SANDUSKY METROPOLITAN HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

Board of Directors
Sandusky Metropolitan Housing Authority
1358 Mosser Drive
Fremont, Ohio 43420

We have reviewed the *Independent Auditor's Report* of the Sandusky Metropolitan Housing Authority, Sandusky County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2007 through June 30, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 15, 2009

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SANDUSKY METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2008

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JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sandusky Metropolitan Housing Authority
Fremont, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the Sandusky Metropolitan Housing Authority, Ohio as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sandusky Metropolitan Housing Authority, Ohio's management. Our responsibility is to express opinions on these 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Sandusky Metropolitan Housing Authority, as of June 30, 2008, and the respective changes in financial position, and where applicable, cash flows thereof 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 February 27, 2009, on our consideration of the Sandusky Metropolitan Housing Authority, Ohio's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sandusky Metropolitan Housing Authority, Ohio's basic financial statements. 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 also not a required part of the basic financial statements of the Sandusky Metropolitan Housing Authority, Ohio. 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.

The Authority has not presented the Financial Data Schedules (FDS) required by the Department of Housing and Urban Development for additional analysis, although not required to be part of the basic financial statements. The FDS are not available due to revisions in the reporting system that the Department is now undertaking.

James G. Zupka

James G. Zupka, CPA, Inc.
Certified Public Accountants

February 27, 2009

The Sandusky Metropolitan Housing Authority's (the Authority) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's authority-wide statements reflect a decrease in total net assets of $382,129 (or 12 percent) during 2008. Net Assets were $3.147 million and $2.765 million for 2007 and 2008 respectively.

- The business-type activity revenue decreased by $202,026 (or 13 percent) during 2008, and was $1.533 million and $1.331 million for 2007 and 2008 respectively.

- The total expenses of all Authority programs increased by $86,794 (or 5 percent). Total expenses were $1.626 million and $1.713 million for 2007 and 2008 respectively.

Authority-Wide Financial Statements

The Authority-wide financial statements are designed to be corporate-like in that all business-type activities are consolidated into columns, which add to a total for the entire Authority.

These statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

> Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Authority-Wide Financial Statements (Continued)

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets". This account resembles the old operating reserves account.

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Net Assets (similar to an Income Statement). This statement includes Operating Revenues, such as rental income; Operating Expenses, such as administrative, utilities, and maintenance, and depreciation; and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

THE AUTHORITY'S PROGRAMS

Business-Type Funds

Conventional Public Housing - Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30 percent of adjusted gross household income.

Capital Fund Program (CFP) - This is the current primary funding source for the Authority's Public Housing physical and management improvements. Funds are provided by formula allocation and based on size and age of the agency's Public Housing units.

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30 percent, and the Housing Authority subsidizes the balance.

AUTHORITY-WIDE STATEMENTS

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

Table 1 - Statement of Net Assets

	2008	2007
Assets		
Current and Other Assets	$ 243,058	$ 525,196
Capital Assets	2,965,129	3,144,024
Total Assets	$ 3,208,187	$ 3,669,220
Liabilities		
Current Liabilities	$ 72,047	$ 120,867
Long-term Liabilities	370,975	401,059
Total Liabilities	443,022	521,926
Net Assets		
Invested in Capital Assets, Net of Related Debt	2,601,029	2,762,096
Restricted	78,842	0
Unrestricted	85,294	385,198
Total Net Assets	2,765,165	3,147,294
Total Liabilities and Net Assets	$ 3,208,187	$ 3,669,220

For more detail information, see Statement of Net Assets presented on page 9.

Major Factors Affecting the Statement of Net Assets:

Current assets decreased by $282,138 and total liabilities decreased by $78,904. The decrease in current assets is primarily due to the allowable overspending of HAP reserves and determination of doubtful accounts.

The liabilities decreased as a result of a decrease in the amount due to Fremont Village Apartments.

Capital assets decreased by $178,895 primarily due to current year depreciation expense.

Table 2- Change of Unrestricted Net Assets

Unrestricted Net Assets, June 30, 2007	$ 385,198
Results of Operations	(382,129)
Adjustments:	
Depreciation (1)	177,846
Adjusted Results from Operations	(204,283)
Net Change in Restricted Assets (2)	(78,842)
Net Change in Capital Assets less Related Debt (3)	(16,779)
Unrestricted Net Assets, June 30, 2008	$ 85,294

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.

(2) Recognizing excess Housing Choice Voucher housing assistance payments as restricted assets in fiscal year 2008.

(3) Capital expenditure (net of debt payments) represent an outflow of unrestricted net assets, but are not treated as an expense against results of operations, and therefore must be deducted.

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well being. The Authority's unrestricted net assets decreased.

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

Table 3 - Statement of Revenues, Expenses, and Changes in Net Assets

	2008	2007
Revenues		
Tenant Revenues - Rents and Other	$ 94,858	$ 89,762
Operating Subsidies and Grants	1,038,214	1,257,730
Capital Grants	23,422	26,511
Investment Income	3,096	7,144
Gain on Disposition	40,802	0
Other Revenues	130,282	151,553
Total Revenues	1,330,674	1,532,700
Expenses		
Administrative	402,268	454,828
Contract Services	28,618	12,338
Utilities	14,060	13,928
Maintenance	96,242	148,279
Payment in Lieu of Taxes	5,513	13,423
General	28,626	18,455
Housing Assistance Payments	959,630	783,742
Depreciation	177,846	181,016
Total Expenses	1,712,803	1,626,009
Net Increases (Decreases) in Net Assets	$ (382,129)	$ (93,309)

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

REVENUES: Operating Subsidies, Grants and Capital Grants decreased by $222,605, or 17 percent. The housing authority accepted a decline in operating subsidies due to HUD's asset management and project based budgeting measures. Unobligated capital fund grants caused a partial recapture of current capital fund grants.

EXPENSES: Maintenance expenses decreased as a result of current SMHA programs minimizing the absorption of personnel related costs from Fremont Village Apartments. Housing Assistance Payments increased as a result of increase in the payment standards and use of reserves.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had $2.965 million invested in a variety of capital assets as reflected in the following schedule. This represents a net decrease (addition, deductions and depreciation) of $178,895 from the end of last year.

Table 4 - Capital Assets at Year-End
(Net of Depreciation)

	Business-Type Activities	
	2008	2007
Land	$ 604,764	$ 604,764
Building and Improvements	3,956,495	3,989,152
Equipment - Administrative	290,491	286,423
Equipment - Dwelling	99,207	103,275
Accumulated Depreciation	(1,985,828)	(1,839,590)
Total	$ 2,965,129	$ 3,144,024

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in Note 3 of the financial statements.

Table 5 - Change in Capital Assets

	Business-Type Activities
Beginning Balance, June 30, 2007	$ 3,144,024
Additions	23,422
Deletions, Net of Depreciation	(24,471)
Depreciation	(177,846)
Ending Balance	$ 2,965,129

Debt Administration

The Authority's long term debt of $364,100 includes mortgages for seven (7) homes purchased for the Sandusky County MRDD's Capital Assisted Housing Program.

Additional information on long-term debt can be found in Note 4 of the financial statements.

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

IN CONCLUSION

The Authority had a $299,904 decrease in unrestricted net assets.

Occupancy at Fremont Village Apartments continued to be low, resulting in lower management fees to the Sandusky Metropolitan Housing Authority Board. Severe storms in June 2006 (just prior to the start of the fiscal year caused storm sewers to back up and flood one third of the property (40 units). Twenty-seven families were displaced as a result. Some were moved to vacant units, and others chose to move permanently from the property, increasing the number of vacancies at the beginning of the fiscal year. The cash flow for the property was not good enough to obtain a FEMA/SBA loan to make repairs, so the process of getting units repaired and back on line has been slow, resulting in low occupancy.

Payment Standard adjustments resulted in the use of HAP reserves.

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Ralph Chamberlain, Executive Director of the Sandusky Metropolitan Housing Authority at (419) 334-4426.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 119,013
Restricted Cash and Cash Equivalents	78,842
Tenant Accounts Receivable (Net of Allowance for Doubtful Accounts)	7,684
Accounts Receivable - HUD	9,364
Accounts Receivable - Miscellaneous (Net of Allowance for Doubtful Accounts)	21,082
Prepaid Insurance	7,073
Total Current Assets	243,058
Noncurrent Assets	
Land	604,764
Depreciable Capital Assets, Net	2,360,365
Total Other Assets	2,965,129
TOTAL ASSETS	$ 3,208,187
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	$ 14,759
Accrued Wages and Payroll Taxes	5,574
Tenant Security Deposits	16,664
Current Portion of Mortgage Payable	19,012
Current Portion of Accrued Compensated Absences	7,866
Other Current Liabilities	8,172
Total Current Liabilities	72,047
Noncurrent Liabilities	
Mortgages Payable	345,088
Accrued Compensated Absences	25,887
Total Noncurrent Liabilities	370,975
Total Liabilities	443,022
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,601,029
Restricted	78,842
Unrestricted	85,294
Total Net Assets	2,765,165
TOTAL LIABILITIES AND NET ASSETS	$ 3,208,187

See accompanying notes to the basic financial statements.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

Operating Revenues	
HUD Operating Subsidies and Grants	$ 1,038,214
Tenant Rental Income	94,858
Other Revenue	130,282
Total Operating Revenues	1,263,354
Operating Expenses	
Housing Assistance Payments	959,630
Administrative Salaries	182,540
Employee Benefits	111,608
Other Administrative Expense	33,914
Material and Labor - Maintenance	96,242
Contract Services	28,618
Utilities	14,060
General Expenses	28,626
Payments in Lieu of Taxes	5,513
Bad Debt Expense	49,591
Depreciation Expense	177,846
Total Operating Expenses	1,688,188
Operating Income (Loss)	(424,834)
Non-Operating Revenues (Expenses)	
Interest Expense	(24,615)
Investment Income	3,096
Gain on Disposition	40,802
Total Non-Operating Revenues (Expenses)	19,283
Income (Loss) Before Capital Grants	(405,551)
Capital Grants	23,422
Change in Net Assets	(382,129)
Total Net Assets, Beginning of Year	3,147,294
Net Assets, End of Year	$ 2,765,165

See accompanying notes to the basic financial statements.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

Cash Flows from Operating Activities	
Cash Received - HUD Operating Subsidies and Grants	$ 1,039,820
Cash Received from Other Sources	216,830
Cash Payments for Housing Assistance Payments	(959,630)
Cash Payments for Administrative Costs	(339,629)
Cash Payment for Other Operating Expenses	(238,831)
Net Cash (Provided) by Operating Activities	(281,440)
Cash Flows from Capital and Related Financing Activities	
Capital Addition	(23,422)
Capital Grant	23,422
Disposition of Capital Assets	65,273
Repayment of Long Term Debt	(17,828)
Net Cash Provided by Capital and Other Related Financing Activities	47,445
Cash Flows from Investing Activities	
Changes in Investments	126,958
Interest Expense	(24,615)
Investment Income	3,096
Net Cash Provided by Investing Activities	105,439
Net Increase (Decrease) in Cash and Cash Equivalents	(128,556)
Cash and Cash Equivalents, Beginning	326,411
Cash and Cash Equivalents, Ending	$ 197,855
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Net Operating (Loss)	$ (424,834)
Adjustments to Reconcile Operating Loss to	
Net Cash Provided by Operating Activities:	
Depreciation	177,846
(Increase) Decrease in:	
Accounts Receivable	236
Security Deposit	23,071
Prepaid Expenses	3,317
Increase (Decrease) in:	
Accounts Payable	(18,431)
Compensated Absences	(3,178)
Amount Due to Fremont Village	(38,389)
Security Deposit	1,084
Other Current Liabilities	(1,095)
Accrued Wages and Payroll Taxes	(1,067)
Net Cash Used by Operating Activities	$ (281,440)

See accompanying notes to the basic financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

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 a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. This criterion was considered in determining the reporting entity. The Authority is a political subdivision with no component units.

Basis of Presentation

The financial statements of 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 Authority has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to follow FASB guidance issued after November 30, 1989.

The Authority’s basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Presentation (Continued)
The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus and Basis of Accounting
The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Cash and Cash Equivalents

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

Investments

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

Restricted Assets

Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include excess Housing Choice Voucher housing assistance payments funding.

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 repair costs are expensed as incurred.

Useful life of property and equipment is as follows:

Buildings	27.5 - 40 years
Land and Building Improvements	15 years
Equipment	5 - 10 years

Depreciation is recorded on the straight-line method. Total depreciation expense for the 2008 fiscal year was $177,846.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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.

Budgetary Accounting

SMHA annually prepares funding requests as prescribed by HUD. After HUD approval of these requests, a budget is adopted by the Board of SMHA.

Capitalization of Interest

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

NOTE 2: **DEPOSITS AND INVESTMENTS**

Deposits

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.

At year-end, the carrying amount of the Authority's deposits were $197,855 (including $78,842 of restricted funds, $62,668 of repurchase agreements, and $120 of petty cash) and the bank balance was $211,825.

NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of year-end, deposits totaling $100,000 were covered by Federal Depository Insurance and deposits totaling $111,825 were uninsured and collateralized with securities held by the financial institution's trust department or agent, pledged to the Authority.

Investments

HUD regulations and the Ohio Revised Code restrict how the Authority may invest its funds.

The Authority has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At June 30, 2008, the Authority has no investments.

Interest Rate Risk

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires those funds which are not operating reserve funds to be invested in investments with a maximum term of one year or the Authority's operating cycle. For investments of the Authority's operating reserve funds, the maximum term can be up to three years. The intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

Generally, the Authority places no limit on the amount it may invest in any one financial institution. The Authority's deposits in financial institutions represent 100 percent of its deposits.

NOTE 3: **CAPITAL ASSETS**

A summary of changes in capital assets during the year is as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Capital Assets not being Depreciated				
Land	$ 604,764	$ 0	$ 0	$ 604,764
Total Capital Assets not being Depreciated	604,764	0	0	604,764
Capital Assets being Depreciated				
Buildings and Improvements	3,989,152	23,422	(56,079)	3,956,495
Furniture and Equipment	389,698	0	0	389,698
Total Capital Assets being Depreciated	4,378,850	23,422	(56,079)	4,346,193
Less Accumulated Depreciation				
Buildings and Improvements	1,468,596	168,402	(31,608)	1,605,390
Furniture and Equipment	370,994	9,444	0	380,438
Total Accumulated Depreciation	1,839,590	177,846	(31,608)	1,985,828
Total Capital Assets being Depreciated, Net	2,539,260	(154,424)	(24,471)	2,360,365
Total Capital Assets, Net	$ 3,144,024	$ (154,424)	$ (24,471)	$ 2,965,129

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NOTE 4: **LONG-TERM LIABILITIES**

The changes in the Authority's long-term liabilities during the year were as follows:

	Balance 06/30/07	Additions	Deductions	Balance 06/30/08	Amounts Due in One Year
Business-Type Activities					
Mortgages Payable	$ 381,928	$ 0	$ (17,828)	$ 364,100	$ 19,012
Compensated Absences	43,714	12,003	(21,964)	33,753	7,866
Total Business-Type Long-Term Liabilities	$ 425,642	$ 12,003	$ (39,792)	$ 397,853	$ 26,878

Mortgages payable consist of the following:

The Authority has a note payable to the Croghan Colonial Bank of Fremont amounting to $33,873. The original principal of the loan was $104,041 at a rate of 6.4 percent annually. Principal and interest payments of $429.25 began in December 2001 with the final payment due on December 2016. The loan is secured by a first mortgage on the property located at 728 Nickel St., Fremont, Ohio.	$ 33,873
The Authority has a note payable to the Croghan Colonial Bank of Fremont amounting to $22,622. The original principal of the loan was $87,250 at a rate of 7.125 percent annually. Principal and interest payments of $1018.73 began in February, 2007 with the final payment due on January, 2016. The loan is secured by an open-end mortgage on real estate property located at 408 S. Pennsylvania Avenue and 1107 W. State Street, Fremont, Ohio.	22,622
The Authority has a note payable to the Croghan Colonial Bank of Fremont amounting to $64,586. The original principal of the loan was $123,500 at a rate of 7.15 percent annually. Principal and interest payments of $469.07 began in October 2002 with the final payment due on July, 2032. The loan is secured by an open-end mortgage on real estate property located at 562 Crestwood, Fremont, Ohio.	64,586
The Authority has a note payable to the Croghan Colonial Bank of Fremont amounting to $52,180. The original principal of the loan was $70,000 at a rate of 5.90 percent annually. Principal and interest payments of $587.20 began in March, 2003 with the final payment due on March, 2018. The loan is secured by an open-end mortgage on real estate property located at 114 S. Jefferson Street, Fremont, Ohio.	52,180
The Authority has a note payable to the Croghan Colonial Bank of Fremont, amounting to $83,913 at a rate of 5.50 percent annually. Principal and interest payments of $671.28 began in January, 2004 with the final payment due on December, 2023. The loan is secured by an open-end mortgage on real estate located at 1407 Rosewood Street, Fremont, Ohio 43420.	83,913

NOTE 4: **LONG-TERM LIABILITIES** (Continued)

The Authority has a note payable to the Croghan Colonial Bank of Fremont amounting to $73,488. The original principal of the loan was $147,000 at a rate of 6.75 percent annually. Principal and interest payments of $1,118.11 began in November 2005 with the final payment due on October, 2025. The loan is secured by an open-end mortgage on real estate property located at 3695 CR 175, Clyde, Ohio & 1107 W. State Street, Fremont, Ohio.	73,488
The Authority has a note payable to the Croghan Colonial Bank of Fremont amounting to $33,438. The original principal of the loan was $104,000 at a rate of 6.4 percent annually. Principal and interest payments of $428.95 began in January 2002 with the final payment due in January, 2017. The loan is secured by a first mortgage on the property located at 148 W. Drew Lane, Clyde, Ohio.	33,438
Subtotal	364,100
Less: Current Portion	(19,012)
Total Long-Term Mortgages Payable	$ 345,088

The following is a summary of the Authority's future debt service requirements as of June 30, 2008:

For the Year Ended June, 30	Principal	Interest	Total Payments
2009	$ 19,012	$ 23,600	$ 42,612
2010	20,332	22,280	42,612
2011	21,745	20,867	42,612
2012	23,257	19,355	42,612
2013	24,876	17,736	42,612
2014-2018	125,025	61,708	186,733
2019-2023	72,427	31,942	104,369
2024-2028	37,532	11,971	49,503
2029-2033	19,894	4,404	24,298
Totals	$ 364,100	$ 213,863	$ 577,963

Additional information on compensated absences is detailed in Note 8 of the financial statements.

NOTE 5: **ALLOCATION OF COSTS**

The Authority allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program or estimated actual usage. Management considers this to be an equitable method of allocation.

NOTE 6: **DEFINED BENEFIT PENSION PLAN**

Ohio Public Employees Retirement System
All full-time Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;

- The Member-Directed Plan (MD) - a benefit contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings.

- The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor, death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377 or by using the OPERS website at www.opers.org.

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Ohio Public Employees Retirement System (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. Effective January 1, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries; the percent of contributions increased to 10.0 percent effective January 1, 2008. The Authority's contribution rate for pension benefits was 7.85 percent from July 1, 2007 through December 31, 2007; effective January 1, 2008, the percent increased to 8.50 percent of covered payroll. The Authority's required contributions to OPERS for the years ended June 30, 2008, 2007, and 2006, were $38,933, $41,069, and $44,280, respectively; 100 percent has been contributed for 2008, 2007 and 2006.

NOTE 7: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. 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 OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 6.00 percent of covered payroll from July 1, 2007 through December 31, 2007 was the portion used to fund healthcare benefits. Effective January 1, 2008, the Authority's contribution rate was 14.00 percent of covered payroll; 5.50 percent of covered payroll was the portion that was used to fund healthcare.

NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

Ohio Public Employees Retirement System (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 5 percent annually for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

As of December 31, 2007, the number of active contributing participants in the Traditional Pension and Combined plans totaled 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual Authority contributions for 2008 which were used to fund post-employment benefits were $16,076. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS' net assets available for payment of benefits at December 31, 2006 (the latest information available) was $12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $30.7 billion and $18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

NOTE 8: **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 not be accumulated in excess of one hundred sixty (160) hours. At the time of retirement, employees shall be paid the value of (20) days of unused sick leave. All permanent employees will earn vacation hours accumulated based on length of service. All vacation time accumulated will be limited to (10) days and paid upon separation.

NOTE 9: **RISK MANAGEMENT**

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. Workers' Compensation coverage is maintained through the State. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three years.

NOTE 10: **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 11: **CONTINGENCIES**

The Authority is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

The Authority has received several Federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

NOTE 12: **CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year ended June 30, 2008, the Authority implemented GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. GASB Statement No. 48 establishes criteria that governments will use to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings. The statement also includes disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not affect the presentation of the financial statements of the Authority.

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SANDUSKY METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Direct Programs:		
Public Housing Programs		
Low Rent Public Housing Program	14.850	$ 104,472
Capital Fund Program	14.872	48,760
Total Public Housing Programs		153,232
Section 8 Tenant Based Programs		
Section 8 Housing Choice Voucher Program	14.871	908,404
Total Section 8 Tenant Based Programs		908,404
Total U.S. Department of Housing and Urban Development		1,061,636
Total Federal Expenditures		$ 1,061,636

This schedule is prepared on the accrual basis of accounting.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Sandusky Metropolitan Housing Authority
Fremont, Ohio

Regional Inspector General for Audit
Department of Housing and Urban Development

We have audited the financial statements of the Sandusky Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2008, and have issued our report thereon dated February 27, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sandusky Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sandusky Metropolitan Housing Authority, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sandusky Metropolitan Housing Authority, Ohio's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Sandusky Metropolitan Housing Authority, Ohio's ability to initiate, authorize, record, process or report financial date reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Sandusky Metropolitan Housing Authority, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Sandusky Metropolitan Housing Authority, Ohio's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Sandusky Metropolitan Housing Authority, Ohio's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sandusky Metropolitan Housing Authority, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards.*

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

James G. Zupka

James G. Zupka, CPA, Inc.
Certified Public Accountants

February 27, 2009

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

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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
Sandusky Metropolitan Housing Authority
Fremont, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Sandusky Metropolitan Housing Authority, Ohio, 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, 2008. The Sandusky Metropolitan Housing Authority, Ohio'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 the Sandusky Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Sandusky Metropolitan Housing Authority, Ohio'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; and 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 the Sandusky Metropolitan Housing Authority, Ohio'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 of the Sandusky Metropolitan Housing Authority, Ohio's compliance with those requirements.

In our opinion, the Sandusky Metropolitan Housing Authority, Ohio, 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, 2008.

Internal Control Over Compliance

The management of the Sandusky Metropolitan Housing Authority, Ohio, 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 the Sandusky Metropolitan Housing Authority, Ohio's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Sandusky Metropolitan Housing Authority, Ohio's internal control over compliance.

A *control deficiency* is an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

James G. Zupka

James G. Zupka CPA, Inc.
Certified Public Accountants

February 27, 2009

SANDUSKY METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS

2008(i)	Type of Financial Statement Opinion	Unqualified
2008(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2008(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2008(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2008(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2008(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2008(v)	Type of Major Programs' Compliance Opinion	Unqualified
2008(vi)	Are there any reportable findings under .510?	No
2008(vii)	Major Programs (list): Housing Choice Voucher Program - CFDA #14.871	
2008(viii)	Dollar Threshold: Type A\B Programs	Type A: >$300,000 Type B: all others
2008(ix)	Low Risk Auditee?	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

SANDUSKY METROPOLITAN HOUSING AUTHORITY
STATUS PRIOR YEAR FINDINGS
OMB CIRCULAR A-133 & .505
JUNE 30, 2008

2007-1 Cost Allocation

Condition: During the testing of cash disbursements, there were several instances noted, whereby the amount charged to the various programs were either overstated or understated. As a result, federal programs were not properly charged during the 2007 fiscal year.

Status at June 30, 2008

The condition was corrected.

2007-2 Issuance of Vouchers

Condition: In 13 of 25 tenant files tested for the Housing Choice Voucher Program, the "Voucher" (Form HUD-52646), was issued after the expiration date.

Status at June 30, 2008

The condition was corrected.

2007-3 Vacation and Sick Leave

Condition: The ending balances for sick and vacation leave were not properly stated as a result of not recording the actual hours used. In addition, there were several "Requests for Leave" forms which could not be located for sick leave.

Status at June 30, 2008

The condition was corrected.

Mary Taylor, CPA
Auditor of State

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
MAY 7, 2009

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