

**MORGAN METROPOLITAN HOUSING AUTHORITY
McCONNELSVILLE, OHIO**

**REPORT ON EXAMINATION OF FINANCIAL
STATEMENTS AND SUPPLEMENTAL DATA FOR THE
YEAR ENDED JUNE 30, 1999**

J. E. Slaybaugh & Associates, Inc.
Certified Public Accountant
12 East Main Street
Lexington, Ohio 44504

**MORGAN METROPOLITAN HOUSING AUTHORITY
McCONNELSVILLE, OHIO**

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STATEMENTS AND SUPPLEMENTAL DATA FOR THE
YEAR ENDED JUNE 30, 1999**

J. E. Slaybaugh & Associates, Inc.

Certified Public Accountant

12 East Main Street

Lexington, Ohio 44904

MORGAN METROPOLITAN HOUSING AUTHORITY
McCONNELSVILLE, OHIO

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Morgan Metropolitan Housing Authority

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Data Collection Form



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215

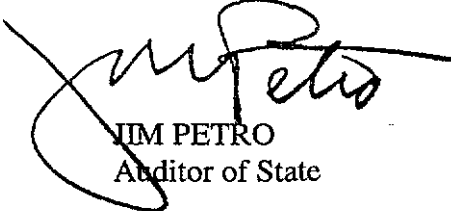
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Board of Commissioners
Morgan Metropolitan Housing Authority
McConnelsville, Ohio

We have reviewed the Independent Auditor's Report of the Morgan Metropolitan Housing Authority, Morgan County, prepared by J. E. Slaybaugh & Associates, Inc., for the audit period July 1, 1998 to June 30, 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 Morgan Metropolitan Housing Authority is responsible for compliance with these laws and regulations.


JIM PETRO
Auditor of State

January 8, 2000

J. E. Slaybaugh & Associates, Inc.

*12 East Main Street
Lexington, Ohio 44904*

*Member AICPA
Member OSCPA*

*John E. Slaybaugh III
Certified Public Accountant*

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Morgan Metropolitan Housing Authority
McConnelsville, Ohio

U.S. Dept. of Housing and
Urban Development
Public Housing Division
Cincinnati, Ohio

We have audited the accompanying financial statements of the Morgan Metropolitan Housing Authority, McConnelsville, Ohio, as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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.

As discussed in Note 1, Morgan Metropolitan Housing Authority prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis accounting practices prescribed or permitted by the Department of Housing and Urban Development, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Morgan Metropolitan Housing Authority as of June 30, 1999, and the results of its operations and the cash flows for the year then ended on the basis of accounting prescribed above.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 1999, on our consideration of Morgan 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 financial statements of Morgan Metropolitan Housing Authority, taken as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the supplemental exhibits, listed in the Table of Contents, are presented for the purposes of additional analysis, and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is stated fairly, in all material respects, in relation to the financial statements taken as a whole.

J. E. Slaybaugh & Associates, Inc.

J.E. Slaybaugh & Associates, Inc.
Lexington, Ohio
December 14, 1999

EXHIBIT A

MORGAN METROPOLITAN HOUSING AUTHORITY
McCONNELSVILLE, OHIO

BALANCE SHEET AT JUNE 30, 1999

<u>ASSETS</u>	<u>Annual Contribution Contract</u>	
	<u>C-5093</u>	<u>C-5065</u>
Cash	\$ 19,277	\$ 55,206
Accounts Receivable		
Tenants	3,190	
Other	-	10,000
Deferred Charges	12,427	28
Land, Structures and Equipment	3,951,937	16,054
Prepaid Expenses	317	
	<hr/>	<hr/>
Total Assets	<u>\$ 3,987,148</u>	<u>\$ 81,288</u>
 <u>LIABILITIES AND SURPLUS</u>		
Accounts Payable		
FSS		\$ 10,229
Tenant Security Deposit	\$ 7,456	
HUD		63,682
Other	17,589	4,140
Notes Payable	1,891,793	
Accrued Liabilities	397,419	25
	<hr/>	<hr/>
Total Liabilities	2,314,257	78,076
Surplus - Exhibit C	<hr/>	<hr/>
	1,672,891	3,212
	<hr/>	<hr/>
Total Liabilities and Surplus	<u>\$ 3,987,148</u>	<u>\$ 81,288</u>

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

EXHIBIT B(1)

MORGAN METROPOLITAN HOUSING AUTHORITY
McCONNELSVILLE, OHIO

STATEMENT OF INCOME AND EXPENSE - PHA OWNED HOUSING

Twelve Months Ended June 30, 1999

Annual Contributions Contract C-5093

Project OH16-066-001

Operating Income

Dwelling Rental	\$ 43,441
Nondwelling Rental	20
Interest on General Fund Investments	88
Other Income	<u>1,594</u>

Total Operating Income - Exhibit D(1) 45,143

Operating Expenses

Administrative	64,167
Tenant Services	6,169
Utilities	42,953
Ordinary Maintenance & Operation	52,084
General Expense	51,400
Nonroutine Maintenance	<u>2,485</u>

Total Operating Expense - Exhibit D(1) 219,258

Net Operating Income (Loss) \$ (174,115)

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

EXHIBIT B(2)

MORGAN METROPOLITAN HOUSING AUTHORITY
McCONNELSVILLE, OHIO

STATEMENT OF INCOME AND EXPENSE
HOUSING ASSISTANCE PAYMENTS PROGRAM
SECTION 8 - EXISTING

Twelve Months Ended June 30, 1999

Annual Contributions Contract C-5065E

Project OH66CE

Operating Income

Interest Earned on General Fund Investments	\$ 800
	<u>800</u>
Total Operating Income - Exhibit D(2)	800

Operating Expenses

Administrative Expense	32,219
Audit Cost	700
Housing Assistance Payments	<u>205,152</u>
	<u>238,071</u>
Total Operating Expense - Exhibit D(2)	<u>238,071</u>
Net Operating Income (Loss)	<u>\$ (237,271)</u>

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

EXHIBIT B(3)

MORGAN METROPOLITAN HOUSING AUTHORITY
McCONNELSVILLE, OHIO

STATEMENT OF INCOME AND EXPENSE
HOUSING ASSISTANCE PAYMENTS PROGRAM
SECTION 8 - VOUCHERS

Twelve Months Ended June 30, 1999

Annual Contributions Contract C-5065V

Project OH066VO

Operating Income

Interest Earned on General Fund Investment	\$ 507
Total Operating Income - Exhibit D(3)	507

Operating Expenses

Administrative Expense	27,123
Housing Assistance Payments	125,052
Audit Costs	<u>700</u>
Total Operating Expense - Exhibit D(3)	<u>152,875</u>
Net Operating Income (Loss)	<u>\$ (152,368)</u>

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

EXHIBIT B(4)

MORGAN METROPOLITAN HOUSING AUTHORITY
McCONNELSVILLE, OHIO

STATEMENT OF CASH FLOWS

Twelve Months Ended June 30, 1999

	<u>Annual Contribution Contract</u>	
	<u>C-5093</u>	<u>C-5065</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (174,115)	\$ (389,639)
Adjustments to reconcile net loss to net cash provided by operating activities:		
(Increase) Decrease In:		
Accounts Receivable	6,018	(5,896)
Deferred Charges	996	
Undistributed Funds	753	
Increase (Decrease) In:		
Accounts Payable	8,014	65,613
Accrued Expenses	(601)	
	<hr/>	<hr/>
Net Cash Used By Operating Activities	<u>(158,935)</u>	<u>(329,922)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Project Costs	(193,220)	
Equipment Purchased	(499)	
	<hr/>	
Net Cash Used By Investing Activities	<u>(193,719)</u>	
 CASH FLOWS FROM FINANCING ACTIVITIES:		
HUD Grants	202,301	
Operating Subsidy	166,016	390,327
Prior Period Adjustment (RAD)	3,253	(5,282)
	<hr/>	<hr/>
Net Cash Provided By Financing Activities	<u>371,570</u>	<u>385,045</u>
Net Increase (Decrease) In Cash	18,916	55,123
Cash At The Beginning Of Year	<hr/> 361	<hr/> 83
Cash At End Of Year	<u>\$ 19,277</u>	<u>\$ 55,206</u>

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

EXHIBIT C

MORGAN METROPOLITAN HOUSING AUTHORITY
McCONNELSVILLE, OHIO

STATEMENT OF CHANGES IN SURPLUS

Twelve Months Ended June 30, 1999

	<u>Annual Contribution Contract</u>	
	<u>C-5093</u>	<u>C-5065</u>
SURPLUS at July 1, 1998	\$ 1,475,436	\$ 7,807
Increase (Decrease) In:		
Unreserved Surplus	(165,517)	(427,421)
Prior Year Adjustment	2,433	(4,091)
Operating Reserve	(7,778)	121
Project Account - Unfunded		36,666
Cumulative HUD Contributions	166,016	390,130
Cumulative HUD Grants	<u>202,301</u>	<u> </u>
SURPLUS at June 30, 1999	<u>\$ 1,672,891</u>	<u>\$ 3,212</u>

Exhibit A

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

MORGAN METROPOLITAN HOUSING AUTHORITY
McCONNELSVILLE, OHIO

NOTES TO FINANCIAL STATEMENTS

June 30, 1999

NOTE 1 - Summary of Significant Accounting Policies

A. Organization

The Morgan Metropolitan Housing Authority is a political subdivision of the State of Ohio, created under Section 3735.27 of the Ohio Revised Code. 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 rent subsidies. Based on the criteria established by GASB codification 2300, there are no component units to be included with the reporting entity.

B. Basis of Accounting

The Authority's policy is to maintain its accounting records on the modified cash basis in accordance with accounting practices prescribed by the Department of Housing and Urban Development. The Authority does not depreciate its structures and equipment. Accordingly, the accompanying financial statements are not intended to present financial position and the results of operations in conformity with generally accepted accounting principles.

C. Land, Structures and Equipment

Land, Structures and Equipment are recorded at cost. No depreciation is provided according to HUD accounting practices.

D. Cash and Investments

At year-end, the Book Value of the PHA's cash, consisting of Demand Deposits, was \$ 74,483 and the Bank Balance was \$ 71,305.

1) \$ 74,483 was covered by Federal Depository Insurance.

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;
Demand and Savings Deposits and Certificates of Deposit.

The PHA's cash, which are demand deposits, at June 30, 1998, are as follows:

<u>Annual Contribution Contract</u>	<u>Book Amount</u>	<u>Bank Amount</u>
C-5093	\$ 19,277	\$ 13,239
C-5065	55,206	58,066
TOTAL	<u>\$ 74,483</u>	<u>\$ 71,305</u>

E. Financial Statements Format and Content

The format and content of the financial statements included in this report conform to the format and content of annual report forms submitted to HUD.

NOTE 2 - DEFINED BENEFIT PENSION PLAN:

A. Public Employees Retirement System Pension Plan

All Morgan Metropolitan Housing Authority's full-time employees participate in the Public Employees Retirement (PERS), a cost-sharing multiple-employer public employees retirement system operated by the State.

All public employees in Ohio, except for certain specific exclusions and exemptions, are required to become contributing member of PERS. Employees may retire at or after age 60 with 5 years of credited service. They are entitled to a retirement benefit, payable monthly for life, equal to 2.1% of their final average salary for the first 30 years of credited service and 2.5% for years of service in excess of 30 years. Final average salary is the employee's average salary over the highest 3 years of earnings. Benefits fully vest upon reaching 5 years of service. Employees may retire at any age with 30 years of service, at age 60 with a minimum of 25 years of service. Those individuals retiring with less than 30 years of service or less than age 65, receive reduced retirement benefits. Benefits are established by state statute.

Covered employees are required by state statute to contribute 8.5% of their salary to the plan. The total 1999 employer contribution rate for local government employees units is 13.55%, of which 8.44% is used to fund pension obligations. The difference between the total employer rate and the portion used to fund pension obligations is the amount used to fund the health care program for retirants. For the year ended June 30, 1999, the employer portion of the retirement contribution amounted to \$24,950 on covered payroll of \$184,136, which met the contribution rate stated above. The employer contributions and contribution rates for the prior two years are as follows:

	<u>Contribution</u>	<u>Rate</u>
June 30, 1998	\$25,812	13.55%
June 30, 1997	\$22,530	13.55%

NOTE 3 - FIXED LIABILITIES:

Notes Payable - HUD:

As a result of the "Forgiveness" legislation, Public Law 99-272, HUD no longer applies annual contributions on HUD held notes, and provides that HUD will forgive all HUD notes which were held to be repaid using fixed annual contributions. HUD will also forgive the accrued interest on these notes. The forgiven debt will be treated as HUD contributions on the Authority's books. The Authority will reduce this contribution by the amount that it has booked as contributions due from HUD but not received.

As of June 30, 1999 the Authority had not received final approval to reclassify the forgiven debt. The unforgiven balances at June 30, 1999 are \$1,891,793 notes payable and \$ 398,020 accrued interest.

NOTE 4 – YEAR 2000 ISSUE:

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal 1999. Morgan Metropolitan Housing Authority has completed an inventory of computer systems and other equipment necessary to conducting the Authority's mission critical operation, the results of which are as follows:

Systems and equipment- Software: The Authority has purchased Nan McKay software for its' tenant and financial accounting and other tenant services which was stated as Year 2000 ready. The Authority has completed the remediation stage and completed testing and validation procedures to be Year 2000 compliant.

Systems and equipment- External Entity – HUD: The Department of Housing and Urban Development issued a letter that states that HUD is well on its way to ensuring that all of its automated systems will be Year 2000 compliant following a plan designed to be implemented by March 31, 1999. The Authority is monitoring the status of the planned system conversion and as of December 14, 1999, have not received notification from HUD that they are in compliance.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Authority is or will be Year 2000 ready, that the Authority's remediation efforts will be successful in whole or in part, or that parties with whom the Authority does business will be Year 2000 ready.

EXHIBIT D(1)

MORGAN METROPOLITAN HOUSING AUTHORITY
McCONNELSVILLE, OHIO

COMPUTATION OF RESIDUAL RECEIPTS AND ACCRUING ANNUAL CONTRIBUTIONS
PHA OWNED HOUSING

Twelve Months Ended June 30, 1999

Annual Contribution Contract C-5093

Project OH-066CE

Computation of Residual Receipts

Operating Receipts

Operating Receipts - Exhibit B(1)	\$ 45,144
HUD Operating Subsidy	<u>166,016</u>
Total Operating Receipts	211,160

Operating Expenditures

Operating Expenses - Exhibit B(1)	219,258
Capital Expenses	499
Prior Year Adjustment Affecting Residual Receipts	<u>(819)</u>
Total Operating Expenditures	<u>218,938</u>

Residual Receipts (Deficit)	(7,778)
Provision for (Reduction of) Operating Reserve	<u>(7,778)</u>
Residual Receipts	<u>\$ - 0 -</u>

EXHIBIT D(2)

MORGAN METROPOLITAN HOUSING AUTHORITY
McCONNELSVILLE, OHIO

COMPUTATION OF ANNUAL CONTRIBUTION EARNED AND PROJECT ACCOUNT
OPERATING RESERVE CHANGES
HOUSING ASSISTANCE PAYMENTS PROGRAM
SECTION 8 - EXISTING

Twelve Months Ended June 30, 1999

Annual Contribution Contract C-5065E

Project OH066CE

Maximum Contribution Available

Maximum Annual Contribution Authorized	\$ 265,107
Pro Rata Maximum Annual Contribution Applicable to a period of less than twelve months	<u> -</u>
Maximum Contribution For Period	265,107
Project Account Balance at Beginning of Year	<u>187,956</u>
 Total Annual Contribution Available	 453,063

Annual Contribution Required

Administrative Fee	32,747
Housing Assistance Payments	205,152
Hard - to - House Fee	450
Audit Costs	<u>700</u>
 Total Funds Required	 239,049
 Project Receipts Other Than Annual Contribution	 <u>(800)</u>
 Total Annual Contributions Required	 <u>238,249</u>

Project Account Change

Provision for Project Account	<u>26,858</u>
 Annual Contribution Earned - Lesser of Contribution Available or Contribution Required	 <u>238,249</u>

EXHIBIT D(2) Continued

MORGAN METROPOLITAN HOUSING AUTHORITY
McCONNELLSVILLE, OHIO

COMPUTATION OF ANNUAL CONTRIBUTION EARNED AND PROJECT ACCOUNT
OPERATING RESERVE CHANGES
HOUSING ASSISTANCE PAYMENTS PROGRAM
SECTION 8 - EXISTING

Twelve Months Ended June 30, 1999

Annual Contributions Contract - C-5065E

Operating Reserve Changes

Operating Income - Exhibit B(2)	800
Annual Contribution Earned	<u>238,249</u>

Total Operating Receipts	239,049
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Operating Expenditures

Operating Expenses - Exhibit B(2)	<u>238,071</u>
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Total Operating Expenditures	<u>238,071</u>
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Net Operating Receipts Available	978
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Provision for (Reduction of) Operating Reserve	<u>978</u>
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Deficit Carry-Over	<u>\$ - 0 -</u>
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EXHIBIT D(3)

MORGAN METROPOLITAN HOUSING AUTHORITY
McCONNELSVILLE, OHIO

COMPUTATION OF ANNUAL CONTRIBUTION EARNED AND PROJECT ACCOUNT
OPERATING RESERVE CHANGES
HOUSING ASSISTANCE PAYMENTS PROGRAM
SECTION 8 - VOUCHERS

Twelve Months Ended June 30, 1999

Annual Contribution Contract C-5065V

Project OH66VO

Maximum Contribution Available

Maximum Annual Contribution Authorized	\$ 230,787
Pro Rata Maximum Annual Contribution Applicable to a period of less than twelve months	<u>-</u>
Maximum Contribution For Period	230,787
Project Account Balance at Beginning of Year	<u>39,241</u>
Total Annual Contribution Available	270,028

Annual Contribution Required

Administrative Fee	26,743
Housing Assistance Payments	125,052
Hard - to - House Fee	90
Audit Costs	<u>700</u>
Total Funds Required	152,585
Project Receipts Other Than Annual Contribution	<u>(507)</u>
Total Annual Contributions Required	<u>152,078</u>

Project Account Change

Provision for Project Account	<u>78,709</u>
Annual Contribution Earned - Lesser of Contribution Available or Contribution Required	<u>152,078</u>

EXHIBIT D(3) Continued

MORGAN METROPOLITAN HOUSING AUTHORITY
McCONNELSVILLE, OHIO

COMPUTATION OF ANNUAL CONTRIBUTION EARNED AND PROJECT ACCOUNT
OPERATING RESERVE CHANGES
HOUSING ASSISTANCE PAYMENTS PROGRAM
SECTION 8 - VOUCHERS

Twelve Months Ended June 30, 1999

Annual Contributions Contract - C-5065V

Operating Reserve Changes

Operating Income - Exhibit B(3)	507
Annual Contribution Earned	<u>152,078</u>

Total Operating Receipts	152,585
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Operating Expenditures

Operating Expenses - Exhibit B(3)	<u>152,875</u>
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Total Operating Expenditures	<u>152,875</u>
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Net Operating Receipts Available	(290)
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Provision for (Reduction of) Operating Reserve	<u>(290)</u>
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Deficit Carry-Over	<u>\$ - 0 -</u>
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EXHIBIT E(1)

MORGAN METROPOLITAN HOUSING AUTHORITY
McCONNELSVILLE, OHIO

STATEMENT OF MODERIZATION COSTS UNCOMPLETED

At June 30, 1999

Annual Contribution Contract C-5093

	Project <u>907</u>
Funds Approved	\$ 270,000
Funds Expended	<u>67,527</u>
Excess (Deficiency) of Funds Approved	<u>\$ 202,473</u>
Funds Advanced	\$ 68,500
Funds Expended	<u>67,527</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 973</u>

EXHIBIT E(2)

MORGAN METROPOLITAN HOUSING AUTHORITY
McCONNELSVILLE, OHIO

ACTUAL MODERNIZATION COST CERTIFICATION

At June 30, 1999

Annual Contribution Contract C-5093

1. The Actual Comprehensive Grant Costs are as follows:

	Project <u>OH16-906</u>
Funds Approved	\$ 240,000
Funds Expended	<u>240,000</u>
Excess (Deficiency) of Funds Approved	<u>\$ -0-</u>
Funds Advanced	\$ 240,000
Funds Expended	<u>240,000</u>
Excess (Deficiency) of Funds Advanced	<u>\$ -0-</u>

Date Submitted: December 4, 1998

2. The Distributions of Costs as shown on the Schedule/Report of Modernization Expenditures submitted to HUD for approval are in agreement with the Authority's records.
3. All Modernization Costs have been paid and all related liabilities have been discharged through payment.

EXHIBIT H

MORGAN METROPOLITAN HOUSING AUTHORITY
McCONNELSVILLE, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Twelve Months Ended June 30, 1999

<u>FROM U.S. DEPARTMENT OF HUD</u> <u>DIRECT PROGRAMS</u>	<u>FEDERAL</u> <u>CFDA</u> <u>NUMBER</u>	<u>FUNDS</u> <u>RECEIVED</u>	<u>FUNDS</u> <u>DISBURSED</u>
Annual Contribution Contract C-5093:			
PHA Owned Housing:			
Operating Subsidy		\$ 166,016	\$ 166,016
Sub-Total	14.850	<u>166,016</u>	<u>166,016</u>
PHA Owned Housing:			
Modernization - 906/907		<u>202,301</u>	<u>193,219</u>
Sub-Total	14.852	<u>202,301</u>	<u>193,219</u>
Annual Contribution Contract C-5065:			
Section 8 Cluster			
Housing Assistance Payments:			
Annual Contribution -			
Existing - OH66CE	14.857	238,249	238,249
Vouchers - OH66VO	14.855	<u>152,078</u>	<u>152,078</u>
Sub-Total Section 8 Cluster		<u>390,327</u>	<u>390,327</u>
TOTAL - ALL PROGRAMS		<u>\$ 758,644</u>	<u>\$ 749,562</u>

Basis of Accounting:

As discussed in Note 1, Morgan Metropolitan Housing Authority prepares it's schedule of expenditures of federal awards on a prescribed basis of accounting that demonstrates compliance with the modified cash basis of accounting practices prescribed or permitted by the Department of Housing and Urban Development, which is a comprehensive basis of accounting other than generally accepted accounting principles.

J. E. Slaybaugh & Associates, Inc.

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

Board of Commissioners
Morgan Metropolitan Housing Authority
McConnelsville, Ohio

U.S. Department of Housing and
Urban Development
Public Housing Division
Cincinnati, Ohio

Compliance

We have audited the compliance of Morgan Metropolitan Housing Authority with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. Morgan Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on Morgan 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* and the provisions of the *Public and Indian Housing Compliance Supplement*, PIH Notice 97-30. 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 Morgan 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 Morgan Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Morgan 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 June 30, 1999.

Internal Control Over Compliance

The management of Morgan 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 the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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 management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

J.E. Slaybaugh & Associates, Inc.

J.E. Slaybaugh & Associates, Inc.

Lexington, Ohio

December 14, 1999

J. E. Slaybaugh & Associates, Inc.

*12 East Main Street
Lexington, Ohio 44904*

*Member AICPA
Member OSCPA*

*John E. Slaybaugh III
Certified Public Accountant*

INDEPENDENT AUDITOR'S 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 Commissioners
Morgan Metropolitan Housing Authority
McConnelsville, Ohio

U.S. Dept. of Housing and
Urban Development
Public Housing Division
Cincinnati, Ohio

We have audited the financial statements of Morgan Metropolitan Housing Authority, McConnelsville, Ohio, as of and for the year ended June 30, 1999, and have issued our report thereon dated December 14, 1999. 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.

Compliance

As part of obtaining reasonable assurance about whether Morgan 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 Morgan 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 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 financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Morgan Metropolitan Housing Authority in a separate letter dated December 14, 1999.

This report is intended for the information and use of management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

J. E. Slaybaugh & Associates, Inc.

J.E. Slaybaugh & Associates, Inc.
Lexington, Ohio
December 14, 1999

MORGAN METROPOLITAN HOUSING AUTHORITY
McCONNELSVILLE, OHIO

SUMMARY OF ACTIVITIES

June 30, 1999

At the close of fiscal year ended June 30, 1999, the Morgan Metropolitan Housing Authority had the following operations in management:

<u>Management</u>	<u>Units</u>
Owned Housing OH16-006-001	60
<u>Section 8</u>	
Existing OH066CE	76
Vouchers OH066VO	<u>61</u>
 TOTAL	 <u>197</u>

Prior Audit Findings

Finding 98-1 Cash Management
Condition: The Authority has used funds for operations which were escrowed for security deposits and FSS program participants
Status: The Authority has established the proper escrow accounts which still require proper funding

MORGAN METROPOLITAN HOUSING AUTHORITY
McCONNELSVILLE, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 1999

PART I - SUMMARY OF AUDITOR'S RESULTS

1. The auditor has issued an unqualified opinion on the financial statements of Morgan Metropolitan Housing Authority.
2. There were no reportable conditions in internal control disclosed by the audit of the financial statements.
3. There was no noncompliance material to the financial statements disclosed by the audit.
4. There were no reportable conditions in the internal control over major programs disclosed by the audit.
5. The auditor has issued an unqualified opinion on compliance for major programs for Morgan Metropolitan Housing Authority.
6. Audit findings relative to Morgan Metropolitan Housing Authority are reported in Part III of this Schedule.
7. The major programs are:
Section 8 Cluster
8. The dollar threshold used to distinguish between Type A and Type B programs was \$ 300,000.
9. The auditor determined that Morgan Metropolitan Housing Authority qualified as a low-risk auditee.

PART II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED
TO BE REPORTED IN ACCORDANCE WITH GAGAS

1. None

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS

1. None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
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800-282-0370
Facsimile 614-466-4490

MORGAN METROPOLITAN HOUSING AUTHORITY

MORGAN 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: JAN 18 2000