

**PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
EATON, OHIO**

**REPORT ON FINANCIAL STATEMENTS AND
SUPPLEMENTAL DATA**

FOR THE YEAR ENDED MARCH 31, 2001

*Vanderhorst & Manning, CPAs, LLC
6105 North Dixie Drive
Dayton, Ohio 45414*



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Commissioners
Preble County Metropolitan Housing Authority

We have reviewed the Independent Auditor's Reports of the Preble County Metropolitan Housing Authority, Preble County, prepared by Vanderhorst & Manning CPAs LLC for the audit period April 1, 2000 through March 31, 2001. 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 Preble County Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

October 10, 2001

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
EATON, OHIO
MARCH 31, 2001

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**VANDERHORST & MANNING CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414**

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Preble County Metropolitan Housing Authority
2080 St. Rt. 127 N
Eaton, Ohio

We have audited the accompanying balance sheet of the Preble County Metropolitan Housing Authority (Authority) as of March 31, 2001, 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 Preble County Metropolitan Housing Authority as of March 31, 2001, and the results of its operations and its cash flows 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 August 29, 2001 on our consideration of the Preble County 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

August 29, 2001

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
EATON, OHIO
BALANCE SHEET
MARCH 31, 2001

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 29,189
Intergovernmental Receivables	<u>6,205</u>
 TOTAL CURRENT ASSETS	 \$ <u>35,394</u>
 Property and Equipment - Net of \$251 Accumulated Depreciation	 \$ <u>44</u>
 TOTAL ASSETS	 \$ <u><u>35,438</u></u>

LIABILITIES AND EQUITY

CURRENT LIABILITIES

Accounts Payable	\$ 2,457
Tenant Security Deposits	<u>15,316</u>
 TOTAL CURRENT LIABILITIES	 \$ <u>17,773</u>

EQUITY

Retained Earnings	\$ <u>17,665</u>
 TOTAL LIABILITIES & EQUITY	 \$ <u><u>35,438</u></u>

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

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
EATON, OHIO
STATEMENT OF REVENUE, EXPENSE AND EQUITY
FOR THE YEAR ENDED MARCH 31, 2001

<u>REVENUE</u>	
HUD Grants	\$ 172,471
Interest Income	<u>229</u>
 TOTAL REVENUE	 \$ <u>172,700</u>
<u>EXPENSES (Before Depreciation)</u>	
Housing Assistance Payments	\$ 148,055
Audit Costs	2,081
Administrative Expenses	<u>13,670</u>
 TOTAL EXPENSES (Before Depreciation)	 \$ <u>163,806</u>
 INCOME BEFORE DEPRECIATION	 \$ 8,894
 Depreciation	 <u>30</u>
 NET INCOME	 \$ <u>8,864</u>
Retained Earnings - Beginning of Year	\$ <u>8,801</u>
Retained Earnings - End of Year	\$ <u>17,665</u>
TOTAL EQUITY - END OF YEAR	\$ <u><u>17,665</u></u>

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

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
EATON, OHIO
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2001

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$	8,864
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation		30
Changes in Operating Assets and Liabilities that Increase (Decrease) Cash Flows:		
Intergovernmental Receivables		7,086
Other Receivables - Affiliate		13
Accounts Payable - Affiliate		(11,289)
Intergovernmental Payables		(25,272)
Tenant Security Deposits		<u>(271)</u>
NET CASH USED IN OPERATING ACTIVITIES	\$	<u>(20,839)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$	(20,839)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>50,028</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$	<u><u>29,189</u></u>

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

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
EATON, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2001

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Preble County Metropolitan Housing Authority (the 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 Preble County 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.

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
EATON, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2001

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.

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.

NOTE 2 – CASH AND INVESTMENTS, Continued

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.

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
EATON, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2001

NOTE 2 – CASH AND INVESTMENTS, Continued

Cash

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.

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

- Category 1. \$ 29,189 was covered by federal depository insurance.
- Category 2. \$ none

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.

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
EATON, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2001

NOTE 2 – CASH AND INVESTMENTS, Continued

Investments

HUD, State Statute 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.

The Authority has no investments.

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
 EATON, OHIO
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED MARCH 31, 2001

NOTE 3 – PROPERTY AND EQUIPMENT

A summary of property and equipment at March 31, 2001, by class is as follows:

Buildings and Building Improvements	\$ 0
Land and Land Improvements	0
Furniture and Fixtures, Equipment and Moving Vehicles	<u>295</u>
Total	\$ 295
Less Accumulated Depreciation	<u>251</u>
Net Property and Equipment	<u>\$ 44</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 - \$37.81/unit
 Hard to House Fees - \$45.00/unit

NOTE 5 – MANAGEMENT CONTRACT/RELATED PARTY TRANSACTION

The Authority contracts with the Supportive Council of Preventive Effort (SCOPE), a non-profit corporation, for the management and operation of its Federal Section 8 Housing Assistance Payment Program. The authority does not have any employees instead services are subcontracted from SCOPE. SCOPE designates certain employees to maintain the Authority’s records and these were the one used to calculate accrued compensated absences.

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
EATON, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2001

NOTE 6 – 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 March 31, 2001.

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 carries commercial insurance for general liability, employee dishonesty and directors and officers liability. Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

NOTE 7 – FAMILY SELF-SUFFICIENCY PROGRAM

The Preble County Metropolitan Housing Authority has a Family Self-Sufficiency Program (FSSP). This program is designed to assist families to become self sufficient through an escrowed savings plan provided by the Authority. Upon completion of the objectives, the family receives their escrow balance.

At March 31, 2001, the Authority held in escrow \$15,316 for the Family Self-Sufficiency Program. The Authority recognizes the escrow as cash and due to FSSP participants on the balance sheet under other current liabilities.

PREBLE METROPOLITAN HOUSING AUTHORITY
EATON, OHIO

SCHEDULE OF FEDERAL AWARDS EXPENDITURES

FOR THE YEAR ENDED MARCH 31, 2001

	<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 Contract C-9001:					
Section 8 Tenant Based Cluster Housing Assistance Payments:					
Annual Contribution					
Voucher	14.855	\$0	\$ <u>172,471</u>	\$ <u>172,471</u>	\$0
Sub-Total Section 8 Tenant Based Cluster		\$0	\$ <u>172,471</u>	\$ <u>172,471</u>	\$0
TOTAL - ALL PROGRAMS		<u>\$0</u>	<u>\$ 172,471</u>	<u>\$ 172,471</u>	<u>\$0</u>

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

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
EATON, OHIO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2001

Note 1. *Basis of Presentation*

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

Note 2. *Subrecipients*

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

PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
EATON, OHIO
SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM
FOR THE YEAR ENDED MARCH 31, 2001

	Rental Voucher Program
REVENUE	
HUD Grants	\$ 172,471
Interest Income	<u>229</u>
TOTAL REVENUE	<u>\$ 172,700</u>
EXPENSES	
HAP	\$ 148,055
Audit Costs	2,081
Administrative Expenses	<u>13,670</u>
TOTAL EXPENSES	<u>\$ 163,806</u>
INCOME BEFORE DEPRECIATION	\$ 8,894
Depreciation	<u>30</u>
INCOME	<u><u>\$ 8,864</u></u>

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

VANDERHORST & MANNING CPAs, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

**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
Preble County Metropolitan Housing Authority
Eaton, Ohio

We have audited the financial statements of the Preble County Metropolitan Housing Authority, Eaton, Ohio, as of and for the year ended March 31, 2001, and have issued our report thereon dated August 29, 2001. 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
Preble County Metropolitan Housing Authority
Eaton, 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 of management, the Board of Commissioners, the Department of Housing and Urban Development, and Auditor of the State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties

Vanderhorst & Manning CPAs, LLC
Dayton, Ohio

August 29, 2001

**PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
EATON, OHIO**

SUMMARY OF ACTIVITIES

MARCH 31, 2001

At the close of fiscal year ended March 31, 2001, the Preble County Metropolitan Housing Authority had the following operations in management:

Section 8

Voucher Project OH10-V080	<u>50</u>
Total	50

**PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
EATON, OHIO**

ADJUSTING JOURNAL ENTRIES

MARCH 31, 2001

None Made.

**PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY
EATON, OHIO**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MARCH 31, 2001

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of Preble Metropolitan Housing Authority.
2. No reportable conditions were disclosed during the audit of the financial statement of Preble Metropolitan Housing Authority.
3. No instances on noncompliance material to the financial statements of Preble Metropolitan Housing Authority were disclosed during the audit.
4. Preble Metropolitan Housing Authority was determined to be a low-risk auditee.

B. FINDINGS – FINANICAL STATEMENT AUDIT

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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PREBLE COUNTY METROPOLITAN HOUSING AUTHORITY

PREBLE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 18, 2001**