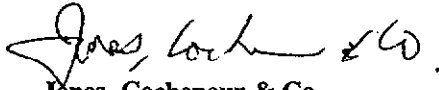
Internal Control Over Compliance

The management of Fayette Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Fayette Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major

federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in cursive script, appearing to read "Jones, Cochenour & Co.", followed by a stylized flourish or mark.

Jones, Cochenour & Co.
June 22, 2000

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

Fayette Metropolitan Housing Authority
December 31, 1999

1. SUMMARY OF AUDITORS' RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA #14.855 and 14.857 Tenant Bases Cluster
Dollar Threshold: Type A/B Programs	Type A: \$300,000 Type B: All others
Low Risk Auditee?	Yes

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

**Fayette Metropolitan Housing Authority
December 31, 1999**

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings or questioned costs for the year ended December 31, 1999.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended December 31, 1999.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

38 East Broad Street
P.O. Box 1140
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800-282-0370
Facsimile 614-466-4490

FAYETTE METROPOLITAN HOUSING AUTHORITY
FAYETTE 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.

By: Susan Babbitt

Date: AUG 03 2000