

HURON METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

June 30, 2001

Together with Auditors' Report



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
Columbus, Ohio 43215

Telephone 614-466-4514
800-282-0370

Facsimile 614-728-7398
www.auditor.state.oh.us

Board of Trustees
Huron Metropolitan Housing Authority
P.O. Box 1029
Mansfield, Ohio 44901

We have reviewed the Independent Auditor's Report of the Huron Metropolitan Housing Authority, Huron County, prepared by Kevin L. Penn, Inc., for the audit period July 1, 2000 through June 30, 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 Huron Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

May 23, 2002

This Page is Intentionally Left Blank.

**HURON METROPOLITAN HOUSING AUTHORITY
NORWALK, OHIO**

Table of Content

Independent Auditor's Report	1
Balance Sheet, June 30, 2001	3
Statement of Revenues and Expenses and Changes in Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Schedule of Expenditures of Federal Awards	13
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	14
Independent Auditors' Report on Compliance With Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance With OMB Circular A-133	16
Schedule of Findings and Questioned Costs	18
Summary Schedule of Prior Audit Findings	19

This Page is Intentionally Left Blank.



Kevin L.
Penn, Inc.

Certified Public Accountant
13212 Shaker Square, Suite 100
Cleveland, Ohio 44120
(216) 283-1535
Fax: (216) 283-5724

Independent Auditor's Report

Board of Trustees
Huron Metropolitan Housing Authority
Norwalk, Ohio

I have audited the accompanying balance sheet of Huron Metropolitan Housing Authority as of June 30, 2001, and the related statements of revenues, expenses, equity and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the above present fairly, in all material respects, the financial position of Huron Metropolitan Housing Authority as of June 30, 2001 and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated March 26, 2002 on my consideration of Huron Metropolitan Housing Authority's internal control over financial reporting and on my 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.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Huron Metropolitan Housing Authority taken as a whole. The accompanying schedule of expenditures of federal awards 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 is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kevin L. Penn, Inc.

March 26, 2002

HURON METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
JUNE 30, 2001

ASSETS

Current Assets

Cash and Cash Equivalents (Note 1)	\$265,427
Certificate of Deposits	260,091
Fraud Recovery - Net of \$1,253 Doubtful Accounts	11,277
Accounts Receivable – HUD	19,492
Accounts Receivable – Other	1,295
Interest Receivable	3,001
Prepaid Expenses	5,443

Total Current Assets	566,026

Other Assets

Property and Equipment - Net (Note 1)	71,912

Total Other Assets	71,912

TOTAL ASSETS	\$637,938
	=====

LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	2,376
Accrued Wages and Payroll Taxes	1,650
Deferred Revenue	154,782

Total Current Liabilities	158,808

Other Liabilities

Accrued Compensated Absences	23,644

Total Other Liabilities	23,644

Total Liabilities	182,452

Equity

Contributed Capital	38,845
Retained Earnings	416,641

Total Equity	455,486

TOTAL LIABILITIES AND EQUITY	\$637,938
	=====

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

HURON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN QUITTY
FOR THE YEAR ENDED JUNE 30, 2001

Revenue:

HUD Grants	\$1,678,559
Interest Income	22,768
Fraud Recovery	2,187

Total Revenue	1,703,514

Expenses (before depreciation):

Housing Assistance Payments	1,447,789
Administrative Salaries	122,429
Employee Benefits	39,748
Other Administrative Expense	62,481
Material and Labor – Maintenance	7,275
General Expenses	7,412

Total Expenses	1,687,134
----------------	-----------

Income(Loss) before Depreciation Expense	16,380
--	--------

Depreciation Expense	7,225
----------------------	-------

Net Income(Loss)	9,155
------------------	-------

Retained Earnings - Beginning of Year, As Previously Reported	430,836
---	---------

Prior Period Adjustment - Note 9	(19,463)
----------------------------------	----------

Retained Earnings - Beginning of Year, As Restated	411,373
--	---------

Less: Contributed Capital Adjustments	(3,887)
---------------------------------------	---------

Retained Earnings - End of Year	416,641
---------------------------------	---------

Contributed Capital - Beginning of Year	34,958
---	--------

Add: Contributed Capital Adjustments	3,887
--------------------------------------	-------

Contributed Capital - End of Year	38,845
-----------------------------------	--------

Total Equity - End of Year	\$455,486
----------------------------	-----------

=====

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

HURON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001

Cash Flows from Operating Activities:

Net Income(Loss)	\$9,155
Adjustments to reconcile net income(loss) to net cash Provided (used) by operating activities:	
Depreciation	7,225
(Increase) decrease in:	
Accounts Receivable	(13,202)
Interest Receivable	(3,001)
Prepaid Expenses	(2,373)
Increase (decrease) in:	
Accounts Payable	(43,427)
Accrued expenses	663
Deferred Revenue	8,183
Compensated Absences	(2,907)

Net Cash Provided (Used) by Operating Activities	(39,684)

Cash Flows From Investing Activities:

Acquisition of Machinery and Equipment	(1,442)
Change in Investments	150,673

Net Cash Provided (Used) by Investing Activities	149,231

Cash Flows From Financing Activities:

Net Cash Provided (Used) by Financing Activities	0

Net Cash (Decrease) in Cash and Cash Equivalents	109,547
Cash and Cash Equivalents - Beginning of Year	155,880

Cash and Cash Equivalents - End of Year	\$265,427
	=====

Supplemental Schedule of Other Cash Activity:

Interest paid	\$0
	=====
Income taxes	\$0
	=====

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

**HURON METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2001**

NOTE 1 - Summary of Significant Accounting Policies:

A. Organization

The Huron Metropolitan Housing Authority (HMHA) is a political subdivision of the State of Ohio, located in Norwalk, Ohio, created under Section 3735.27 of the Ohio Revised Code, to engage in the acquisition, development, leasing and administration of low-rent housing program.

An Annual Contributions Contract was signed by the HMHA and the United States 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 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. This criteria was considered in determining the reporting entity.

B. Basis of Accounting

The HMHA's policy is to maintain its accounting records on the accrual basis in accordance with generally accepted accounting principles.

C. 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.

Useful life of property and equipment is as follows:

Buildings	40 Years
Equipment	7 Years
Autos	5 Years

Depreciation is recorded on the straight-line method. Total depreciation expense for the 2001 fiscal year was \$7,225.

**HURON METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2001**

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

D. Cash and Cash Equivalents

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

E. Investments

Investments are stated at fair value. Cost-based measures of fair value were applied to nonnegotiable certificates of deposit and money market investment.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Financial Statement Format and Content

The format and content of the financial statements included in this report conforms to the format and content submitted to U.S. Department of Housing and Urban Development, via the Real Estate Assessment Center.

NOTE 2 – Deposits and Investments:

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Agency'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 Agency 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.

Protection of the Agency's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

**HURON METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2001**

NOTE 2 – Deposits and Investments: (continued)

Monies held by the Agency which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the Agency;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the Agency lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the Agency's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the Agency's total average portfolio.

**HURON METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2001**

NOTE 2 – Deposits and Investments: (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purchase 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 Agency, 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.

Cash on Hand. The Agency had \$50 in undeposited cash on hand which is included on the balance sheet of the Agency as part of “Cash and Cash Equivalents”.

The following information classifies deposits and investments by categories of risk as defined in GASB No. 3, “Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements.”

Deposits. At year-end, the carrying amount of the Agency’s deposits was \$525,468 and the bank balance was \$540,531. Of the bank balance, \$200,000 was insured or collateralized with securities held by the Agency or by its agent in the Agency’s name.

Investments. The Agency’s investments are categorized to give an indication of the level of risk assumed by the Agency at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Agency or its agent in the Agency’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the Agency’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Agency’s name. Mutual funds are an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 1</u>	<u>Category 3</u>	<u>Fair Value</u>
Repurchase Agreements	\$0	\$ 0	\$ 0
Mutual Funds	0	0	0
Commercial Paper	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**HURON METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2001**

NOTE 2 – Deposits and Investments: (continued)

The classification of cash and cash equivalents on the financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". Cash and cash equivalents are defined to include investments with original maturities of three months or less and funds included within the Agency's cash management pool.

A reconciliation between the classifications of cash and investments on the financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 525,468	\$ 0
Cash on Hand	50	0
Investments of the Cash Management Pool:		
Repurchase Agreements	0	0
Mutual Funds	0	0
Commercial Paper	<u>0</u>	<u>0</u>
GASB Statement 3	<u>\$ 525,518</u>	<u>\$ 0</u>

NOTE 3 – Property and Equipment:

A summary of property and equipment at June 30, 2001, by class is as follows:

Building and Building Improvements	\$ 109,000
Land	10,000
Furniture, Equipment – Administrative	<u>43,760</u>
Total	162,760
Less Accumulated Depreciation	<u>(90,848)</u>
Net Property and Equipment	<u>\$ 71,912</u>

**HURON METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2001**

NOTE 4 – Administrative Fee:

The Authority receives and “administrative fee” as part of the annual contributions 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 based rate for each unit per month under HAP contracts. The rates are as follows:

Certificates and Vouchers:

Units per month x \$37.72/units – July to September
Units per month x \$39.25/units – October to June

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, death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by the state statute per Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report. The report may be obtained by writing PERS, 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. Covered employees are required by the System's Retirement Board to contribute 8.5% of their salary to the plan. The employer contribution rate was 13.55% for fiscal year 2001. The Authority's total payroll for covered employees was \$140,469. The Authority's 2001 total contribution was \$15,475.

The contribution requirement to fund the pension obligation for the year ended June 30, 2001, 2000 and 1999 were \$15,475, \$16,992 and \$15,811 from the Authority.

PERS 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 OPEB is financed through employer contributions and investment earnings and is expected to be sufficient to sustain the program indefinitely.

**HURON METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2001**

NOTE 6 – Retirement and Other Benefit Plans: (continued)

The pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The System does not make separate measurements of assets and pension benefit obligation for individual employers. PERS issues a stand-alone financial report.

NOTE 7 – Compensated Absences:

Vacation and sick leave policies are established by the Board of Commissioners based on local and state laws. All permanent employees will earn 4.6 hours of sick leave per (80) hours of service. Unused sick leave may be accumulated without limit. At the time of separation, employees shall be paid the value of (30) days of unused sick leave. All permanent employees will earn vacation hours accumulated based on length of service. All vacation time accumulated will be paid upon separation.

NOTE 8 – Insurance:

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three years.

NOTE 9 – Prior Period Adjustment:

Beginning retained earnings balance has been restated in the amount of 19,463, as a result of the following:

1. Understatement of accounts payable - HUD, relating to the new construction projects, in the amount of \$(16,070).
2. Understatement of accounts receivable – HUD of \$547.
3. Understatement of fraud recovery of \$(3,940).

NOTE 10 - Schedule of Expenditures of Federal Awards

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

HURON METROPOLITAN HOUSING AUTHORITY
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2001

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Amount Received</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development				
Direct Program:				
Section 8 Tenant Based Cluster:				
Section 8 Rental Voucher Program	14.855	C-5055	\$1,678,559	\$1,678,559
TOTAL FEDERAL FINANCIAL ASSISTANCE				----- \$1,678,559 =====

The notes to the financial statements are an integral part of this statement.



Kevin L.
Penn, Inc.

Certified Public Accountant
13212 Shaker Square, Suite 100
Cleveland, Ohio 44120
(216) 283-1535
Fax: (216) 283-5724

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 Trustees
Huron Metropolitan Housing Authority
Norwalk, Ohio

I have audited the financial statements of Huron Metropolitan Housing Authority as of and for the year ended June 30, 2001, and have issued my report thereon dated March 26, 2002. I conducted my 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 Huron Metropolitan Housing Authority's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my audit, I considered Huron Metropolitan Housing Authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

March 26, 2002



Kevin L.
Penn, Inc.

Certified Public Accountant
13212 Shaker Square, Suite 100
Cleveland, Ohio 44120
(216) 283-1535
Fax: (216) 283-5724

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 Trustees
Huron Metropolitan Housing Authority
Norwalk, Ohio

Compliance

I have audited the compliance of Huron 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, 2001. Huron Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's 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 Huron Metropolitan Housing Authority's management. My responsibility is to express an opinion on Huron Metropolitan Housing Authority's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 Huron Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Huron Metropolitan Housing Authority's compliance with those requirements.

In my opinion, Huron 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, 2001.

Internal Control Over Compliance

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

My 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. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

March 26, 2002

Huron Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 June 30, 2001

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? No
 Reportable condition(s) identified
 not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over financial reporting:
 Material weakness(es) identified? No
 Reportable condition(s) identified
 not considered to be material weaknesses? No

Type of auditor's report issued on compliance
 for major program: Unqualified

Any audit findings disclosed that are required
 to be reported in accordance with
 Circular A-133, Section .510(a)? No

Identification of major programs:
 14.855 Section 8 Rental Voucher Program

Dollar threshold used to distinguish
 between Type A and Type B programs: \$300,000 (Type A)

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Huron Metropolitan Housing Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2001

There were no audit findings, during the 2000 fiscal year.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

HURON METROPOLITAN HOUSING AUTHORITY

HURON 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
JUNE 6, 2002**