

**GENERAL PURPOSE  
FINANCIAL STATEMENTS**

**of the**

**MORGAN METROPOLITAN  
HOUSING AUTHORITY**

**for the**

**Year Ended June 30, 2003**





**Auditor of State  
Betty Montgomery**

Board of Directors  
Morgan Metropolitan Housing Authority

We have reviewed the Independent Auditor's Report of the Morgan Metropolitan Housing Authority, Morgan County, prepared by Jones, Cochenour & Co. for the audit period July 1, 2002 through June 30, 2003. 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 Morgan Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

January 27, 2004

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Morgan Metropolitan Housing Authority  
McConnelsville, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited the accompanying general purpose financial statements of Morgan Metropolitan Housing Authority, as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Morgan Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The special audit was completed by the State Auditor's Office on January 15, 2003, however, HUD has not made a final determination on an amount to be repaid as a result of the special audit. The effects of this special audit are unknown. Accordingly, no provision for any liability that may result has been made in the financial statements.

In our opinion, except for the effects of the financial statements of the matter discussed in the third paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Morgan Metropolitan Housing Authority, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 19, 2003 on our consideration of Morgan Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Morgan Metropolitan Housing Authority. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. The financial data schedule ("FDS") and cost certification schedule are presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Jones, Cochenour & Co.  
December 16, 2003

**Morgan Metropolitan Housing Authority  
Balance Sheet  
Proprietary Fund Type  
Enterprise Fund  
June 30, 2003**

**ASSETS**

Cash and cash equivalents	\$	68,254
Receivables - net of allowance		36,433
Due from other programs		46,810
Inventories - net of allowance		10,813
Tenant security deposits		18,239
Deferred charges and other assets		10,897
<b>TOTAL CURRENT ASSETS</b>		<u>191,446</u>

<b>FIXED ASSETS - NET OF ACCUMULATED DEPRECIATION</b>		<u>2,316,277</u>
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<b>TOTAL ASSETS</b>	<b>\$</b>	<u><u>2,507,723</u></u>
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**LIABILITIES, EQUITY AND OTHER CREDITS**

Accounts payable	\$	12,948
Due to other programs		46,810
Intergovernmental payables		3,374
Accrued compensated absences		6,510
Tenant security deposits		17,845
Debt - current portion		1,200
Deferred credit		1,120
<b>TOTAL CURRENT LIABILITIES</b>		<u>89,807</u>

Long-term debt		13,885
Noncurrent liability - other		16,354
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>30,239</u>

<b>TOTAL LIABILITIES</b>		<u>120,046</u>
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**EQUITY AND OTHER CREDITS**

PHA HUD contributions		2,284,055
Undesignated fund balance		103,622
<b>TOTAL EQUITY AND OTHER CREDITS</b>		<u>2,387,677</u>

<b>TOTAL LIABILITIES, EQUITY AND OTHER CREDITS</b>	<b>\$</b>	<u><u>2,507,723</u></u>
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See accompanying notes to the general purpose financial statements



**Morgan Metropolitan Housing Authority  
Statement of Revenues, Expenses and Changes in Equity  
Proprietary Fund Type  
Enterprise Fund  
Year Ended June 30, 2003**

<b>OPERATING REVENUE</b>		
Tenant revenue	\$	86,387
Program operating grants/subsidies		753,424
Other revenue		<u>1,234</u>
<b>TOTAL OPERATING REVENUE</b>		<b>841,045</b>
<b>OPERATING EXPENSES</b>		
Administrative		222,106
Tenant services		69
Utilities		49,194
Maintenance		102,301
General		21,779
Bad debts		(3,597)
Housing assistance payments		374,615
Depreciation		<u>143,315</u>
<b>TOTAL OPERATING EXPENSES</b>		<b><u>909,782</u></b>
<b>NET OPERATING LOSS</b>		<b>(68,737)</b>
<b>NON-OPERATING REVENUE</b>		
Interest income - unrestricted		1,131
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers in		24,575
Operating transfers out		<u>(24,575)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		<b><u>-</u></b>
<b>NET LOSS</b>		<b>(67,606)</b>
<b>EQUITY AND OTHER CREDITS, BEGINNING</b>		<b>2,453,050</b>
<b>PRIOR PERIOD ADJUSTMENTS</b>		<u>2,233</u>
<b>EQUITY AND OTHER CREDITS, BEGINNING - RESTATED</b>		<b><u>2,455,283</u></b>
<b>EQUITY AND OTHER CREDITS, ENDING</b>		<b><u><u>\$ 2,387,677</u></u></b>

See accompanying notes to the general purpose financial statements

**Morgan Metropolitan Housing Authority  
Statement of Cash Flows  
Proprietary Fund Type  
Enterprise Fund  
Year Ended June 30, 2003**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net operating (loss)	\$ (68,737)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	143,315
Prior period adjustments	2,233
(Increase) decrease in:	
Receivables - net of allowance	(31,551)
Due from other funds	(19,524)
Inventories - net of allowance	(668)
Deferred charges and other assets	1,951
Increase (decrease) in:	
Accounts payable	10,419
Due to other funds	19,524
Intergovernmental payable	(9,844)
Accrued payroll and taxes	(21,481)
Accrued compensated absences	(4,706)
Deferred credits and other liabilities	8,474
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>29,405</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Loan principal repayments	(2,309)
Tenant Security Deposits	(178)
<b>TOTAL CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(2,487)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Earnings on investments	1,131
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>28,049</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b>40,205</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>\$ 68,254</b>

See accompanying notes to the general purpose financial statements

**Morgan Metropolitan Housing Authority**  
**Notes to the general purpose financial statements**  
**June 30, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Summary of Significant Accounting Policies**

The financial statements of the Morgan Metropolitan Housing Authority (the "Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

**Reporting Entity**

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying general purpose financial statements comply with the provision of GASB Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

**Fund Accounting**

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the Section 8 and public housing programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

Morgan Metropolitan Housing Authority  
Notes to the general purpose financial statements - Continued  
June 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Proprietary Fund Types**

Proprietary funds are used to account for the Authority's ongoing activities which are similar to those found in the private sector. The following is the proprietary fund type:

**Enterprise Fund** – This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Measurement Focus/Basis of Accounting**

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**Investments**

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value.

**Fixed Assets**

Fixed assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The following are the useful lives used for depreciation purposes:

Buildings – residential	27.5
Buildings – non residential	40
Building improvements	15
Furniture – dwelling	7
Furniture – non-dwelling	7
Equipment – dwelling	5
Equipment – non-dwelling	7
Autos and trucks	5
Computer hardware	3
Computer software	3
Leasehold improvements	15
Land improvements	15

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

**Compensated Absences**

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.

**Morgan Metropolitan Housing Authority**  
**Notes to the general purpose financial statements - Continued**  
**June 30, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1) The employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee, 2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

**PHA HUD Contributions**

This represents contributions made available by HUD with respect to all federally aided projects under an annual contributions contract.

**Budgetary Accounting**

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is submitted to the Department of Housing and Urban Development and once approved is adopted by the Board of the Housing Authority.

**Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Receivables – net of allowance**

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for uncollectable tenant receivables was \$500 at June 30, 2003.

**Inventories**

Inventories are stated at cost. The allowance for obsolete inventory was \$1,100 at June 30, 2003.

**Accounting and Reporting for Nonexchange Transactions**

The Authority adopted GASB 33 effective for the year ended June 30, 2002. Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of nonexchange transactions as follows:

- **Derived tax revenues:** result from assessments imposed on exchange transactions (i.e., income taxes, sales taxes and other assessments on earnings or consumption).
- **Imposed nonexchange revenues:** result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (i.e. property taxes and fines).
- **Government-mandated nonexchange transactions:** occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (i.e., federal programs that state or local governments are mandated to perform).
- **Voluntary nonexchange transactions:** result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).

**Morgan Metropolitan Housing Authority**  
**Notes to the general purpose financial statements - Continued**  
**June 30, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

PHA grants and subsidies will be defined as a government-mandated or voluntary nonexchange transactions.

GASB 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

- Time requirements specify (a) the period when resources are required to be used or when use may begin (for example, operating or capital grants for a specific period) or (b) that the resources are required to be maintained intact in perpetuity or until a specified date or event has occurred (for example, permanent endowments, term endowments, and similar agreements). Time requirements affect the timing of recognition of nonexchange transactions.
- Purpose restrictions specify the purpose for which resources are required to be used. (i.e. capital grants used for the purchase of capital assets). Purpose restrictions do not affect when a nonexchange transaction is recognized. However, PHAs that receive resources with purpose restrictions should report resulting net assets, equity, or fund balance as restricted.

The PHA will recognize assets (liabilities) when all applicable eligibility requirements are met or resources received whichever is first. Eligibility requirements established by the provider may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies.

The PHA will recognize revenues (expenses) when all applicable eligibility requirements are met. For transactions that have a time requirement for the beginning of the following period, PHAs should record resources received prior to that period as deferred revenue and the provider of those resources would record an advance.

The PHA receives government-mandated or voluntary nonexchange transactions, which do not specify time requirements. Upon award, the entire subsidy should be recognized as a receivable and revenue in the period when applicable eligibility requirements have been met.

**2. CASH AND INVESTMENTS**

**Cash**

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 negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) by eligible securities pledged by the financial institution as security for repayment, but 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.

**Morgan Metropolitan Housing Authority**  
**Notes to the general purpose financial statements - Continued**  
**June 30, 2003**

**2. CASH AND INVESTMENTS - CONTINUED**

**Cash – Continued**

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.

**Deposits:** The carrying amount of the Authority's deposits totaled \$86,493 (includes security deposits). The corresponding bank balances totaled \$90,111.

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

Category 1: \$90,111 was covered by federal depository insurance

**3. NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the Authority's federal award programs. The schedule has been prepared on the accrual basis of accounting.

**4. RISK MANAGEMENT**

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 coverages and no settlements exceeded insurance coverage during the past three years.

**5. FIXED ASSETS**

The following is a summary:

Land	\$	251,650
Buildings		3,268,556
Furniture and equipment - dwellings		115,625
Furniture and equipment - administrative		134,784
Leasehold improvements		<u>47,030</u>
		3,817,645
Accumulated depreciation		<u>(1,501,368)</u>
NET FIXED ASSETS	\$	<u><u>2,316,277</u></u>

**Morgan Metropolitan Housing Authority**  
**Notes to the general purpose financial statements - Continued**  
**June 30, 2003**

**5. FIXED ASSETS - CONTINUED**

The following is a summary of changes:

	<u>Balance</u> <u>June 30, 2002</u>	<u>Additions /</u> <u>Reclass</u>	<u>Deletions /</u> <u>Corrections</u>	<u>Balance</u> <u>June 30, 2003</u>
Land	\$ 251,650	\$ -	\$ -	\$ 251,650
Buildings	3,268,556	-	-	3,268,556
Furniture and equipment				
- dwellings	115,625	-	-	115,625
Furniture and equipment				
- administrative	143,409	-	8,625	134,784
Leasehold improvements	<u>47,030</u>	<u>-</u>	<u>-</u>	<u>47,030</u>
<b>TOTAL FIXED ASSETS</b>	<u>\$ 3,826,270</u>	<u>\$ -</u>	<u>\$ 8,625</u>	<u>\$ 3,817,645</u>

The depreciation expense for the year ended June 30, 2003 was \$143,315.

**6. DEFINED BENEFIT PENSION PLANS – PUBLIC EMPLOYEES RETIREMENT SYSTEM**

All employees participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer defined benefit pension plan operated by the State. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the Authority is required to contribute 9.35 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Authority's required contributions to PERS for the years ended June 30, 2003, 2002 and 2001 were \$22,048, \$38,365, and \$25,717, respectively. The full amount has been contributed for 2002 and 2001. 92 percent has been contributed for 2003, with the remainder being reported as a liability within the enterprise fund.

**7. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and 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 Postemployment Benefit (OPEB) as described in GASV Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution on OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The employer contribution rate for 2002 was 13.55 percent of covered payroll, 4.30 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry are normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 percent compounded



**Morgan Metropolitan Housing Authority**  
**Notes to the general purpose financial statements - Continued**  
**June 30, 2003**

**7. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM – CONTINUED**

between .50 percent and 6.3 percent based on additional annual pay increases. Health care are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 402,041. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits are December 31, 2001 (the latest information available) were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

**8. EQUITY AND OTHER CREDITS/PRIOR PERIOD ADJUSTMENTS:**

	Total	HUD PHA Contributions	Undesignated Fund Balance
Balance as of June 30, 2002	\$ 2,453,050	\$ 2,808,199	\$ (355,149)
Net loss as of June 30, 2003	(67,606)	(136,073)	68,469
To correct allowance and deposit	2,233	-	2,233
Equity transfer (depreciation allocation)	-	(388,069)	388,069
	\$ 2,387,677	\$ 2,284,057	\$ 103,622

**9. FDS SCHEDULE SUBMITTED TO HUD**

For the fiscal year ended June 30, 2003, the Authority electronically submitted an unaudited version of the combining balance sheet, statement of revenues, expenses and changes in retained earnings and other data to HUD as required on the GAAP basis. The audited version of the FDS schedules are on pages 14-17. The schedules are presented in the manner prescribed by Housing and Urban Development. These schedules can be used to tie the total assets and liabilities into the combined statements.

**11. SPECIAL AUDIT – RESULTS**

As noted in the auditors' report, the special audit conducted by the State Auditor's office (SAO) was released January 15, 2003 and the following is a summary of the results noted in the report:

SAO reviewed payments to the former Executive Director, Lorraine Hunt, and determined whether they were in accordance with her employment contract, Metropolitan Housing Authority policies, grant agreements, Morgan Options, Inc., policies and management contract, and whether the expenditures were for a purpose related to the Housing Authority and Morgan Options, Inc.

**Significant Results:** Ms. Hunt did not have an employment contract during the period she was employed as Executive Director of the Housing Authority. Ms. Hunt received payments for unauthorized salary increases, unauthorized overtime compensation, and commuting mileage reimbursements, totaling \$10,729, for which SAO issued Findings for Recovery.

Nonpayroll and petty cash expenditures totaling \$3,124, and the above illegal expenditures were deemed federal questioned costs because the expenditures lacked supporting documentation and/or because the expenditures were not in accordance with the grant agreement.

SAO issued 2 noncompliance citations because the Board did not follow its policies concerning the approval of meal expenses and travel outside the area. SAO also issued 10 recommendations related to weaknesses identified in the Board's payroll, internal control, and fiscal monitoring processes.

Morgan Metropolitan Housing Authority  
Notes to the general purpose financial statements - Continued  
June 30, 2003

11. SPECIAL AUDIT – RESULTS – CONTINUED

SAO reviewed payments and/or wire transfers to and from Morgan Options, Inc. and determined if they were authorized, in accordance with program objectives and/or agreements, and for a purpose related to the Housing Authority.

**Significant Results:** The Housing Authority made loans from its Section 8 Housing Certificate and Housing Voucher Program and financial contributions from its Comprehensive Improvement Assistance Program (CIAP) Grant to Morgan Options, Inc. Additionally, the Housing Authority paid payroll and other expenses on behalf of Morgan Options, Inc. from its Public and Indian Housing Grant. These expenditures were unrelated to, and did not benefit any housing authority programs for which the federal funds were intended, and as such are not recognized as ordinary and necessary for the operation of a metropolitan housing authority or the performance of the program. SAO issued federal questioned costs totaling \$588,145 for these federal housing authority grants.

SAO issued a noncompliance citation because the Board did not comply with its management agreement with Morgan Options, Inc. concerning the hiring, payment, and supervising of Morgan Options, Inc. employees. SAO also issued 2 recommendations related to weaknesses identified concerning unsupported journal entries and the Board entering into a management agreement with Morgan Options, Inc. which permits the use of federal monies contrary to federal laws and regulations.

SAO reviewed capital improvement expenditures for the Period and determined whether expenditures were authorized and for a purpose related to the Housing Authority.

**Significant Results:** SAO issued federal questioned costs of \$236,944 for the Comprehensive Improvement Assistance Program (CIAP) Grant for undocumented payroll, salaries, benefits, other grant charges, and unallowable expenditures made from this grant.

The Housing Authority could not provide a copy of its Comprehensive Plan which identifies all Housing Authority needed improvements. SAO could not determine whether the Housing Authority's capital improvement expenditures during the Period from the Comprehensive Improvement Assistance Program (CIAP) Grant were approved by HUD, and in accordance with its Comprehensive Plan and Five Year Action Plan. SAO recommended the Housing Authority maintain copies of these documents and management and the Board review these documents to determine whether the Housing Authority is following the Plan and expenditures are made from the CIAP Grant are in accordance with program objectives.

SAO reviewed credit card purchases for the Period made with the Housing Authority's Corporate American Express credit cards and determined whether they were authorized, in accordance with Housing Authority's policies, grant agreements and contracts, and for a purpose related to the Housing Authority.

**Significant Results:** SAO issued federal questioned costs of \$37,439 for the Public and Indian Housing Grant for unallowable and undocumented expenditures.

The Housing Authority did not have a formal written credit card policy. SAO recommended the Housing Authority discontinue the use of direct bill Housing Authority credit cards. SAO recommended business and travel related expenses incurred by employees be reimbursed to the individual following the completion and approval of an expense reimbursement form and upon submission of appropriate documentation to support the business related expense incurred.

SAO reviewed Housing Authority non-payroll expenditures made for the Period that were not reviewed in Issue Nos. 1 through 4 and determined whether they were in accordance with Housing Authority policies, grant agreements and contracts, and for a purpose related to the Housing Authority.

**Morgan Metropolitan Housing Authority**  
**Notes to the general purpose financial statements - Continued**  
**June 30, 2003**

**11. SPECIAL AUDIT – RESULTS – CONTINUED**

**Significant Results:** SAO issued a Finding of Recovery totaling \$296 against Ms. Hunt for personal annual memberships to the Ohio Auto Club which were not for a purpose related to the Housing Authority.

SAO issued federal questioned costs totaling \$193,843 for loans originating from the federal Section 8 Housing program to the Housing Authority's operating account. Additionally, SAO issued federal questioned costs of \$1,737 for unsupported and illegal expenditures from the Public and Indian Housing Program.

The exit conference was held on June 26, 2003, between Morgan Metropolitan Housing Authority and the State Auditors' representatives.

As of our report date Housing and Urban Development has not determined how much will be repaid by the Authority. Therefore, a liability has not been recorded.

**12. HUD MANAGEMENT REVIEW**

A HUD management review for low rent public housing was conducted May 6, 2002, and the authority was provided findings and observation as a part of that review. The Authority has been monitored by HUD since that review and has established and followed an Improvement Plan. The Authority is providing a quarterly progress report to HUD.

**Morgan Metropolitan Housing Authority**  
**Balance Sheet**  
**FDS Schedule Submitted to HUD**  
**Proprietary Fund Type**  
**Enterprise Fund**  
**June 30, 2003**

FDS Line Item No.	Account Description	14.871 Section 8 Vouchers	14.850 Public & Indian Hsg	14.872 Capital Fund	TOTAL
<b>ASSETS</b>					
111	Cash - unrestricted	\$ 10,296	\$ 45,270	\$ -	\$ 55,566
113	Cash - other restricted	10,101	2,587	-	12,688
114	Cash - tenant security deposits	-	18,239	-	18,239
100	TOTAL CASH	<u>20,397</u>	<u>66,096</u>	<u>-</u>	<u>86,493</u>
122	Accounts receivable - HUD other proj	16,233	-	14,518	30,751
125	Accounts receivable - miscellaneous	-	38,069	-	38,069
126	A/R Tenants - dwelling rents	-	1,982	-	1,982
126.1	Allowance for doubtful accts	-	(500)	-	(500)
126.2	Allowance for doubtful accts - other	-	(33,869)	-	(33,869)
120	TOTAL ACCOUNTS RECEIVABLE	<u>16,233</u>	<u>5,682</u>	<u>14,518</u>	<u>36,433</u>
142	Prepaid expenses and other assets	28	10,869	-	10,897
143	Inventories	-	11,913	-	11,913
143.1	Allowance for obsolete inventory	-	(1,100)	-	(1,100)
144	Interprogram due from	-	46,810	-	46,810
150	TOTAL CURRENT ASSETS	<u>36,658</u>	<u>140,270</u>	<u>14,518</u>	<u>191,446</u>
161	Land	-	251,650	-	251,650
162	Buildings	-	3,241,831	26,725	3,268,556
163	Furniture and equipment - dwellings	-	115,625	-	115,625
164	Furniture and equipment - admin	24,177	89,175	21,432	134,784
165	Leasehold improvements	-	47,030	-	47,030
166	Accumulated depreciation	(18,501)	(1,473,352)	(9,515)	(1,501,368)
160	TOTAL FIXED ASSETS, NET	<u>5,676</u>	<u>2,271,959</u>	<u>38,642</u>	<u>2,316,277</u>
180	TOTAL NON-CURRENT ASSETS	<u>5,676</u>	<u>2,271,959</u>	<u>38,642</u>	<u>2,316,277</u>
190	TOTAL ASSETS	<u>\$ 42,334</u>	<u>\$ 2,412,229</u>	<u>\$ 53,160</u>	<u>\$ 2,507,723</u>

See independent auditors' report

**Morgan Metropolitan Housing Authority  
Balance Sheet  
FDS Schedule Submitted to HUD  
Proprietary Fund Type  
Enterprise Fund  
June 30, 2003**

FDS Line Item No.	Account Description	14.871 Section 8 Vouchers	14.850 Public & Indian Hsg	14.872 Capital Fund	TOTAL
	<b>LIABILITIES</b>				
312	Accounts payable <=90 days	\$ -	\$ 12,948	\$ -	\$ 12,948
322	Accrued compensated absences	938	5,572	-	6,510
333	Accounts payable - other govt	-	3,374	-	3,374
341	Tenant security deposits	-	17,845	-	17,845
342	Deferred revenue	-	1,120	-	1,120
344	Current portion of long-term debt	-	1,200	-	1,200
347	Interprogram due to	32,292	-	14,518	46,810
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>33,230</b>	<b>42,059</b>	<b>14,518</b>	<b>89,807</b>
352	Long-term debt - net of current	-	13,885	-	13,885
353	Noncurrent liabilities - other	10,072	6,282	-	16,354
350	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>10,072</b>	<b>20,167</b>	<b>-</b>	<b>30,239</b>
300	<b>TOTAL LIABILITIES</b>	<b>43,302</b>	<b>62,226</b>	<b>14,518</b>	<b>120,046</b>
513	<b>TOTAL EQUITY</b>	<b>(968)</b>	<b>2,350,003</b>	<b>38,642</b>	<b>2,387,677</b>
600	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 42,334</b>	<b>\$ 2,412,229</b>	<b>\$ 53,160</b>	<b>\$ 2,507,723</b>

See independent auditors' report

**Morgan Metropolitan Housing Authority**  
**Statement of Revenues, Expenses and Changes in Equity**  
**FDS Schedule Submitted to HUD**  
**Proprietary Fund Type**  
**Enterprise Fund**  
**Year Ended June 30, 2003**

FDS Line Item	Account Description	14.871 Section 8 Vouchers	14.850 Public & Indian Hsg	14.872 Capital Fund	TOTAL
	<b>REVENUE</b>				
703	Net tenant revenue	\$ -	\$ 82,933	\$ -	\$ 82,933
704	Tenant revenue - other	-	3,454	-	3,454
705	<b>TOTAL TENANT REVENUE</b>	<b>-</b>	<b>86,387</b>	<b>-</b>	<b>86,387</b>
706	PHA HUD grants	483,728	184,758	84,938	753,424
711	Investment income - unrestricted	590	541	-	1,131
714	Fraud Recovery	833	-	-	833
715	Other revenue	401	-	-	401
720	Investment income - restricted	-	-	-	-
	<b>TOTAL REVENUE</b>	<b>485,552</b>	<b>271,686</b>	<b>84,938</b>	<b>842,176</b>
	<b>EXPENSES</b>				
911	Administrative salaries	61,706	62,821	26,007	150,534
912	Auditing fees	810	17,139	-	17,949
914	Compensated absenses	(2,678)	(5,673)	-	(8,351)
915	Employee benefit contribution - admin	20,148	-	13,130	33,278
916	Other operating - administrative	12,715	15,981	-	28,696
924	Tenant services - other	-	69	-	69
931	Water	-	39,828	-	39,828
932	Electricity	-	6,053	-	6,053
933	Gas	-	3,313	-	3,313
941	Ord maintenance/op - labor	-	23,404	-	23,404
942	Ord maintenance/op - materials	-	5,037	6,428	11,465
943	Ord maintenance/op - cont costs	-	16,345	14,798	31,143
945	Emp benefit contrib - ord main	-	36,289	-	36,289
	<b>EXPENSES - CONTINUED</b>				
961	Insurance premiums	\$ -	\$ 17,590	\$ -	\$ 17,590
962	Other general expenses	-	815	-	815
963	PILOT	-	3,374	-	3,374
964	Bad debts - tenant rents	-	(3,597)	-	(3,597)
966	Bad debt - other	-	-	-	-
967	Interest expense	-	-	-	-
969	<b>TOTAL OPERATING EXPENSES</b>	<b>92,701</b>	<b>238,788</b>	<b>60,363</b>	<b>391,852</b>
970	<b>EXCESS OPERATING REVENUE OVER EXPENSES</b>	<b>392,851</b>	<b>32,898</b>	<b>24,575</b>	<b>450,324</b>
973	Housing Assistance Payments	374,615	-	-	374,615
974	Depreciation expense	2,510	135,107	5,698	143,315
900	<b>TOTAL EXPENSES</b>	<b>469,826</b>	<b>373,895</b>	<b>66,061</b>	<b>909,782</b>

See independent auditors' report

**Morgan Metropolitan Housing Authority**  
**Statement of Revenues, Expenses and Changes in Equity**  
**FDS Schedule Submitted to HUD**  
**Proprietary Fund Type**  
**Enterprise Fund**  
**Year Ended June 30, 2003**

<u>Account Description</u>	<u>14.871 Section 8 Vouchers</u>	<u>14.850 Public &amp; Indian Hsg</u>	<u>14.872 Capital Fund</u>	<u>TOTAL</u>
Operating transfers in	-	24,575	-	24,575
Operating transfers out	-	-	(24,575)	(24,575)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	24,575	(24,575)	-
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>15,726</b>	<b>(77,634)</b>	<b>(5,698)</b>	<b>(67,606)</b>
Beginning equity	(16,694)	2,425,404	44,340	2,453,050
Prior period adj/equity transfers	-	2,233	-	2,233
<b>ENDING EQUITY</b>	<b>\$ (968)</b>	<b>\$ 2,350,003</b>	<b>\$ 38,642</b>	<b>2,387,677</b>

See independent auditors' report

**Morgan Metropolitan Housing Authority  
 Cost Certification of Modernization Project  
 June 30, 2003**

**CGP 501:**

Operations	\$	23,530
Management improvements		7,854
Administration		39,417
Fees and costs		6,525
Dwelling structures		16,839
Dwelling equipment - nonexpendable		20,930
Non-dwelling equipment		<u>525</u>

**TOTAL EXPENDED**     **\$**     **115,620**

**TOTAL RECEIVED**     **\$**     **115,620**

**CIAP 907: \*\***

Management improvements	\$	2,308
Administration		39,000
Fees and costs		55,273
Dwelling structures		169,514
Site improvement		<u>3,905</u>

**TOTAL EXPENDED**     **\$**     **270,000**

**TOTAL RECEIVED**     **\$**     **270,000**

1. The actual cost certificate was signed on April 21, 2003 and May 28, 2003, respectively.
2. All costs have been paid through June 30, 2003 and there are no outstanding liabilities.
3. The final costs on the certificate agree to the Authority's records.

\*\* Refer to Note 11.

See independent auditors' report



**Morgan Metropolitan Housing Authority  
Schedule of Federal Awards Expenditures  
June 30, 2003**

	<b>FEDERAL CFDA NUMBER</b>	<b>FUNDS EXPENDED</b>
<b><u>FROM U.S. DEPARTMENT OF HUD</u></b>		
<b><u>DIRECT PROGRAMS</u></b>		
<b>PHA Owned Housing:</b>		
Public and Indian Housing	14.850	\$ 184,758
Public Housing Capital Fund	14.872	84,938
<b>Housing Assistance Payments:</b>		
<b>Annual Contribution -</b>		
Section 8 Housing Choice Vouchers	14.871	483,728
<b>Total - All Programs</b>		<b>\$ 753,424</b>

See independent auditors' report

**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 Directors  
Morgan Metropolitan Housing Authority  
McConnelsville, Ohio**

**Regional Inspector General of Audit  
Department of Housing and Urban  
Development**

We have audited the general purpose financial statements of Morgan Metropolitan Housing Authority as of and for the year ended June 30, 2003, and have issued our qualified report thereon dated September 19, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Morgan Metropolitan Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standard*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Morgan Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Morgan Metropolitan Housing Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2003-2424-001 and 002.

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 the applicable requirements of laws, regulations, contracts and grants that would be material in relation to major federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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 material weaknesses. However, we believe that none of the reportable conditions described above are a material weakness.**

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

**Jones, Cochenour & Co.  
December 16, 2003**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

**Board of Directors  
Morgan Metropolitan Housing Authority  
McConnelsville, Ohio**

**Regional Inspector General of Audit  
Department of Housing and Urban  
Development**

**Compliance**

We have audited the compliance of Morgan Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended June 30, 2003. Morgan Metropolitan Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Morgan Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Morgan Metropolitan Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Morgan Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Morgan Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Morgan 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, 2003.

**Internal Control Over Compliance**

The management of Morgan Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Morgan 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 our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

**Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.**

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

**Jones, Cochenour & Co.  
December 16, 2003**

**Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505**

**Morgan Metropolitan Housing Authority  
June 30, 2003**

<b>1. SUMMARY OF AUDITORS' RESULTS</b>
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<b>Type of Financial Statement Opinion</b>	<b>Qualified</b>
<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	<b>Yes</b>
<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	<b>Yes</b>
<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	<b>No</b>
<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	<b>No</b>
<b>Type of Major Programs' Compliance Opinion</b>	<b>Unqualified</b>
<b>Are there any reportable findings under § .510?</b>	<b>No</b>
<b>Major Programs (list):</b>	<b>Section 8 Vouchers CFDA #14.871 Public and Indian Housing CFDA #14.850</b>
<b>Dollar Threshold: Type A/B Programs</b>	<b>\$300,000</b>
<b>Low Risk Auditee?</b>	<b>No</b>

Schedule of Findings  
OMB Circular A-133 § .505 - Continued

Morgan Metropolitan Housing Authority  
June 30, 2003

<b>2. FINDINGS RELATED TO FINANCIAL STATEMENTS</b>
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Finding Number	2003-2424-001
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**REPORTABLE CONDITION –SPECIAL AUDIT RESULTS**

The special audit results (see footnote 11) have not been finalized by the authority or by HUD, therefore, the amounts have not been repaid or resolved as of the date of the audit report.

We recommend that the authority continue to work on this matter and bring closure to the findings by the State Auditors' special audit.

Response to Jones, Cochenour & Co.: The Authority has corresponded with HUD and are waiting on their final amounts and decisions on resolution of this matter.

Finding Number	2003-2424-002
----------------	---------------

**REPORTABLE CONDITION – LACK OF SEGREGATION OF DUTIES:**

During our audit of the Authority, it has been noted that the procedures used to complete a transaction are under the control of one person. Considering the small size of the staff, total segregation may not be cost effective. However, segregation of duties should be implemented when possible as well as practical. With continuous monitoring, the following procedures are suggested:

**Recommendation: In general, the following rules are specially beneficial:**

- Do not allow a single employee to handle a cash transaction from beginning to end.
- The cash handling function should be separated from the function of recording cash transactions in the books of account.
- The receipt of cash should be centralized
- Customers should obtain a receipt at the conclusion of each sale.
- Cash receipts should be deposited to the bank intact on a daily basis.
- All cash disbursements should be made by check.
- Employees not involved with cash processing should prepare bank reconciliations.
- Bank reconciliations should be performed on a timely basis at the end of each month.

Response to Jones, Cochenour & Co.: The Authority will study their current internal controls and make modifications where possible and necessary.

<b>3. FINDINGS RELATED TO FEDERAL AWARDS</b>
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There are no findings or questioned costs for the year ended June 30, 2003.

**Morgan Metropolitan Housing Authority  
Status of Prior Year Findings**

<b>2002-2424-001</b>	<b>Ongoing</b>	<b>Waiting on HUD's decision</b>
<b>2002-2424-002</b>	<b>Complete</b>	<b>N/A</b>
<b>2002-2424-003</b>	<b>Complete</b>	<b>N/A</b>
<b>2002-2724-004</b>	<b>Complete</b>	<b>N/A</b>
<b>2002-2424-005</b>	<b>Partially complete</b>	<b>Due to small staff, difficult to completely segregate.</b>





**Auditor of State  
Betty Montgomery**

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**MORGAN METROPOLITAN HOUSING AUTHORITY**

**MORGAN 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  
FEBRUARY 10, 2004**