

SANDUSKY METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

June 30, 2002

Together with Auditors' Report



**Auditor of State
Betty Montgomery**

Board of Trustees
Sandusky Metropolitan Housing Authority
1358 Mosser Dr.
Fremont, Ohio 43420

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 12, 2003

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**SANDUSKY METROPOLITAN HOUSING AUTHORITY
FREMONT, OHIO**

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Independent Auditor's Report

Board of Trustees
Sandusky Metropolitan Housing Authority
Fremont, Ohio

I have audited the accompanying balance sheet of Sandusky 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.

Except as discussed in the following paragraph, 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.

The Sandusky Metropolitan Housing Authority, did not maintain adequate accounting records for the year ended June 30, 2001, and I was unable to apply procedures to determine whether the opening balances in the financial statements as of July 1, 2001, were fairly presented in conformity with generally accepted accounting principles or whether accounting principles have been consistently applied between 2001 and 2002.

Since the Sandusky Metropolitan Housing Authority did not maintain adequate accounting records, and I was unable to satisfy myself about the opening balances in the financial statements as of July 1, 2001, or about the consistent application of accounting principles between 2001 and 2002, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the results of operations and cash flows for the year ended June 30, 2002, or on the consistency of application of accounting principles with the preceding year.

In my opinion, the balance sheet referred to in the first paragraph present fairly, in all material respects, the financial position of Sandusky Metropolitan Housing Authority as of June 30, 2002, 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 June 24, 2003 on my consideration of Sandusky 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 my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Sandusky Metropolitan Housing Authority. 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. Since the Sandusky Metropolitan Housing Authority received the disclaimer of opinion, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on the Schedule of Expenditures of Federal Awards.

In addition, the financial data schedule, on page 15 is presented for additional analysis as required by the U.S. Department of Housing and Urban Development. This schedule is the responsibility of management of Sandusky 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 conformity with accounting principles generally accepted in the United States of America. The financial data schedule, on pages 16 and 17 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 Sandusky Metropolitan Housing Authority, and is not a required part of the basic financial statements. Since the Sandusky Metropolitan Housing Authority received the disclaimer of opinion, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on pages 15 and 16 of the financial data schedule.

Kevin L. Penn, Inc.

June 24, 2003

SANDUSKY METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
JUNE 30, 2002

ASSETS

Current Assets

Cash and Cash Equivalents (Note 1)	\$657,034
Investments - Unrestricted	458,766
Tenant Accounts Receivable (net of allowance for doubt accounts - \$8,277)	569
Accounts Receivable - Miscellaneous	8,426
Prepaid Insurance	13,285
Security Deposits	14,960
Total Current Assets	1,153,040

Fixed Assets

Property and Equipment - Net (Note 1)	2,924,850
Total Fixed Assets	2,924,850
TOTAL ASSETS	\$4,077,890

LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable - Vendor	\$9,084
Accounts Payable - Governments	2,433
Accounts Payable - HUD	243,475
Security Deposits	15,714
Accrued Liabilities	29,630
Current Portion - Long Term Debt	5,558
Amount Due To Fort Stevenson House	99,356
Deferred Revenues	1,635
Total Current Liabilities	406,885

Long Term Liabilities

Mortgage Payable	111,487
Accrued Compensated Absences	29,140
Total Long Term Liabilities	140,627
Total Liabilities	547,512

Equity

Contributed Capital	3,069,431
Retained Earnings	460,947
Total Equity	3,530,378
TOTAL LIABILITIES AND EQUITY	\$4,077,890

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

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

Revenue:

HUD Grants	\$1,023,914
Rental Income	60,252
Other Revenue	182,465
Total Revenue	<u>1,266,631</u>

Expenses:

Housing Assistance Payments	786,125
Administrative Salaries	298,699
Other Administrative Expenses	96,776
Material and Labor - Maintenance	96,992
Contract Services	3,782
Utilities	11,423
General Expenses	18,263
Payments in Lieu of Taxes	2,433
Bad Debt - Tenant Rents	8,277
Depreciation	112,383
Total Expenses	<u>1,435,153</u>

Operating Income (Loss)	(168,522)
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Nonoperating Revenues (Expenses)

Investment Income	11,021
Interest Expense	(6,247)
Net Income (Loss) Before Transfers	<u>(163,748)</u>

Transfers In	81,196
Transfers Out	(81,196)
Net Income (Loss)	<u>(163,748)</u>

Equity - Beginning of Year as Previously Reported	3,546,591
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Prior Period Adjustments (Note 11)	147,535
Equity - Beginning of Year as Restated	<u>3,694,126</u>
Equity - End of Year	<u>\$3,530,378</u>

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

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

Cash Flows from Operating Activities:

(Decrease) in net assets	(\$163,748)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:	
Depreciation	112,383
(Increase) decrease in:	
Accounts Receivable - HUD	290,339
Accounts Receivable - Tenant	(846)
Accounts Receivable - Other Governments	625,144
Prepaid Insurance	(13,285)
Accounts Receivable – Miscellaneous	89,994
Security Deposit	(14,960)
Increase (decrease) in:	
Accounts Payable – Vendors	(32,230)
Accounts Payable – Governments	(675,839)
Accounts Payable – HUD	72,039
Amount Due To Fort Stevenson House	99,356
Deferred Revenue	(124,215)
Security Deposit	(6,376)
Accrued compensated Absences	(1,798)
Accrued expenses	23,886
Net Cash Provided (Used) by Operating Activities	<u>279,844</u>

Cash Flows From Investing Activities:

Change in investments	(301,073)
Acquisition of buildings	<u>(255,155)</u>
Net Cash Provided (Used) by Investing Activities	<u>(556,228)</u>

Cash Flows From Financing Activities:

Repayment of long term debt	(112,396)
Proceeds from long term debt	<u>208,041</u>
Net Cash Provided (Used) by Financing Activities	<u>95,645</u>

Net Cash (Decrease) in Cash and Cash Equivalents	(180,739)
Cash and Cash Equivalents - Beginning of Year	<u>837,773</u>
Cash and Cash Equivalents - End of Year	<u><u>\$657,034</u></u>

Supplemental Schedule of Other Cash Activity:

Interest paid	<u>\$6,247</u>
Income taxes	<u><u>\$0</u></u>

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

**SANDUSKY METROPOLITAN HOUSING AUTHORITY
FREMONT, OHIO**

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

NOTE 1 - Summary of Significant Accounting Policies:

A. Organization

The Sandusky Metropolitan Housing Authority (SMHA) is a political subdivision of the State of Ohio, located in Fremont, 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 SMHA 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 SMHA'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," SMHA has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. SMHA 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.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY
FREMONT, OHIO**

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

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

C. Property and Equipment (continued)

Useful life of property and equipment is as follows:

Buildings	40 Years
Land & Building Improvements	15 Years
Equipment	7 Years
Autos	5 Years

Depreciation is recorded on the straight-line method. Total depreciation expense for the 2002 fiscal year was \$112,383.

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. Capitalization of Interest

The Authority's policy is not to capitalize interest in the construction or purchase of fixed assets.

H. 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.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY
FREMONT, OHIO**

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

NOTE 2 – Deposits and Investments:

Legal Requirements. Monies held by the Authority are classified by State statute into two categories. Active monies means an amount of public monies determined to be necessary to meet current demands upon the Authority treasury. Active monies must be maintained either as cash in the Authority treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

1. Bonds, notes, or other obligations of, or guaranteed by, the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase and reverse repurchase agreements in the securities listed above;
4. Bond and other obligations of the State of Ohio, its political subdivision, or other units or agencies of this State or its political subdivisions;
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; and
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Authority'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.

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.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY
FREMONT, OHIO**

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

NOTE 2 – Deposits and Investments: (continued)

At year-end, the Authority had \$70 in undeposited cash on hand which is included as part of "Pooled Cash and Cash Investments". This amount is uninsured and uncollateralized.

Deposits. At year-end, the carrying amount of the Authority's deposits was \$978,543 and the bank balance was \$1,020,199. Of the bank balance, \$100,000 was covered by federal depository insurance, by collateral held by the Authority, or by collateral held by a qualified third party trustee in the name of the Authority and \$500,000 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

In addition, to the above deposits, the Authority has deposits on behalf of The Fort Stephenson House with a carrying amount of \$99,356 and a bank balance of \$134,350.

Investments. Statutory provisions require that the Authority hold all securities acquired by the Authority or deposit them with a qualified trustee pursuant to Section 135.18, Revised Code. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counterparty is a designated depository of the Authority for the current period of designation of depositories, in which case the securities may be held in trust by the depository. At the end of each day, the Authority withdraws surplus funds from the account and invests the monies in an overnight repurchase agreement. The Authority does not purchase any specific security in this manner, but the investment is collateralized by pledged securities held by a third party in the name of the bank.

GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments, classified by risk. Category 1 includes investments that are insured or registered, or securities held by the Authority or its agent in the Authority. Category 2 includes uninsured and unregistered, with securities held by the counter-party trust department or agent in the Authority. Category 3 includes uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Authority.

	<u>Category</u> <u>1</u>	<u>Fair</u> <u>Value</u>	<u>Market</u> <u>Value</u>
Repurchase Agreements	\$ 52,791	\$ 52,791	\$ 52,791
	=====	=====	=====

**SANDUSKY METROPOLITAN HOUSING AUTHORITY
FREMONT, OHIO**

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

NOTE 3 – Property and Equipment:

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

Building and Building Improvements	\$2,962,966
Land	604,764
Furniture, Equipment – Dwelling	48,465
Furniture, Equipment – Administrative	<u>308,697</u>
Total	3,924,892
Less Accumulated Depreciation	<u>(1,000,042)</u>
Net Property and Equipment	<u>\$2,924,850</u>

NOTE 4 – Mortgage Payable and Long-Term Debt

Long-term debt consists of the following:

The Authority has a note payable to the Croghan Colonial Bank of Fremont amounting to \$48,580. The original principal of the loan was \$104,041 at a rate of 6.4% annually. Principal and interest payments of \$429.25 began in December 2001 with the final payment is due on December 2016. The loan is secured by a first mortgage on the property located at 728 Nickel St., Fremont, Ohio.

\$ 48,580

The Authority has a note payable to the Croghan Colonial Bank of Fremont amounting to \$20,313. The original principal of the loan was \$54,204 at a rate of 8.75% annually. Principal and interest payments of \$252.10 began in August 1997 with the final payment is due on August 2012. The loan is secured by an open-end mortgage on real estate property located at 125 Pfeiffer Ave. Clyde, Ohio 43410.

20,313

**SANDUSKY METROPOLITAN HOUSING AUTHORITY
FREMONT, OHIO**

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

NOTE 4 – Mortgage Payable and Long-Term Debt (continued)

The Authority has a note payable to the Croghan Colonial Bank of Fremont amounting to \$48,152. The original principal of the loan was \$104,000 at a rate of 6.4% annually. Principal and interest payments of \$428.95 began in January 2002 with the final payment is due on January 2017. The loan is secured by a first mortgage on the property located at 148 W. Drew Lane, Clyde, Ohio.

Subtotal	<u>48,152</u>
	\$117,045
Less: Current Portion	(5,558)
Total Long-Term Debt	<u>\$111,487</u>

The aggregate amounts of long-term debt maturities for the five years following 2002 are as follows:

2003	\$ 5,558
2004	\$ 5,957
2005	\$ 6,385
2006	\$ 6,818
2007	\$ 7,338
Thereafter	<u>\$ 84,989</u>
Total	<u>\$117,045</u>

NOTE 5 – 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:

Units per month x \$40.90/units – July to September
Units per month x \$42.69/units – October to June

NOTE 6 – 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.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY
FREMONT, OHIO**

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

NOTE 7 – Concentration of Credit Risk

The Authority maintains their cash deposits in one financial institution. The balances, at the end of each month, during the 2002 fiscal year exceed federally insured and third party collateral limits. At June 30, 2002, the Authority exceeded the federally insured and third party collateral limit by approximately \$472,991.

NOTE 8 – 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 2002. The Authority's total payroll for covered employees was \$336,758. The Authority's 2002 total contribution was \$45,630.

The contribution requirement to fund the pension obligation for the year ended June 30, 2002, 2001 and 2000 were \$45,630, \$32,186 and \$33,018 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.

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.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY
FREMONT, OHIO**

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

NOTE 8 – Retirement and Other Benefit Plans: (continued)

The System does not make separate measurements of assets and pension benefit obligation for individual employers. PERS issues a stand-alone financial report.

NOTE 9 – Compensated Absences:

Vacation and sick leave policies are established by the Board of Authority 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 10 – Insurance Coverage and Risk Retention:

The Authority is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of damage to, and destruction of assets; errors and omissions; and injuries to employees.

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, and building contents. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three years.

NOTE 11 – Prior Period Adjustment:

Beginning retained earnings balance has been restated in the amount of \$147,535 as a result of the following:

1. Understatement of Accounts Receivable – CIAP, in the amount of \$84,863.
2. Overstatement of Accumulated Depreciation, in the amount of \$9,879.
3. Overstatement of Accounts Payable, in the amount of \$110,972.
4. Understatement of Long-Term Debt, in the amount of \$(21,606).
5. Overstatement of Fixed Assets, in the amount of \$(13,397).
6. Overstatement of Accounts Receivable – MR/DD, in the amount of \$(22,425).
7. Overstatement of Accounts Receivable – Trade, in the amount of \$(7,912).
8. Overstatement of Accounts Payable – FVA, in the amount of \$3,895.
9. Overstatement of Security Deposits, in the amount of \$3,266.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY
FREMONT, OHIO**

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

NOTE 10 - Correction of an Error:

The opening balance sheet numbers, have been adjusted to correct an error, relating the inclusion of financial data, pertaining to an outside organization, which resulted in the overstatement of accounts receivable; fixed assets and accounts payable.

NOTE 11 – Schedule of Expenditures of Federal Awards:

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

NOTE 12 – Subsequent Events:

On March 3, 2003, the Authority has entered into a note payable with Croghan Colonial Bank of Fremont, in the amount of \$70,000 at a rate of 9.00% annually. Principal and interest payments will be \$587.20. The maturity date of the note payable is March 3, 2018. The loan is secured by an open-end mortgage on real estate located at 114 S. Jefferson St., Fremont, Ohio 43420.

SANDUSKY METROPOLITAN HOUSING AUTHORITY

Balance Sheet
June 30, 2002

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

FDS Line Item No.	Account Description	Section 8	Public Housing	C.I.A.P	State/Local	Total
ASSETS						
111	Cash – Unrestricted	\$ 211,718	\$ 333,298	\$ -	\$ 112,018	\$ 657,034
113	Cash - Other Restricted	-	325,115	-	133,651	458,766
114	Cash - Tenant Security Deposit	-	11,521	-	3,439	14,960
100	TOTAL CASH	211,718	669,934	-	249,108	1,130,760
125	Accounts Receivable – Miscellaneous	-	-	-	8,426	8,426
126	Accounts Receivable - Tenants - Dwelling Units	-	569	-	-	569
120	TOTAL ACCOUNTS RECEIVABLE	-	569	-	8,426	8,995
142	Prepaid Expenses	-	-	-	13,285	13,285
150	TOTAL CURRENT ASSETS	211,718	670,503	-	270,819	1,153,040
164	Furniture, Equipment & Machinery – Administration	56,819	3,265,985	113,046	489,042	3,924,892
166	Accumulated Depreciation	(48,691)	(879,829)	(4,939)	(66,583)	(1,000,042)
160	TOTAL FIXED ASSETS, NET	8,128	2,386,156	108,107	422,459	2,924,850
190	TOTAL ASSETS	\$ 219,846	\$ 3,056,659	\$ 108,107	\$ 693,278	\$ 4,077,890
LIABILITIES						
312	Accounts Payable	\$ 3,097	\$ 5,685	\$ -	\$ 302	\$ 9,084
321	Accrued Wage/Payroll Taxes Payable	-	-	-	29,630	29,630
331	Accounts Payable - HUD PHA Programs	243,475	-	-	-	243,475
333	Accounts Payable - Other Government	-	2,433	-	-	2,433
341	Tenant Security Deposits	-	12,532	-	3,182	15,714
342	Deferred Revenues	-	1,635	-	-	1,635
344	Current Portion of Long-term Debt	-	-	-	5,558	5,558
345	Other Current Liabilities	-	-	-	99,356	99,356
310	TOTAL CURRENT LIABILITIES	246,572	22,285	-	138,028	406,885
352	Long-term Debt, Net of Current - Operating Borrowings	-	-	-	111,487	111,487
354	Accrued Compensated Absences - Non Current	17,016	-	-	12,124	29,140
	TOTAL NON-CURRENT LIABILITIES	17,016	-	-	123,611	140,627
	TOTAL LIABILITIES	263,588	22,285	-	261,639	547,512
512	Retained Earnings	(43,742)	3,034,374	108,107	431,639	3,530,378
	TOTAL EQUITY/NET ASSETS	(43,742)	3,034,374	108,107	431,639	3,530,378
	TOTAL LIABILITIES AND EQUITY/NET ASSETS	\$ 219,846	\$ 3,056,659	\$ 108,107	\$ 693,278	\$ 4,077,890

SANDUSKY 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

FDS Line Item No.	Account Description	Section 8	Public Housing	C.I.A.P	State/Local	Total
Revenue:						
706	HUD PHA Operating Grant	\$ 905,748	\$ 118,166	\$ -	\$ -	\$ 1,023,914
711	Investment Income – Unrestricted	2,584	7,145	-	1,292	11,021
715	Other Revenues	-	51,590	-	191,127	242,717
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
700	Total Revenue	908,332	176,901	-	192,419	1,277,652
Expenses:						
911	Administrative Salaries	82,855	38,471	10,872	166,501	298,699
912	Audit Fees	4,818	2,541	-	149	7,508
915	Employee Benefit Contributions – Administrative	25,711	12,256	-	-	37,967
916	Other Operating – Administrative	19,596	17,820	10,338	13,680	61,434
942	Ordinary Maintenance and Operations - Material & Other	2,646	69,633	-	39,918	112,197
961	Insurance Premiums	6,696	11,370	-	7,021	25,087
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
969	Total Operating Expenses	142,322	152,091	21,210	227,269	542,892
970	Excess Operating Revenue over Expenses	766,010	24,810	(21,210)	(34,850)	734,760
Other Expenses						
973	Housing Assistance Payments	786,125	-	-	-	786,125
974	Depreciation Expense	1,747	92,049	4,939	13,648	112,383
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
900	Total Expenses	930,194	244,140	26,149	240,917	1,441,400
1000	Excess of Operating Revenue Over Expenses	(21,862)	(67,239)	(26,149)	(48,498)	(163,748)
1103	Beginning Equity	73,175	3,060,340	44,454	368,622	3,546,591
1104	Prior Period Adjustments	(95,055)	41,273	89,802	111,515	147,535
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	Ending Equity	\$ (43,742)	\$ 3,034,374	\$ 108,107	\$ 431,639	\$ 3,530,378
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

SANDUSKY 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 Item No.</u>	<u>Account Description</u>	
1112	Depreciation Add Back	\$0
1113	Maximum Annual Contributions Commitment (Per ACC)	\$1,141,464
1114	Applicable to a Period of Less Than Twelve Months	\$0
1115	Contingency Reserve, ACC Program Reserve	\$708,504
1116	Total Annual Contributions Available	\$1,849,968
1120	Unit Months Available	3,420
1121	Number of Unit Months Leased	3,209

SANDUSKY 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-10004	\$1,146,638	\$903,164
Low Rent Public Housing Program	14.850	C-5506	118,166	<u>118,166</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$1,021,330</u>

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

**SANDUSKY METROPOLITAN HOUSING AUTHORITY
FREMONT, OHIO**

**ACTUAL MODERNIZATION COST CERTIFICATE
June 30, 2002**

1. The Actual Modernization Grant Costs are as follows:

	Project OH12-908
Funds Approved	\$ 91,307
Funds Expended	<u>91,307</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 91,307
Funds Expended	<u>91,307</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>

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

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
Sandusky Metropolitan Housing Authority
Fremont, Ohio

I have audited the financial statements of Sandusky Metropolitan Housing Authority as of and for the year ended June 30, 2002, and have issued my report thereon dated June 24, 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 Sandusky 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 instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2002-1; 2002-2; 2002-3; 2002-4 and 2002-5. I also noted certain immaterial instances of noncompliance, which I have reported to management of Sandusky Metropolitan Housing Authority in a separate letter dated June 24, 2003.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Sandusky 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. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Sandusky Metropolitan Housing Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2002-1; 2002-2; 2002-3; 2002-4.

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider items 2002-1; 2002-2; 2002-3 and 2002-4 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.

June 24, 2003



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
Sandusky Metropolitan Housing Authority
Fremont, Ohio

Compliance

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

In my opinion, Sandusky 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. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2002-5.

Internal Control Over Compliance

The management of Sandusky 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 Sandusky 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.

June 24, 2003

Sandusky 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:	Qualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Reportable condition(s) identified not considered to be material weaknesses?	Yes
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?	Yes
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)?	Yes
Identification of major programs:	
14.871	Housing Choice 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

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

Section II - Financial Statement Findings

2002-1

Bank Balance

Condition:

The bank balances maintained in one financial institution, exceeded the Federal Deposit Insurance Corporation and pledged securities amount, at the end of each month, during the 2002 fiscal year.

Criteria:

Ohio Revised Code Section 135.18, requires the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

Effect:

\$472,991 was not insured by FDIC; surety company bonds or pledged securities.

Cause:

Oversight by management. Pledged securities consist of only \$500,000.

Recommendation:

I recommend that the Authority obtain additional insurance, secured by pooled securities accounts, serving as collateral for public deposits. By performing this procedure, the risk of not being in compliance with ORC Section 135.18 will be significantly reduced.

2002-2

Financial Management of Account Balances

Condition:

During the audit it was noted that the financial statements contained misstated or unknown balances, resulting in inaccurate financial statements, therefore, resulting in numerous audit adjustments.

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

2002-2

Financial Management of Account Balances (continued)

Criteria:

OMB Circular A-110, Subpart C.21(b)(1), requires that ...the grant recipient have a financial system that provides for accurate, current and complete disclosure of the financial results of each federally-sponsored project or program.

Effect:

Resulted in inaccurate financial information.

Cause:

Culmination of years of unexplained immaterial differences.

Recommendation:

I recommend that future unexplained differences be investigated immediately, in order to provide accurate financial statements. By performing this procedure, the risk of inaccurate financial statements will be significantly reduced.

2002-3

Journal Entries

Condition:

Journal entries were recorded without supporting documentation.

Criteria:

Journal entries made, during the year should be supported by appropriate documentation.

Effect:

Resulted in inaccurate financial statements.

Cause:

Oversight by management.

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

2002-3

Journal Entries (continued)

Recommendation:

I recommend that journal entries, be supported with proper documentation, relating to the specific grant. By performing this procedure, the risk of incurring inaccurate financial statements, will be significantly reduced.

2002-4

Financial Statement Presentation

Condition:

Revenues are overstated by \$338,006 and expenditures are overstated by \$296,995. In addition, assets are overstated by \$276,785 and liabilities are overstated by \$240,684.

Criteria:

The financial statements should reflect the actual transactions of the agency, in addition revenues should be recorded when earned and expenditures, when incurred, during the fiscal year.

Effect:

The financial statements, where not prepared in accordance with generally accepted accounting principles.

Cause:

Sandusky Metropolitan Housing Authority (SMHA) has entered into management agreements with the County of Sandusky, to manage a housing agency, whereby, the County, agrees to pay SMHA, a monthly management fee, relating to the collection of the rents and to maintain the facility. SMHA has included their general ledger, the Department of HUD's monthly subsidy and the rents collected on behalf the County as revenues and in addition, has recorded the payments of the rents collect to the County and the monthly utilities as expenses in the general ledger. Furthermore, the actual management fee, has been reduced by the payroll expense incurred by SMHA. Therefore, reflecting transactions, which are not actual revenue or expenses of SMHA.

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

2002-4

Financial Statement Presentation (continued)

Recommendation:

The financial statements should be prepared in accordance with generally accepted accounting principles. Revenues should be recorded when earned and expenditures when incurred. As a result, revenues and expenditures will be properly stated, during the fiscal year. In addition, separate operating bank account, should be maintained on behalf of the housing authority, being managed by SMHA.

Section III - Federal Award Findings and Questioned Costs

2002-5

Tenant Files

Condition:

The following discrepancies noted, during the testing the tenant files:

There were two instances, whereby, the lease agreement was not located, in the tenant's file.

Criteria:

Section 24 CFR 982.308, requires that the "family and owner must submit a standard form lease used in the locality by the owner" and "the HUD prescribed tenancy addendum must be included in the lease word-for-word before the lease is executed".

Effect:

Could result in questioned costs.

Cause:

Oversight by management.

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

2002-5

Tenant Files (continued)

Recommendation:

I recommend that prior to and individual receiving federal assistance, that the family and owner submit a standard form lease, and that the HUD prescribed tenancy addendum be included in the lease word-for-word. By performing this procedure, the risk of incurring questioned costs, will be significantly reduced.

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

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



SANDUSKY METROPOLITAN HOUSING AUTHORITY

1358 MOSSER DRIVE, FREMONT, OH 43420
PHONE/TDD: (419) 334-4426 FAX: (419) 334-6933 EMAIL: SANDMHA@AOL.COM

CORRECTIVE ACTION PLAN

June 30, 2002

Oversight Agency for Audit: Department of Housing and Urban Development

Sandusky Metropolitan Housing Authority, respectfully submits the following corrective action plan for the year ended June 30, 2002.

Name and address of independent public accounting firm: Kevin L. Penn. Inc. 13212 Shaker Square, Suite 100, Cleveland, Ohio 44120.

Audit Period: June 30, 2002.

The findings from the June 30, 2002 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

2002-1

Bank Balance

Recommendation:

I recommend that the Authority obtain additional insurance, secured by pooled securities accounts, serving as collateral for public deposits. By performing this procedure, the risk of not being in compliance with ORC Section 135.18 will be significantly reduced.

Auditee's Response:

Our bank, Croghan Colonial Bank, Fremont, Ohio, has increased the pledged securities to \$1,250,000. We understand now that this is our responsibility to make certain the insurance is sufficient to cover the total SMHA funds in the bank in order to comply with ORC 135.18.

2002-2

Financial Management of Account Balances

Recommendation:

I recommend that future unexplained differences be investigated immediately, in order to provide accurate financial statements. By performing this procedure, the risk of inaccurate financial statements will be significantly reduced.

Auditee's Response:

Financial statements for the period ending June 30, 2002, have been adjusted. Future transactions will be reviewed monthly, and unexplained differences will be investigated and resolved immediately.

2002-3

Journal Entries

Recommendation:

I recommend that journal entries, be supported with proper documentation, relating to the specific grant. By performing this procedure, the risk of incurring inaccurate financial statements, will be significantly reduced.

Auditee's Response:

Journal entries will be recorded with supporting documentation included or attached to the journal entry form (journal voucher) for each program.

2002-4

Financial Statement Presentation

Recommendation:

The financial statements should be prepared in accordance with generally accepted accounting principles. Revenues should be recorded when earned and expenditures when incurred. As a result, revenues and expenditures will be properly stated, during the fiscal year. In addition, separate operating bank account, should be maintained on behalf of the housing authority, being managed by SMHA.

2002-4

Financial Statement Presentation (continued)

Auditee's Response:

Beginning with July 2003, changes will be made to the SMHA accounting records to properly record Fort Stephenson House rent income, operating income, and management fees in accordance with generally accepted accounting principles (GAAP). Revenues will be recorded when earned and expenditures when incurred. A separate bank account for Fort Stephenson House operating funds will be obtained.

2002-5

Tenant Files

Recommendation:

I recommend that prior to and individual receiving federal assistance, that the family and owner submit a standard form lease, and that the HUD prescribed tenancy addendum be included in the lease word-for-word. By performing this procedure, the risk of incurring questioned costs, will be significantly reduced.

Auditee's Response:

Copies of the lease agreement are being obtained for the two tenants in question. The tenant files are being reviewed for completeness as tenants are due for their annual recertifications. A method has been developed so that, documents are filed in a specific order in the file, which will assist staff in tracking missing documents in the future.

If there any questions regarding this plan, please call Robin R. Kocher, Executive Director at (419) 334-4426.

Sincerely yours,

Robin R. Kocher

Robin R. Kocher, Executive Director
Sandusky Metropolitan Housing Authority

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Kevin L.
Penn, Inc.

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

MANAGEMENT LETTER

Board of Trustees
Sandusky Metropolitan Housing Authority
Fremont, Ohio

In accordance with Government Auditing Standards, I have audited the financial statements of the Sandusky Metropolitan Housing Authority as of and for the year ended June 30, 2002, and have issued my report thereon dated June 24, 2003.

Government Auditing Standards also require that I describe the scope of my testing of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have direct and material effect on the determination of financial statement amounts and, other material noncompliance and reportable conditions in the internal control structure. I have issued reports dated June 24, 2003 on the Authority's compliance and the internal control structure required by Government Auditing Standards as of and for the year ended June 30, 2002.

In addition to the matters I communicated to you in the reports described above, I am submitting for your consideration the following comments on the Authority's compliance with applicable laws and regulations and on its internal control structure. These comments reflect matters that, in my opinion, do not represent material instances of noncompliance or reportable internal control structure conditions. I believe they are matters for which improvements in compliance or internal controls or operational efficiencies might be achieved.

Due to the limited nature of my audit, I have not fully assessed the cost-benefit relationship of implementing the recommendations suggested below. However, these comments reflect my continuing desire to assist Sandusky Metropolitan Housing Authority. If you have any questions or concerns regarding these comments please do not hesitate to contact me.

Physical Inventory

Condition:

A physical inventory has not been performed in the last two years.

Criteria:

To ensure the proper safeguarding of fixed assets, a physical inventory should be performed at least once every two years.

Effect:

Could result in an overstatement of fixed assets, due to obsolete equipment.

Cause:

Oversight by management.

Recommendation:

In order to ensure proper safeguarding of equipment, I recommend that a physical inventory be performed at least once, every two years.

Property Tags

Condition:

Property tags are not issued for each transaction, classified as either furnishing, machinery or equipment.

Criteria:

To ensure the proper safeguarding of fixed assets, property tags should be assigned to each transaction, classified as either furnishing, machinery or equipment.

Effect:

Could result in fixed assets, not being properly safeguarded.

Property Tags (continued)

Cause:

Oversight by management.

Recommendation:

In order to ensure proper safeguarding of equipment, I recommend that property tags be assigned to transaction, classified as either furnishing, machinery or equipment, in order to facilitate the physical inventory at the end of the calendar year.

Conflict of Interest Statement

Condition:

A conflict of interest statement is not maintained for individuals who determine eligibility.

Criteria:

A conflict of interest statement should be obtained from each individual who determine eligibility.

Effect:

Could result in questioned costs, if an individual receives federal assistance, and is not eligible to participate in the program.

Cause:

Oversight by management.

Recommendation:

I recommend that a conflict of interest statement, be obtained from each individual who determine eligibility.

Tenant Files

Condition:

The following discrepancies noted, during the testing the tenant files:

There were two instances, whereby the HAP contract was not signed by the tenant.
There were twenty instances, whereby the "Family Report" was not signed by the tenant
of by a representative of the SMHA.

Criteria:

The following documents should be maintained in the tenant file:

Properly executed HAP contract, signed by both the tenant and a representative of the SMHA.
Properly executed Family Report, signed by both the tenant and a representative of the SMHA.

Effect:

Could result in questioned costs.

Cause:

Oversight by management.

Recommendation:

I recommend that prior to and individual receiving federal assistance, that the following documents be obtain and maintained in the tenant's file:

Properly executed HAP contract, signed by both the tenant and a representative of the SMHA.
Properly executed Family Report, signed by both the tenant and a representative of the SMHA.

By performing these procedures, the risk of incurring questioned costs, will be significantly reduced.

Security Deposits

Condition:

The security deposit ledger is not reconciled to the security deposit bank account on a monthly basis.

Criteria:

The security deposit ledger should be reconciled to the security deposit bank account on a monthly basis.

Effect:

Resulted in the security deposit bank, being under funded by \$4,020 as of June 30, 2002.

Cause:

Oversight by management.

Recommendation:

I recommend that the security deposit ledger be reconciled to the security deposit bank account on a monthly basis. By performing this procedure, the risk of under funding the security deposit bank account, will be significantly reduced.

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.

June 24, 2003

**Data Collection Form for Reporting on
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS
for Fiscal Year Ending Dates On or After January 1, 2001**

Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." **RETURN TO** Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132

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

1. Fiscal period ending date for this submission Month Day Year Fiscal Period End Dates Must Be On or After January 1, 2001 06 / 30 / 2002		2. Type of Circular A-133 audit 1 <input checked="" type="checkbox"/> Single audit 2 <input type="checkbox"/> Program-specific audit	
3. Audit period covered 1 <input checked="" type="checkbox"/> Annual 2 <input type="checkbox"/> Biennial 3 <input type="checkbox"/> Other - Months		4. Date received by Federal clearinghouse FEDERAL GOVERNMENT USE ONLY	
5. Employer Identification Number (EIN) a. Auditee EIN 3 4 1 2 1 8 8 7 4		b. Are multiple EINs covered in this report? 1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No If Part I, Item 5b = "Yes," complete Part I, Item 5c (Complete the continuation sheet on Page 4)	

6. AUDITEE INFORMATION

a. Auditee name
Sandusky Metropolitan Housing Auth.

b. Auditee address (Number and street)
1358 Nossner Drive
City
Fremont
State
Ohio ZIP + 4 Code 43 4 20 -

c. Auditee contact
Name
Robin R. Kocher
Title
Executive Director

d. Auditee contact telephone
(419) 334 - 4426

e. Auditee contact FAX (Optional)
(419) 334 - 6933

f. Auditee contact E-mail (Optional)
sandmha@aol.com

7. AUDITOR INFORMATION (To be completed by auditor)

a. Auditor name
Kevin L. Penn, Inc.

b. Auditor address (Number and street)
13212 Shaker Square, Suite 100
City
Cleveland
State
Ohio ZIP + 4 Code 44 12 0 -

c. Auditor contact
Name
Kevin L. Penn, CPA
Title
President

d. Auditor contact telephone
(216) 283 - 1535

e. Auditor contact FAX (Optional)
(216) 283 - 5724

f. Auditor contact E-mail (Optional)
k1penncpa@aol.com

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

Signature of certifying official Date
Robin R. Kocher 06 124 2003
Printed Name/Title of certifying official
Robin R. Kocher, Exec. Director

9. AUDITOR STATEMENT - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 8, 9, and 10, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in Parts II and III of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of auditor Date
K. L. Penn, Inc. 6 124 03

PART I GENERAL INFORMATION - Continued

8. Did the auditee expend more than \$25,000,000 in Federal awards during the fiscal year? (Mark (X) one box)
 1 Yes - **Identify Cognizant Agency in Part I, Item 9** 2 No - **SKIP to Part II, Item 1**
9. Indicate which **Federal** awarding agency provided the predominant amount of direct funding in **fiscal year 2000**. (Mark (X) one box) However, if cognizance has been reassigned, see instructions.
- | | | | |
|--|---|---|---|
| 02 <input type="checkbox"/> Agency for International Development | 81 <input type="checkbox"/> Energy | 14 <input type="checkbox"/> Housing and Urban Development | 47 <input type="checkbox"/> National Science Foundation |
| 10 <input type="checkbox"/> Agriculture | 66 <input type="checkbox"/> Environmental Protection Agency | 15 <input type="checkbox"/> Interior | 20 <input type="checkbox"/> Transportation |
| 11 <input type="checkbox"/> Commerce | 83 <input type="checkbox"/> Federal Emergency Management Agency | 16 <input type="checkbox"/> Justice | <input type="checkbox"/> Other - Specify: |
| 12 <input type="checkbox"/> Defense | 93 <input type="checkbox"/> Health and Human Services | 17 <input type="checkbox"/> Labor | |
| 84 <input type="checkbox"/> Education | | | |

PART II FINANCIAL STATEMENTS (To be completed by auditor)

1. Type of audit report (Mark (X) one box)
 1 Unqualified opinion 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion
2. Is a "going concern" explanatory paragraph included in the audit report? 1 Yes 2 No
3. Is a reportable condition disclosed? 1 Yes 2 No - **SKIP to Item 5**
4. Is any reportable condition reported as a material weakness? 1 Yes 2 No
5. Is a material noncompliance disclosed? 1 Yes 2 No

PART III FEDERAL PROGRAMS (To be completed by auditor)

1. Type of audit report on major program compliance
 1 Unqualified opinion 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion
2. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending greater than \$300,000 in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA SOP 98-3 chapter 10) 1 Yes 2 No
3. What is the dollar threshold to distinguish Type A and Type B programs? (\$ __.520(b)) \$ 300,000
4. Did the auditee qualify as a low-risk auditee? (§ __.530) 1 Yes 2 No
5. Is a reportable condition disclosed for any major program? (§ __.510(a)(1)) 1 Yes 2 No - **SKIP to Item 7**
6. Is any reportable condition reported as a material weakness? (§ __.510(a)(1)) 1 Yes 2 No
7. Are any known questioned costs reported? (§ __.510(a)(3) or (4)) 1 Yes 2 No
8. Was a Summary Schedule of Prior Audit Findings prepared? (§ __.315(b)) 1 Yes 2 No

9. Indicate which **Federal** agency(ies) have current year audit findings related to **direct** funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to **direct** funding. (Mark (X) all that apply or None)
- | | | | |
|--|--|---|--|
| 02 <input type="checkbox"/> Agency for International Development | 83 <input type="checkbox"/> Federal Emergency Management Agency | 43 <input type="checkbox"/> National Aeronautics and Space Administration | 96 <input type="checkbox"/> Social Security Administration |
| 10 <input type="checkbox"/> Agriculture | 39 <input type="checkbox"/> General Services Administration | 89 <input type="checkbox"/> National Archives and Records Administration | 19 <input type="checkbox"/> State |
| 23 <input type="checkbox"/> Appalachian Regional Commission | 93 <input type="checkbox"/> Health and Human Services | 05 <input type="checkbox"/> National Endowment for the Arts | 20 <input type="checkbox"/> Transportation |
| 11 <input type="checkbox"/> Commerce | 14 <input checked="" type="checkbox"/> Housing and Urban Development | 06 <input type="checkbox"/> National Endowment for the Humanities | 21 <input type="checkbox"/> Treasury |
| 94 <input type="checkbox"/> Corporation for National and Community Service | 03 <input type="checkbox"/> Institute for Museum Services | 47 <input type="checkbox"/> National Science Foundation | 82 <input type="checkbox"/> United States Information Agency |
| 12 <input type="checkbox"/> Defense | 15 <input type="checkbox"/> Interior | 07 <input type="checkbox"/> Office of National Drug Control Policy | 64 <input type="checkbox"/> Veterans Affairs |
| 84 <input type="checkbox"/> Education | 16 <input type="checkbox"/> Justice | 59 <input type="checkbox"/> Small Business Administration | 00 <input type="checkbox"/> None |
| 81 <input type="checkbox"/> Energy | 17 <input type="checkbox"/> Labor | | <input type="checkbox"/> Other - Specify: |
| 66 <input type="checkbox"/> Environmental Protection Agency | 09 <input type="checkbox"/> Legal Services Corp | | |

Each agency identified is required to receive a copy of the reporting package.

In addition, one copy each of the reporting package is required for:

- the Federal Audit Clearinghouse archives
- and, if not marked above, the cognizant agency (if identified in Part I, Item 9)

Count total number of boxes marked above and submit this number of reporting packages

PART III FEDERAL PROGRAMS - Continued

10. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR		11. AUDIT FINDINGS						
Federal Agency Prefix	CFDA Number (a)	Research and development (b)	Name of Federal program (c)	Amount expended (d)	Direct award (e)	Major program (f)	Type(s) of compliance requirement(s) ³ (a)	Audit finding reference number(s) ⁴ (b)
	Extension ²	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No			
1 4	871	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	Housing Choice Voucher	\$ 903,164 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	E	2002-5
1 4	850	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	Low Rent Public Housing	\$ 118,166 .00	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	O	N/A
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**Auditor of State
Betty Montgomery**

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

SANDUSKY METROPOLITAN HOUSING AUTHORITY

SANDUSKY 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
DECEMBER 30, 2003**