

HENRY METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

June 30, 2002

Together with Auditors' Report



**Auditor of State
Betty Montgomery**

Board of Trustees
Henry Metropolitan Housing Authority
Napoleon, Ohio

We have reviewed the Independent Auditor's Report of the Henry Metropolitan Housing Authority, Henry County, prepared by Kevin L. Penn, Inc., for the audit period July 1, 2001 through June 30, 2002. 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 Henry Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 5, 2003

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**HENRY METROPOLITAN HOUSING AUTHORITY
NAPOLEON, OHIO**

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Penn, Inc.

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Independent Auditor's Report

Board of Trustees
Henry Metropolitan Housing Authority
Napoleon, Ohio

I have audited the accompanying balance sheet of Henry Metropolitan Housing Authority as of June 30, 2002, 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, accepted in the United States of America, and 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, accepted in the United States of America 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 Henry Metropolitan Housing Authority as of June 30, 2002 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 23, 2003 on my consideration of Henry 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 Henry 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. In addition, the financial data schedule, pages 13 to 15 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development. These schedules are the responsibility of management of Henry Metropolitan Housing Authority, 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 my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kevin L. Penn, Inc.

March 23, 2003

HENRY METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
JUNE 30, 2002

ASSETS

Current Assets

Cash and Cash Equivalents (Note 1)	\$88,252
Investments – Unrestricted	101,259
Fraud Recovery - Net of \$1,253 Doubtful Accounts	6,168
Accounts Receivable - Other	367
Interest Receivable	198
Prepaid Expenses	4,810

Total Current Assets	201,054

Other Assets

Property and Equipment - Net (Note 1)	93,240
Deposits	20

Total Other Assets	93,260

TOTAL ASSETS	\$294,314
	=====

LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	3,570
Accrued Wages and Payroll Taxes	3,318
Accounts Payable - HUD	72,579
Undistributed Credits - URI	6,168
Current Portion of Long Term Debt	2,329

Total Current Liabilities	87,964

Other Liabilities

Notes Payable	40,149
Accrued Compensated Absences	45,532

Total Other Liabilities	85,681

Total Liabilities	173,645
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Equity

Contributed Capital	48,776
Retained Earnings	71,893

Total Equity	120,669

TOTAL LIABILITIES AND EQUITY	\$294,314
	=====

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

HENRY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2002

Revenue:

HUD Grants	\$753,246
Investment Income – Unrestricted	4,168
Fraud Recovery	1,537

Total Revenue	758,951

Expenses (before depreciation):

Housing Assistance Payments	640,394
Administrative Salaries	51,179
Compensated Absences	422
Employee Benefits	5,735
Other Administrative Expense	28,691
Material and Labor – Maintenance	12,794
General Expenses	6,346

Total Expenses	745,561
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Income(Loss) before Depreciation Expense	13,390
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Depreciation Expense	13,196
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Net Income(Loss)	194
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Retained Earnings – Beginning of Year (Note 11)	71,699
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Retained Earnings – End of Year	71,893
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Contributed Capital – Beginning of Year (Note 11)	48,776
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Contributed Capital – End of Year	48,776
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Total Equity - End of Year	\$120,669
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The accompanying notes are an integral part of the financial statements.

HENRY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

Cash Flows from Operating Activities:

Net Income(Loss)	\$194
Adjustments to reconcile net income(loss) to net cash provided (used) by operating activities:	
Depreciation	13,196
(Increase) decrease in:	
Accounts Receivable	(367)
Interest Receivable	42
Prepaid Expenses	775
Deposits	(20)
Increase (decrease) in:	
Accounts Payable	31,651
Deferred Revenue	(61,541)
Accrued expenses	2,112

Net Cash Provided (Used) by Operating Activities	(13,958)

Cash Flows From Investing Activities:

Investment	2,710

Net Cash Provided (Used) by Investing Activities	2,710

Cash Flows From Financing Activities:

Repayment of long term debt	(2,414)

Net Cash Provided (Used) by Financing Activities	(2,414)

Net Cash (Decrease) in Cash and Cash Equivalents	(13,662)
Cash and Cash Equivalents – Beginning of Year	101,914

Cash and Cash Equivalents – End of Year	\$88,252
	=====

Supplemental Schedule of Other Cash Activity:

Interest paid	\$2,160

Income taxes	\$0
	=====

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

**HENRY METROPOLITAN HOUSING AUTHORITY
NAPOLEON, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2002**

NOTE 1 - Summary of Significant Accounting Policies:

A. Organization

The Henry Metropolitan Housing Authority (HMHA) is a political subdivision of the State of Ohio, located in Napoleon, 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.

In accordance with Statement Number 20 of the Government Accounting Standards Board (GASB No. 20) "Accounting and Financial Reporting for Proprietary Funds and Other Government Entities the Use Proprietary Fund Accounting," HMHA has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. HMHA will continued to apply all applicable pronouncements of the Governmental Accounting Standards Board.

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 are repair costs are expensed as incurred.

Useful life of property and equipment is as follows:

Building	40 Years
Equipment	7 Years

**HENRY METROPOLITAN HOUSING AUTHORITY
NAPOLEON, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2002**

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

C. Property and Equipment (continued)

Depreciation is recorded on the straight-line method. Total depreciation expense for the 2002 fiscal year was \$13,196.49.

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:

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

Active deposits are public deposits necessary to meet 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 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.

**HENRY METROPOLITAN HOUSING AUTHORITY
NAPOLEON, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2002**

NOTE 2 – Deposits and Investments: (continued)

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 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 balances) in each category:

Category 1.	\$ 100,000 was covered by federal depository insurance.
Category 2.	\$ 89,511
Category 3	\$ None

The book balance at June 30, 2002 were as follows:

Cash	\$ 88,252
Investments	<u>101,259</u>
Total	<u>\$189,511</u>

Investments

The Department of 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.

**HENRY METROPOLITAN HOUSING AUTHORITY
NAPOLEON, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2002**

NOTE 2 – Deposits and Investments: (continued)

Investments (continued)

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 conformation of transfer from the custodian.

NOTE 3 – Property and Equipment:

A summary of property and equipment at June 30, 2002, by class is as follows:

Furniture, Equipment – Administrative	\$ 14,535
Less Accumulated Depreciation	<u>(13,271)</u>
Net Property and Equipment	<u>\$ 1,264</u>

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:

Vouchers:

Units per month x \$40.35/units – July to September
Units per month x \$41.74/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.

**HENRY METROPOLITAN HOUSING AUTHORITY
NAPOLEON, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2002**

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

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 2002. The Authority's total payroll for covered employees was \$129,611. The Authority's 2002 total contribution was \$17,019.

The contribution requirement to fund the pension obligation for the year ended June 30, 2002, 2001 and 2000 were \$17,019, \$10,221 and \$10,880 from the Authority.

PERS of Ohio provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. 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.

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– 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 8 – 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.

**HENRY METROPOLITAN HOUSING AUTHORITY
NAPOLEON, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2002**

NOTE 9 - Contingencies

In the normal course of operations, the Authority may be subject to litigation and claims. At June 30, 2002 the Authority was not involved in any such matters.

NOTE 10 – Long Term Debt

The Authority is obligated to a bank on a mortgage note, which matures August 30, 2014. The note requires monthly installments of \$396.68, including interest at 5.28% per annum.

The balance at June 30, 2002 is \$42,478.

The mortgage note is amortized as follows:	June 30, 2002	\$ 2,329
	June 30, 2003	2,546
	June 30, 2004	2,686
	June 30, 2005	2,833
	June 30, 2006	<u>3,022</u>
	Thereafter	<u>\$29,062</u>

NOTE 11 – Reclassification

The following reclassification was made to the beginning balances of Contributed Capital and Retained Earnings:

	<u>Contributed Capital</u>	<u>Retained Earnings</u>
Balance at June 30, 2001	\$(20,272)	\$140,747
Reclassification due to errors in gathering accounting data in the prior years.	<u>69,048</u>	<u>(69,048)</u>
Restated balance as of June 30, 2001	<u>\$ 48,776</u>	<u>\$ 71,699</u>

NOTE 12 – Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Henry 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.

HENRY METROPOLITAN HOUSING AUTHORITY

Balance Sheet

June 30, 2002

Financial Data Schedule Submitted to U.S. Department of HUD

FDS Line Item No.	<u>Account Description</u>	
	ASSETS	
111	Cash and Cash Equivalents	\$ 88,252

100	TOTAL CASH	88,252
128	Accounts Receivable - Fraud Recovery	6,168
125	Accounts Receivable – Miscellaneous	367
129	Accrued Interest Receivable	198

120	TOTAL ACCOUNTS RECEIVABLE	6,733
132	Investments – Unrestricted	101,259
142	Prepaid Expenses	4,830

150	TOTAL CURRENT ASSETS	201,074
162	Building	92,286
164	Furniture, Equipment & Machinery – Administration	45,974
166	Accumulated Depreciation	(45,020)

160	TOTAL FIXED ASSETS, NET	93,240

190	TOTAL ASSETS	\$ 294,314
		=====
	LIABILITIES	
312	Accounts Payable	\$ 3,570
321	Accrued Wage/Payroll Taxes Payable	3,318
322	Accrued Compensated Absences - Current Portion	45,532
331	Accounts Payable - HUD PHA Programs	72,579
343	Current Portion of Long Term Debt - Capital Projects/Mortgage Revenue Bonds	2,329

310	TOTAL CURRENT LIABILITIES	127,328
351	Long Term Debt Net of Current - Capital Projects/Mortgage Revenue Bonds	40,149
353	Undistributed Credits - Fraud Recovery	6,168

	TOTAL NON-CURRENT LIABILITIES	6,168

	TOTAL LIABILITIES	173,645
504	Net HUD PHA Contributions	48,776
512	Retained Earnings	71,893

	TOTAL EQUITY/NET ASSETS	120,669

	TOTAL LIABILITIES AND EQUITY/NET ASSETS	\$ 294,314
		=====

HENRY METROPOLITAN HOUSING AUTHORITY
Statement of Revenue, Expenses and Changes in Equity
For the Year Ended June 30, 2002

Financial Data Schedule Submitted to U.S. Department of HUD

<u>FDS Line</u> <u>Item No.</u>	<u>Account Description</u>	
	Revenue:	
706	HUD PHA Operating Grant	\$753,246
711	Investment Income - Unrestricted	4,168
714	Fraud Recovery	1,537

700	Total Revenue	758,951
	Expenses:	
911	Administrative Salaries	51,179
912	Audit Fees	3,875
914	Compensated Absences	422
915	Employee Benefit Contributions - Administrative	5,735
916	Other Operating - Administrative	24,816
942	Ordinary Maintenance and Operations - Material & Other	12,794
961	Insurance Premiums	6,346

969	Total Operating Expenses	105,167

970	Excess Operating Revenue over Expenses	653,784
	Other Expenses	
973	Housing Assistance Payments	640,394
974	Depreciation Expense	13,196

900	Total Expenses	758,757
1010	Total Other Funding Sources(Uses)	-

1000	Excess of Operating Revenue Over Expenses	194
1103	Beginning Equity	120,475
	Ending Equity	----- \$120,669 =====

HENRY METROPOLITAN HOUSING AUTHORITY
Additional Information Required by HUD
Year Ended June 30, 2002

Financial Data Schedule Submitted to U.S. Department of HUD

<u>FDS Line</u> <u>Item No.</u>	<u>Account Description</u>	
1112	Depreciation Expense	13196
1113	Maximum Annual Contributions Commitment (Per ACC)	\$743,668
1114	Applicable to a Period of Less Than Twelve Months	\$0
1115	Contingency Reserve, ACC Program Reserve	\$145,666
1116	Total Annual Contributions Available	\$889,334
1120	Unit Months Available	2,724
1121	Number of Unit Months Leased	2,599

HENRY METROPOLITAN HOUSING AUTHORITY
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2002

<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:				
Housing Choice Vouchers	14.871	C-10017	\$753,246	\$753,246
TOTAL FEDERAL FINANCIAL ASSISTANCE				----- \$753,246 =====

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



Kevin L.
Penn, Inc.

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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
Henry Metropolitan Housing Authority
Napoleon, Ohio

I have audited the financial statements of Henry Metropolitan Housing Authority as of and for the year ended June 30, 2002, and have issued my report thereon dated March 23, 2003. 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 Henry 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. However, I noted certain immaterial instances of noncompliance, which I have reported to management of Henry Metropolitan Housing Authority in a separate letter dated March 23, 2003.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Henry 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.

However, I noted other matters involving the internal control over financial report, which I have reported to management of Henry Metropolitan Housing Authority in a separate letter dated March 23, 2003.

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

Kevin L. Penn, Inc.

March 23, 2003



Kevin L.
Penn, Inc.

Certified Public Accountant
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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
Henry Metropolitan Housing Authority
Napoleon, Ohio

Compliance

I have audited the compliance of Henry 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, 2002. Henry 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 Henry Metropolitan Housing Authority's management. My responsibility is to express an opinion on Henry 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 Henry 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 Henry Metropolitan Housing Authority's compliance with those requirements.

In my opinion, Henry 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, 2002.

Internal Control Over Compliance

The management of Henry 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 Henry 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 is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

March 23, 2003

Henry Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 June 30, 2002

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? None Reported

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:
 14.871 Housing Choice Vouchers

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.

Henry Metropolitan Housing Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2002

There were no audit findings, during the 2001 fiscal year.



**Auditor of State
Betty Montgomery**

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HENRY METROPOLITAN HOUSING AUTHORITY

HENRY 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 17, 2003**