

**SHELBY METROPOLITAN HOUSING AUTHORITY
SIDNEY, OHIO**

DECEMBER 31, 1999

**REPORT ON FINANCIAL STATEMENTS AND
SUPPLEMENTAL DATA**



STATE OF OHIO
OFFICE OF THE AUDITOR
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Board of Commissioners
Shelby Metropolitan Housing Authority
706 North Wagner Avenue
Sidney, Ohio

We have reviewed the Independent Auditor's Report of the Shelby Metropolitan Housing Authority, Shelby County, prepared by Vanderhorst & Manning CPAs, LLC, 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 Shelby County Metropolitan Housing Authority is responsible for compliance with these laws and regulations.



JIM PETRO
Auditor of State

July 10, 2000

SHELBY METROPOLITAN HOUSING AUTHORITY
SIDNEY, OHIO
DECEMBER 31, 1999

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Shelby Metropolitan Housing Authority
706 North Wagner Avenue
Sidney, Ohio

We have audited the accompanying balance sheet of the Shelby Metropolitan Housing Authority (Authority) as of December 31, 1999, and the related statements of revenues, expenses and equity and cash flows for the year then ended. 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.

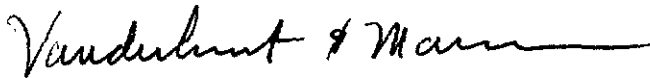
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable 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.

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

Our audit was made for the purpose of forming an opinion on the financial statements of the Shelby Metropolitan Housing Authority taken as a whole. The accompanying schedule of expenditures of federal awards, which is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the additional schedules which are presented for purposes of additional analysis, are not a required part of the financial statements. Such additional information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole.

The Board of Commissioners
Shelby Metropolitan Housing Authority
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In accordance with *Government Auditing Standards*, we have also issued a report dated June 15, 2000 on our consideration of the Shelby Metropolitan Housing Authority's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



Vanderhorst & Manning CPAs, LLC
Sidney, Ohio

June 22, 2000

SHELBY METROPOLITAN HOUSING AUTHORITY
 SIDNEY, OHIO
 BALANCE SHEET
 DECEMBER 31, 1999

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	633,894
Intergovernmental Receivables		13,906
Tenant Receivables - Net of \$580 Allowance for Doubtful Accounts		5,246
Inventory - Net of \$1,000 Allowance for obsolete		16,236
Prepaid Expenses		4,162
TOTAL CURRENT ASSETS	\$	673,444
Property and Equipment - Net of \$3,523,924 Accumulated Depreciation		<u>6,089,951</u>
TOTAL ASSETS	\$	<u>6,763,395</u>

LIABILITIES AND EQUITY

CURRENT LIABILITIES

Accounts Payable	\$	9,890
Tenant Security Deposits		28,251
Accrued Wages and Payroll Taxes		26,844
Deferred Revenue		56,176
Intergovernmental Payable		36,571
Other Current Liabilities		<u>15,788</u>
TOTAL CURRENT LIABILITIES	\$	<u>173,520</u>

EQUITY

Contributed Capital	\$	12,040,305
Retained Earnings		<u>(5,450,430)</u>
TOTAL EQUITY	\$	<u>6,589,875</u>
TOTAL LIABILITIES & EQUITY	\$	<u>6,763,395</u>

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

SHELBY METROPOLITAN HOUSING AUTHORITY
SIDNEY, OHIO
STATEMENT OF REVENUE, EXPENSE AND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 1999

<u>REVENUE</u>	
HUD Grants	\$ 902,490
Rental Income	277,973
Interest Income	23,091
Other Income	<u>17,963</u>
 TOTAL REVENUE	 \$ <u>1,221,517</u>
<u>EXPENSES (Before Depreciation)</u>	
Housing Assistance Payments	\$ 517,622
Utilities	108,579
Material & Labor	155,398
Administrative Salaries	165,221
Employee Benefits	77,142
Contract	73,678
Sundry Administration	26,166
General	60,976
Residential Services	<u>1,655</u>
 TOTAL EXPENSES (Before Depreciation)	 \$ <u>1,186,437</u>
 INCOME BEFORE DEPRECIATION	 \$ 35,080
 Depreciation	 <u>240,439</u>
 NET LOSS	 \$ <u>(205,359)</u>
 Retained Earnings - Beginning of Year:	
As Previously Reported	\$ 2,804,698
Prior Period Adjustment	<u>(8,049,769)</u>
As Restated	\$ <u>(5,245,071)</u>
Retained Earnings - End of Year	\$ <u>(5,450,430)</u>
 Contributed Capital - Beginning of Year:	
As Previously Reported	\$ 0
Prior Period Adjustment	<u>12,040,305</u>
As Restated	\$ <u>12,040,305</u>
HUD Capital Contributions	<u>0</u>
Contributed Capital - End of Year:	\$ <u>12,040,305</u>
TOTAL EQUITY - END OF YEAR	\$ <u><u>6,589,875</u></u>

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

SHELBY METROPOLITAN HOUSING AUTHORITY
 SIDNEY, OHIO
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 1999

CASH FLOWS FROM OPERATING ACTIVITIES

Net Loss	\$ (205,359)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:	
Depreciation	240,439
Changes in Operating Assets and Liabilities that Increase (Decrease) Cash Flows:	
Receivables	(9,767)
Inventory	(590)
Prepaid Expenses	20,766
Accounts Payable	4,679
Accrued Wages and Payroll Taxes	(8)
Deferred Revenue and Other Current Liabilities	18,354
Tenant Security Deposits	888

NET CASH USED IN OPERATING ACTIVITIES \$ 69,402

CASH FLOWS USED IN INVESTING ACTIVITIES

Purchase of Property and Equipment	\$ <u>(63,583)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from HUD Capital Contributions	\$ <u>0</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS \$ 5,819

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 628,075

CASH AND CASH EQUIVALENTS AT END OF YEAR 633,894

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

SHELBY METROPOLITAN HOUSING AUTHORITY
SIDNEY, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1999

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Shelby Metropolitan Housing Authority (SMHA or Authority) was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing and administration of a low-rent housing program. An Annual Contributions Contract (ACC) was signed by the Shelby Metropolitan Housing Authority and the U.S. Department of Housing and Urban Development (HUD), under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring, constructing, maintaining, operating, improving, extending, and repairing housing facilities.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government." A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity.

Basis of Accounting

The accompanying combined financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

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 Financial Accounting Standards Board 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.

SHELBY METROPOLITAN HOUSING AUTHORITY
SIDNEY, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1999

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

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

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Tenant Receivables – Recognition of Bad Debts

Bad debts are provided on the allowance method based on management's evaluation of the collectibility of outstanding tenant receivable balances at the end of the year.

Inventory

Inventories and materials are stated at cost (first in, first out method) which approximates market.

Property and Equipment

Property and Equipment is recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred.

Depreciation is recorded on the straight-line method.

Long-Term Debt

To provide for the development and modernization of low-rent housing units, SMHA issued New Housing Authority Bonds and Permanent Notes – F.F.B. These bonds and notes are payable by HUD and secured by annual contributions. The bonds and notes do not constitute a debt by the Authority and accordingly have not been reported in the accompanying financial statements.

SHELBY METROPOLITAN HOUSING AUTHORITY
SIDNEY, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1999

NOTE 2 – CASH AND INVESTMENTS

Cash

State statutes classify monies held by the Authority into three categories.

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

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

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

Protection of Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The Authority's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its safekeeping agent in the Authority's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the Authority's name. Category 3 includes uninsured and uncollateralized deposits, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the Authority's name.

SHELBY METROPOLITAN HOUSING AUTHORITY
SIDNEY, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1999

NOTE 2 – CASH AND INVESTMENTS, Continued

The following show the Authority's deposits (bank balance) in each category:

- Category 1. \$ 100,000 was covered by federal depository insurance.
- Category 3. \$ 533,894 was covered by collateral held by the pledging
 financial institution, but not in the name of the Authority.

Collateral is required for demand deposits and certificates of deposit at 110 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and district corporations. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments

HUD, State Statue and Board Resolutions authorize the Authority to invest in obligations of U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's Trust department or agent in the Authority's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its Trust department but not in the Authority's name. Star Ohio is not classified, since it is not evidenced by securities that exist in physical or book entry form.

SHELBY METROPOLITAN HOUSING AUTHORITY
 SIDNEY, OHIO
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 1999

NOTE 2 – CASH AND INVESTMENTS, Continued

The Authority's investments are all Category A and consist of the following:

<u>INVESTMENT</u>	<u>CATEGORY A</u>	<u>CARRYING AMOUNT</u>
Cash	\$514,653	\$514,653
Certificates of Deposits	\$119,241	<u>119,241</u>
Total Investments (including restricted)		<u>\$633,894</u>

NOTE 3 – PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 1999, by class is as follows:

Buildings and Building Improvements	\$ 7,263,583
Land and Land Improvements	1,685,579
Furniture and Fixtures, Equipment and Moving Vehicles	<u>664,713</u>
Total	\$ 9,613,875
Less Accumulated Depreciation	<u>(3,523,924)</u>
Net Property and Equipment	<u>\$ 6,089,951</u>

NOTE 4 – ADMINISTRATIVE FEE

The Authority receives an "administrative fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the Section 8 Housing Assistance Payments (HAP) Programs. The fee is a percentage of a HUD determined base rate for each unit per month under HAP contracts. The rates are as follows:

A. Certificates, Vouchers and Moderate Rehabilitation:

First 600 units per month - \$38.58/unit
 Hard to House Fees - \$45.00/unit

SHELBY METROPOLITAN HOUSING AUTHORITY
SIDNEY, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1999

NOTE 5 – ALLOCATION OF COSTS

The Authority allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program or estimated actual usage. Management considers this to be an equitable method of allocation.

NOTE 6 – RETIREMENT AND OTHER BENEFIT PLANS

The employees of the Authority are covered by the Public Employees Retirement System of Ohio (PERS), a statewide cost-sharing multiple-employer deferred benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.50% of qualifying gross wages for all employees. The total 1999 employer contribution rate was 13.55% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The Authority's contributions to P.E.R.S. for the years ending December 31, 1999, 1998, and 1997 were \$39,202, \$38,061 and \$24,117 respectively. *All required contributions were made prior to each of those fiscal year ends.*

Public Employees Retirement System of Ohio provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate was 13.55% of covered payroll; 5.5% was the portion that was used to fund health care for the year 1999.

OPEB is financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

SHELBY METROPOLITAN HOUSING AUTHORITY
 SIDNEY, OHIO
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 1999

NOTE 6 – RETIREMENT AND OTHER BENEFIT PLANS, Continued

The Authority may participate in a state-wide deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan Agreement states that the Authority and the Ohio Public Employees Deferred Compensation Board have no liability for losses under the plan with the exception of fraud or wrongful taking.

NOTE 7 – COMPENSATED ABSENCES

Vacation and sick leave policies are established by the Board of Commissioners.

Annual vacation leave is given to all full time permanent employees based on years of service:

<u>Length of Service</u>	<u>Annual Vacation Leave</u>
Less than one year of service	No Vacation
One through three years of service	10 workdays
Four through nine years of service	15 workdays
Ten years and over	20 workdays

With the approval of the executive director, vacations accrued during one calendar year may be carried over to the next year (maximum carryover one calendar week). In the event an employee terminates their employment, they may be compensated up to a maximum of four weeks of accumulated vacation leave. At December 31, 1999, the Authority has annual vacation leave accrued in the amount of \$8,725.

Sick leave accrues for full time permanent employees on the basis of one and one-fourth days per month, cumulation to 180 days. An employee at the time of retirement from active service with the authority may elect to be paid cash for one-fourth (1/4) of the value of accrued unused sick leave credit at the employees rate of pay at the time of retirement. The Authority's policy is to begin to accrue sick leave for employees five (5) years before they are eligible for retirement. At December 31, 1999, the authority had sick leave accrued in the amount of \$654.

SHELBY METROPOLITAN HOUSING AUTHORITY
 SIDNEY, OHIO
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 1999

NOTE 8 – CHANGE IN BASIS OF ACCOUNTING

Effective January 1, 1999, the Authority adopted the accrual basis of accounting, in conformity with generally accepted accounting principles (GAAP). HUD will require GAAP basis financial statements beginning January 1, 1999. Equity as of January 1, 1999 has been increased by \$3,990,536 to retroactively reflect this change in accounting. The adjustment is made up of a reduction of \$8,049,769 to beginning retained earnings and an increase of \$12,040,305 to beginning contributed capital.

The prior period adjustment of \$(8,049,769) to retained earnings is made up of the following amounts:

\$ (483,322)	Reduce Recorded Value of Fixed Assets to GAAP Capitalized Costs
(3,283,485)	Record Accumulated Depreciation as of January 1, 1999
<u>(4,282,962)</u>	Other
 <u>\$ (8,049,769)</u>	

The prior period adjustment of \$12,040,305 increasing contributed capital is made up of the following amounts:

\$ 3,368,206	To Record Beginning Contributed Capital on Fixed Assets
5,916,808	Remove HUD Direct and Guaranteed Debt
<u>2,755,291</u>	Remove HUD Related Accrued Interest
 <u>\$12,040,305</u>	

NOTE 9 – CONTINGENCIES

Grants

The Authority received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at December 31, 1999

SHELBY METROPOLITAN HOUSING AUTHORITY
SIDNEY, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1999

NOTE 9 – CONTINGENCIES - Continued

Commitments and Contingencies

The authority has, under its normal operations, entered into commitments for the purchase of maintenance, cleaning, and other services. Such commitments are monthly or annually.

The Authority is exposed to various risks of loss related to torts; theft to, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains comprehensive insurance coverage with a private carrier for real property, building contents and vehicles. Vehicles policies include liability coverage for bodily injury and property damage.

The Authority carried commercial insurance for risk of loss for employee health and accident insurance.

SHELBY METROPOLITAN HOUSING AUTHORITY
SIDNEY, OHIO

SCHEDULE OF FEDERAL AWARDS EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Federal CFDA Number</u>	<u>Beginning Balance</u>	<u>Funds Received</u>	<u>Funds Disbursed</u>	<u>Ending Balance</u>
<u>FROM U. S. DEPT. OF HUD DIRECT PROGRAMS</u>					
Annual Contribution Public Housing:					
PHA Owned Housing:					
Operating Subsidy -	14.850	\$0	\$ <u>295,290</u>	\$ <u>295,290</u>	\$0
Modernization Program:					
CIAP	14.852	\$0	\$ <u>0</u>	\$ <u>0</u>	\$0
Annual Contribution Contract C-5098:					
Housing Assistance Payments:					
Annual Contribution					
Certificate	14.857	\$0	\$ <u>407,555</u>	\$ <u>407,555</u>	\$0
Voucher	14.855	\$0	\$ <u>199,645</u>	\$ <u>199,645</u>	\$0
Sub-Total Section 8 Cluster		\$0	\$ <u>607,200</u>	\$ <u>607,200</u>	\$0
TOTAL - ALL PROGRAMS		\$0	\$ <u><u>902,490</u></u>	\$ <u><u>902,490</u></u>	\$0

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

SHELBY METROPOLITAN HOUSING AUTHORITY
SIDNEY, OHIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1999

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Shelby Metropolitan Housing Authority and is presented on the accrual basis of accounting.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, Shelby Metropolitan Housing Authority provided no federal awards to subrecipients.

SHELBY METROPOLITAN HOUSING AUTHORITY
SIDNEY, OHIO
SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 1999

	Low Rent	Rental Certificates Program	Rental Voucher Program	Total
REVENUE				
HUD Grants	\$ 295,290	\$ 407,555	\$ 199,645	\$ 902,490
Rental Income	277,973	0	0	277,973
Interest Income	17,033	6,058	0	23,091
Other Income	<u>17,374</u>	<u>589</u>	<u>0</u>	<u>17,963</u>
TOTAL REVENUE	<u>\$ 607,670</u>	<u>\$ 414,202</u>	<u>\$ 199,645</u>	<u>\$ 1,221,517</u>
EXPENSES				
HAP	\$ 0	\$ 347,288	\$ 170,334	\$ 517,622
Utilities	108,579	0	0	108,579
Material & Labor	155,398	0	0	155,398
Administrative Salaries	109,943	37,086	18,192	165,221
Employee Benefits	61,786	10,302	5,054	77,142
Contract	73,678	0	0	73,678
Sundry Administration	26,166	0	0	26,166
General	42,310	12,782	5,884	60,976
Residential Services	<u>1,655</u>	<u>0</u>	<u>0</u>	<u>1,655</u>
TOTAL EXPENSES	<u>\$ 579,515</u>	<u>\$ 407,458</u>	<u>\$ 199,464</u>	<u>\$ 1,186,437</u>
INCOME (LOSS) BEFORE DEPR.	\$ 28,155	\$ 6,744	\$ 181	\$ 35,080
Depreciation	<u>239,286</u>	<u>1,153</u>	<u>0</u>	<u>240,439</u>
INCOME (LOSS)	<u>\$ (211,131)</u>	<u>\$ 5,591</u>	<u>\$ 181</u>	<u>\$ (205,359)</u>

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



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

Board of Commissioners
Shelby Metropolitan Housing Authority
Sidney, Ohio

We have audited the financial statements of the Shelby Metropolitan Housing Authority, Sidney, Ohio, as of and for the year ended December 31, 1999, and have issued our report thereon dated June 15, 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.

Compliance

As part of obtaining reasonable assurance about whether the 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 the 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

Board of Commissioners
Shelby Metropolitan Housing Authority
Sidney, Ohio

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.

This report is intended for the information and use The Board of Commissioners management and Federal Awarding Agencies and is not intended to be and should not be used by anyone other than these specified parties

Vanderhorst & Manning CPAs, LLC
Sidney, Ohio

June 22, 2000



VANDERHORST & MANNING CPAs, LLC

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

Board of Commissioners
Shelby Metropolitan Housing Authority
Sidney, Ohio

Compliance

We have audited the compliance of the Shelby Metropolitan Housing Authority, Sidney, Ohio, 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 December 31, 1999. The Authority's major federal programs are identified in the summary of the 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 the Shelby Metropolitan Housing Authority's management. Our responsibility is to express an opinion on the 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the Authority's compliance with those requirements.



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (continued)

In our opinion, the Shelby 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 the Shelby 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 The Board of Commissioners management and Federal Awarding Agencies and is not intended to be and should not be used by anyone other than these specified parties.

Vanderhorst & Manning CPAs, LLC
Sidney, Ohio

June 22, 2000

**SHELBY METROPOLITAN HOUSING AUTHORITY
SIDNEY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 1999**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of Shelby Metropolitan Housing Authority.
2. No reportable conditions were disclosed during the audit of the financial statement of Shelby Metropolitan Housing Authority.
3. No instances on noncompliance material to the financial statements of Shelby Metropolitan Housing Authority were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Shelby Metropolitan Housing Authority expresses an unqualified opinion.
6. No audit findings relative to the major programs for Shelby Metropolitan Housing Authority were disclosed during the audit.
7. The programs tested as major included: PHA Owned Housing; Operating Subsidy and Section 8 Housing Assistance Payments.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Shelby Metropolitan Housing Authority was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

**SHELBY METROPOLITAN HOUSING AUTHORITY
SIDNEY, OHIO**

SUMMARY OF ACTIVITIES

DECEMBER 31, 1999

At the close of fiscal year ended December 31, 1999, the Shelby Metropolitan Housing Authority had the following operations in management:

<u>Public Housing</u>	<u>Units</u>
OH Project OH61-001	80
-002	20
-004	50
-005	<u>25</u>
	175
 <u>Section 8</u>	
Existing Project OH16-EO61-004/010	<u>219</u>
Total	<u>394</u>

**SHELBY METROPOLITAN HOUSING AUTHORITY
SIDNEY, OHIO**

ADJUSTING JOURNAL ENTRIES

DECEMBER 31, 1999

None Made.

Data Collection Form for Reporting on
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS

Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations"

RETURN TO

Single Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132

PART I GENERAL INFORMATION (To be completed by auditee, except for Item 7)

1. Fiscal year ending date for this submission

Month	Day	Year
12	31	99

2. Type of Circular A-133 audit

1 Single audit 2 Program-specific audit

3. Audit period covered

1 Annual 3 Other- Months

2 Biennial

FEDERAL GOVERNMENT USE ONLY

4. Date received by Federal clearinghouse

5. Employer Identification Number (EIN)

a. Auditee EIN 3 4 1 2 3 1 4 7 0 b. Are multiple EINs covered in this report? 1 Yes 2 No

6. AUDITEE INFORMATION

7. AUDITOR INFORMATION (To be completed by auditor)

a. Auditee name
Shelby Metropolitan Housing Authority

b. Auditee address (Number and street)
706 North Wagner Avenue

City
Sidney

State ZIP Code
Ohio 45365

c. Auditee contact

Name
Judith Wells

Title
Director

d. Auditee contact telephone
(937) 498 -2141

e. Auditee contact FAX (Optional)

f. Auditee contact E-mail (Optional)

a. Auditor name
Vanderhorst & Manning CPAs, LLC

b. Auditor address (Number and street)
118 East South Street

City
Sidney

State ZIP Code
Ohio 45365

c. Auditor contact

Name
John M. Keller, CPA

Title
Member/Partner

d. Auditor contact telephone
(937) 898 - 898-3167

e. Auditor contact FAX (Optional)
(937) 898 - 9202

f. Auditor contact E-mail (Optional)

vm-day@wesnet.com

g. AUDITEE CERTIFICATION STATEMENT - This is to certify that, to the best of my knowledge and belief, the auditee has: (1) Engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in Parts I, II, and III of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

g. AUDITOR STATEMENT - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 5 and 6, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in Parts II and III of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of certifying official

Date
Month Day Year

Judith J. Wells

06	22	00
----	----	----

Name/Title of certifying official

Judith Wells, Director

John Keller

Signature of auditor

Date
Month Day Year

06	22	00
----	----	----

GENERAL INFORMATION - Continued

8. Indicate whether the auditee has either a Federal cognizant or oversight agency for audit. (Mark (x) one box)

1 Cognizant agency 2 Oversight agency

9. Name of Federal cognizant or oversight agency for audit (Mark (x) one box)

01	African Development Foundation	83	Federal Emergency Management Agency	16	Justice	08	Peace Corps
02	Agency for International Development	34	Federal Mediation and Conciliation Service	17	Labor	59	Small Business Administration
10	Agriculture	39	General Services Administration	43	National Aeronautics and Space Administration	96	Social Security Administration
11	Commerce	93	Health and Human Services	89	National Archives and Records Administration	19	State
94	Corporation for National and Community Service	14	<input checked="" type="checkbox"/> Housing and Urban Development	05	National Endowment for the Arts	20	Transportation
12	Defense	03	Institute for Museum Services	06	National Endowment for the Humanities	21	Treasury
84	Education	04	Inter-American Foundation	47	National Science Foundation	82	United States Information Agency
81	Energy	15	Interior	07	Office of National Drug Control Policy	64	Veterans Affairs
66	Environmental Protection Agency						Other - Specify

PART II FINANCIAL STATEMENTS (To be completed by auditor)

1. Type of audit report (Mark (x) by one)

1 Unqualified opinion 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion

2. Is a "going concern" explanatory paragraph included in the audit report?	1	Yes	2	<input checked="" type="checkbox"/> No
3. Is a reportable condition disclosed?	1	Yes	2	<input checked="" type="checkbox"/> No <i>If "NO," SKIP to Item 5</i>
4. Is any reportable condition reported as a material weakness	1	Yes	2	<input checked="" type="checkbox"/> No
5. Is a material noncompliance disclosed?	1	Yes	2	<input checked="" type="checkbox"/> No

PART III FEDERAL PROGRAMS (To be completed by auditor)

1. Type of audit report on major program compliance

1 Unqualified opinion 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion

2. What is the dollar threshold to distinguish Type A and Type B programs § ____,520(b)?
 \$300,000

3. Did the auditee qualify as a low-risk auditee (§ ____,530)?
 1 Yes 2 No

PART III
FEDERAL PROGRAMS - Continued

6. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR		7. AUDIT FINDINGS AND QUESTIONED COSTS									
CFDA number ¹ (a)	Name of Federal program (b)	Amount expended (c)	Major program (a)		Type of compliance requirement ² (b)	Amount of questioned costs (c)	Internal control findings ³ (d)			Audit finding reference number(s) (e)	
			1	2			1	2	3		
14.850	PHA owned housing operating subsidy	\$ 295,290	1	Yes	0	\$0	1	A	3	X	C
			2	X	No		2	B			
14.857	Housing Assistance Payments Annual Contributions-Certificate	\$ 407,555	1	Yes	0	\$0	1	A	3	C	
			2	No			2	B			
14.855	Housing Assistance Payments Annual Contribution - Vouchers	\$ 199,645	1	Yes	0	\$0	1	A	3	X	C
			2	X	No		2	B			
		\$	1	Yes		\$	1	A	3	C	
			2	No			2	B			
		\$	1	Yes		\$	1	A	3	C	
			2	No			2	B			
		\$	1	Yes		\$	1	A	3	C	
			2	No			2	B			
		\$	1	Yes		\$	1	A	3	C	
			2	No			2	B			
		\$	1	Yes		\$	1	A	3	C	
			2	No			2	B			
		\$	1	Yes		\$	1	A	3	C	
			2	No			2	B			
TOTAL FEDERAL AWARDS EXPENDED		\$ 902,490									

IF ADDITIONAL LINES ARE NEEDED, PLEASE REFER TO THE INSTRUCTIONS FOR OMB CIRCULAR A-133 WORD PROCESSING TEMPLATE

¹ Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available.

² Type of compliance requirement (Enter the letter(s) of all that apply to audit findings and questioned costs reported for each Federal program.)

- A. Activities allowed or unallowed
- B. Allowable costs/cost principles
- C. Cash management
- D. Davis - Bacon Act
- E. Eligibility
- F. Equipment and real property management
- G. Matching, level of effort, earmarking
- H. Period of availability of funds
- I. Procurement
- J. Program Income
- K. Real property acquisition and relocation assistance
- L. Reporting
- M. Subrecipient monitoring
- N. Special tests and provisions
- O. None

³ Type of internal control findings (Mark (X) all that apply)

- A. Material weaknesses
- B. Reportable conditions
- C. None reported



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

SHELBY METROPOLITAN HOUSING AUTHORITY
SHELBY 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 17 2000**