

HURON METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

June 30, 2010

Together with Auditors' Report



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Huron Metropolitan Housing Authority, Huron County, prepared by Kevin L. Penn, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Huron Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 24, 2011

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**HURON METROPOLITAN HOUSING AUTHORITY
NORWALK, OHIO**

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Independent Auditor's Report

Board of Trustees
Huron Metropolitan Housing Authority
Norwalk, Ohio

I have audited the accompanying statement of net assets of Huron Metropolitan Housing Authority, as of June 30, 2010 and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Huron Metropolitan Housing Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis in my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Huron Metropolitan Housing Authority, as of June 30, 2010, and the changes in net assets and revenues, expenditures and other changes net assets and cash flows for the year ended June 30, 2010 in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages 4 – 10 is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. The MD&A has been reviewed in accordance with the standards established by the American Institute of Certified Public Accountants. Such a review, however, is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion on the MD&A information.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 8, 2010 on my consideration of the Huron Metropolitan Housing Authority's internal control over financial reporting and my 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 my 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 should be read in conjunction with this report in considering the result of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Huron Metropolitan Housing Authority taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. In addition, the financial data schedule, pages 25 to 27 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development. These schedules are the responsibility of management of Huron Metropolitan Housing Authority, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kevin L. Penn, Inc.

November 8, 2010

Huron Metropolitan Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2010

The Huron Metropolitan Housing Authority's (the Authority's) 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 fiscal year challenges), and (d) identify individual fund issues or concerns.

This Management Discussion and Analysis is new, and will now be presented at the front of each year's financial statements.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 11).

FINANCIAL HIGHLIGHTS

- During FY 2010, the Authority's net assets increased by \$69,686 (or 16.91%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$412,217 and \$481,903 for FY 2009 and FY 2010 respectively.
- The revenue increased by \$167,325 (or 6.21%) during FY 2010, and was \$2,693,730 and \$2,861,055 for FY 2009 and FY 2010 respectively.
- The total expenses of the Authority decreased by \$17,883 (or less than 1%). Total expenses were \$2,809,252 and \$2,791,369 for FY 2009 and FY 2010 respectively.

The primary focus of the Authority's financial statement (summarized fund-type information) has been discarded. The new and clearly preferable focus is on both the Authority as a whole (Authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

Authority-Wide Financial Statements

The Authority-wide financial statements (see pgs 11-12) 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, equals "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 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.

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”.

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund 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 Fund Net Assets is the “Change in Net Assets”, which is similar to Net Income or Loss.

Finally, Statement of Cash Flows (see page 13) is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the funds maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Authority’s Funds

Business Type Funds

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family’s rent through a Housing Assistance Payment made to the landlord. The program is administered under and Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants’ rent at 30% of adjusted household income.

Business Activities – represents non-HUD resources developed from a variety of activities.

AUTHORITY-WIDE STATEMENT

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

	FY 2010	FY 2009
Current and Other Assets	\$ 495,059	\$ 409,230
Capital Assets	<u>60,502</u>	<u>73,634</u>
Total Assets	<u>555,561</u>	<u>482,864</u>
Other Liabilities	14,056	13,289
Non-Current Liabilities	<u>59,602</u>	<u>57,358</u>
Total Liabilities	<u>73,658</u>	<u>70,647</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	60,502	73,634
Restricted	168,669	81,471
Unrestricted	<u>252,732</u>	<u>257,112</u>
Total Net Assets	<u>\$ 481,903</u>	<u>\$ 412,217</u>

For more detailed information see page 11 for the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

Current assets (primarily cash and investments) were increased by \$25,327 or 6.19% in fiscal year 2010. The Authority had an increase to their Restricted HAP funds for the year but also had a decrease in their Unrestricted funds for the Fiscal Year.

The Capital Assets decreased in 2010 the net result of \$13,132. There were no Capital purchases during the year but the current year’s depreciation totaled \$13,132. For more detail see “Capital Assets and Debt Administration” below.

Table 2 presents details on the change in Unrestricted Net Assets

TABLE 2

CHANGE OF UNRESTRICTED NET ASSETS

Unrestricted Net Assets 6/30/2009		\$ 257,112
Results of Operations	(17,512)	
Adjustments:		
Depreciation (1)	13,132	
Adjusted Results from Operations		(4,380)
		<hr/>
Unrestricted Net Assets 6/30/2010		<u><u>\$ 252,732</u></u>

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

TABLE 3

CHANGE OF RESTRICTED NET ASSETS

Restricted Net Assets 6/30/2009		\$ 81,471
Results of Operations		
Unspent - HAP to Reserve	81,546	
Fraud Recovery/Damage Payments	4,599	
Interest Earned	1,053	
Adjusted Results from Operations		<hr/> 87,198
		<hr/>
Restricted Net Assets 6/30/2010		<u><u>\$ 168,669</u></u>

While the result of operations is 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 following table reflects the condensed Statement of Revenues, Expenses and Changes in Net Assets compared to prior year.

TABLE 4

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

	FY 2010	FY 2009
Revenues		
HUD PHA Operating Grants	\$ 2,764,392	\$ 2,591,649
Investment Income-ALL	4,726	7,423
Other Revenues – Service Income	82,739	75,194
Other Revenues – Fraud Recovery all	<u>9,198</u>	<u>19,464</u>
Total Revenue	<u>2,861,055</u>	<u>2,693,730</u>
Expenses		
Administrative	370,291	360,854
Maintenance	9,910	7,192
General	11,289	10,835
Housing Assistance Payments	2,386,747	2,403,790
Fraud Losses	0	12,600
Depreciation	<u>13,132</u>	<u>13,981</u>
Total Expenses	<u>2,791,369</u>	<u>2,809,252</u>
Net Increase/ (Decrease)	<u>\$ 69,686</u>	<u>\$ (115,522)</u>

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

HUD/PHA Grants for FY 2010 increased by \$172,743 or 6.67%. Service Income also increased by \$7,545 or 10.03% because of more time billed to Seneca & Crawford MHA's. Fraud Recovery payments however, decreased by \$10,266 or 52.7% because of the Authority properly using the GAAP method for recording Fraud repayments and bad debts. Interest Income continues to decrease due to very low interest rates.

An increase of \$87,198 in restricted HAP reserves added to the decrease of \$17,512 from operations totaled the FY 10 net increase for the year of \$69,686.

Lower leasing caused the Housing Assistance Payments decrease of \$17,043 or less than 1%. Most other expenses increase moderately due to inflation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of 6/30/10, the Authority had \$60,502 invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation).

TABLE 5**CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	Business-type Activities	
	FY 2010	FY 2009
Land/Building	\$ 119,000	\$ 119,000
Equipment – Administrative	36,553	36,553
Building Improvements	76,001	76,001
Accumulated Depreciation	(171,052)	(157,920)
Total	\$ 60,502	\$ 73,634

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 20 of the notes.

TABLE 6**CHANGE IN CAPITAL ASSETS**

	Business Type Activities
Beginning Balance	\$ 73,634
Additions	0
Disposition	0
Depreciation	<u>(13,132)</u>
Ending Balance	<u><u>\$ 60,502</u></u>

Debt Outstanding

As of year-end, the Authority has no outstanding debt (bonds, notes, etc.)

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, recession and employment trends, which can affect resident incomes and therefore the amount of housing assistance
- Inflationary pressure on utility rates, supplies and other costs

FINANCIAL CONTACT

The individual to be contacted regarding this report is Marsha K. Inscho, Finance Manager for the Huron Metropolitan Housing Authority, at (419) 526-1622 Specific requests may be submitted to the Authority at P.O. Box 1029, Huron, OH 44901.

HURON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted (Note 1)	\$ 312,780
Cash and Cash Equivalents - Restricted (Note 3)	168,669
Fraud Recovery	21,499
Allowance for Doubtful Accounts - Fraud Recovery	(20,299)
Accounts Receivable – HUD	5,472
Accounts Receivable – Other	4,663
Prepaid Expenses	<u>2,240</u>
Total Current Assets	495,024

Non-Current Assets

Property and Equipment - Net (Note 1)	60,502
Deposits	<u>35</u>
Total Non-Current Assets	<u>60,537</u>
TOTAL ASSETS	<u><u>\$ 555,561</u></u>

LIABILITIES

Current Liabilities

Accounts Payable	\$ 4,362
Accrued Wages and Payroll Taxes	7,850
Accrued Compensated Absences	<u>1,844</u>
Total Current Liabilities	14,056

Non-Current Liabilities

Accrued Compensated Absences	<u>59,602</u>
Total Non-Current Liabilities	<u>59,602</u>
Total Liabilities	<u><u>\$ 73,658</u></u>

NET ASSETS

Investment in Capital Assets, Net of Related Debt	\$ 60,502
Unrestricted	252,732
Restricted	<u>168,669</u>
Total Net Assets	<u><u>\$ 481,903</u></u>

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

HURON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

Operating Revenue:

HUD Operating Subsidies and Grants	\$ 2,764,392
Management Fee	82,739
Fraud Recovery	<u>9,198</u>
Total Revenue	2,856,329

Operating Expenses:

Housing Assistance Payments	2,386,747
Administrative Salaries	206,241
Employee Benefits	89,207
Other Administrative Expense	76,687
Material and Labor - Maintenance	9,910
Depreciation Expense	13,132
General Expenses	<u>9,445</u>
Total Operating Expenses	<u>2,791,369</u>

Operating Income (Loss)	64,960
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Non-Operating Revenues (Expenses):

Investment Income - Unrestricted	3,673
Investment Income - Restricted	<u>1,053</u>
Total Non-Operating Revenues (Expenses)	<u>4,726</u>

Change in Net Assets	69,686
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Net Assets - Beginning of Year	<u>412,217</u>
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Net Assets - End of Year	<u><u>\$ 481,903</u></u>
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The accompanying notes are an integral part of the financial statements.

HURON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

Cash Flows From Operating Activities:	
Cash payments to suppliers for goods and services	\$ (88,722)
Cash payments for salaries and benefits	(295,448)
Housing assistance payments	(2,386,747)
HUD operating subsidies and grants	2,764,392
Other receipts	91,937
Other payments	<u>(9,445)</u>
Net Cash Provided (Used) by Operating Activities	75,967
Cash Flows From Non-Capital Financing:	
Net Cash Provided (Used) by Non-Capital Financing	-
Cash Flows From Capital and Related Financing Activities:	
Net Cash Provided (Used) by Capital and Related Financing Activities	-
Cash Flows From Investing Activities:	
Investment Income	<u>4,726</u>
Net Cash Provided (Used) by Investing Activities	<u>4,726</u>
Increase (Decrease) in Cash and Cash Equivalents	80,693
Cash and Cash Equivalents - Beginning of Year	<u>400,756</u>
Cash and Cash Equivalents - End of Year	<u>\$ 481,449</u>

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

(Continued)

HURON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

Reconciliation of Operating Loss to Net Cash Used in Operating Activities:

Operating Income (Loss)	\$	64,960
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation		13,132
(Increase) decrease in:		
Accounts Receivable		(7,420)
Interest Receivable		2,212
Deposits		(35)
Prepaid Expenses		107
Increase (decrease) in:		
Accounts Payable		(2,842)
Compensated Absences		1,871
Accrued Expenses		<u>3,982</u>
Net cash used in operating activities		<u><u>\$ 75,967</u></u>

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

**HURON METROPOLITAN HOUSING AUTHORITY
NORWALK, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 1 - Summary of Significant Accounting Policies:

A. Organization

The Huron Metropolitan Housing Authority (HMHA) is a political subdivision of the State of Ohio, located in Norwalk, Ohio, created under Section 3735.27 of the Ohio Revised Code, to engage in the acquisition, development, leasing and administration of low-rent housing program. An Annual Contributions Contract was signed by the HMHA and the United States Department of Housing and Urban Development (HUD), under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions, which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring constructing, maintaining, operating, improving, extending, and repairing housing facilities.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the “primary government”. A fundamental characteristic of a primary government is that it is fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability, is the ability of the primary government to impose its will upon the potential component unit. This criteria, was considered in determining the reporting entity.

B. Basis of Accounting

The Authority has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America. Effective April 1, 2002, the Authority implement GASB Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments, Statement No. 37, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34, and Statement No. 38, Certain Financial Statement Disclosures. These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. The Authority now follows the business-type activities reporting requirements of GASB Statement No. 34. In accordance with GASB statement No. 34, the accompanying basic financial statements are reported on an Authority-wide basis.

Statement No. 34 requires the following, which collectively make up the Authority’s basic financial statements:

- Management’s Discussion and Analysis
- Basic Financial Statements:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
- Notes to the Financial Statements

**HURON METROPOLITAN HOUSING AUTHORITY
NORWALK, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

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

C. Fund Accounting

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

Proprietary Fund Types:

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

Enterprise Fund — The Authority is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets. The statement of cash flows provides information about how the Authority finances and meets cash flow needs.

The Authority accounts for operations that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body 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.

D. 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 after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

E. Cash and Cash Equivalents

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

F. Prepaid Items

Payments made to vendors for services that will benefit beyond year-end are recorded as prepaid items via the consumption method.

**HURON METROPOLITAN HOUSING AUTHORITY
NORWALK, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

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

G. Property and Equipment

Property and equipment is recorded at cost. Costs (\$500 or greater) that materially add to the productive capacity or extend the life of an asset are capitalized, while maintenance and repair costs are expensed as incurred. Useful life of property and equipment is as follows:

Building	40 Years
Equipment	7 Years
Autos	5 Years

Depreciation is recorded on the straight-line method. Total depreciation expense for the 2010 fiscal year was \$13,132.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are for Housing and Urban Development Grants and other revenues. Operating expenses are necessary costs to provide goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenues.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets net of accumulated depreciation. 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 amount reported as restricted net assets at fiscal year end represents the amounts restricted by HUD for future Housing Assistance Payments and amounts from Administration Fee which may be recaptured by HUD. When an expense is incurred for purposes which both restricted and unrestricted net assets are available, the Authority first applies restricted net assets. Net assets restricted by an enabling legislation was \$168,669.

J. Accounts Receivable

Management considers all accounts receivable (excluding the fraud recovery receivable) to be collected in full.

k. 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.

**HURON METROPOLITAN HOUSING AUTHORITY
NORWALK, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 2 – Deposits and Investments:

The provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Adoption of GASB Statement No. 40 had no effect on net assets and change in net assets in the prior or current year.

A. 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 was \$481,449 (including \$50 of petty cash) and the bank balance was \$484,873.

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. The financial institution collateral pool 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 \$250,013 was covered by Federal Depository and \$234,860 was covered by the collateral pool.

B. Investments

HUD, State Statute, and Board resolutions authorize the Authority to invest in obligations of the U. S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are

**HURON METROPOLITAN HOUSING AUTHORITY
NORWALK, OHIO**

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 2 – Deposits and Investments: (continued)

not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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. However, at June 30, 2010, the Authority investments were limited to certificates of deposits.

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 insurer. However, the investment policy limits the investment of HUD - approved mutual funds to no more than 20 percent of the Authority's available investment funds. The Authority's deposits in financial institutions represents 100 percent of its deposits.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of year-end, the Authority had no exposure to foreign currency rate risk, as regulated by HUD.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee.

<u>Cash and Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years < 1)</u>
Carrying Amount of Deposits	\$481,399	\$481,399
Petty Cash	<u>50</u>	<u>50</u>
Totals	<u>\$481,449</u>	<u>\$481,449</u>

**HURON METROPOLITAN HOUSING AUTHORITY
NORWALK, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 3 – Restricted Cash:

Restricted cash balance as of June 30, 2010 of \$168,669 represents cash advanced from the Department of Housing and Urban Development for housing assistance.

NOTE 4 – Capital Assets:

A summary of capital assets at June 30, 2010, by class is as follows:

	<u>6/30/2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>6/30/2010</u>
Capital Assets Not Being Depreciated				
Land	\$ <u>10,000</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>10,000</u>
Total Capital Assets Not Being Depreciated	<u>10,000</u>	<u>0</u>	<u>0</u>	<u>10,000</u>
Capital Assets Being Depreciated				
Buildings and Improvements	185,001	0	0	185,001
Vehicles	11,260	0	0	11,260
Furniture, Equipment, and Machinery – Administrative	<u>25,292</u>	<u>0</u>	<u>0</u>	<u>25,292</u>
Subtotal Capital Assets Being Depreciated	221,553	0	0	221,553
Accumulated Depreciation:				
Buildings	(128,340)	(10,402)	0	(138,742)
Vehicles	(5,903)	(2,365)	0	(8,268)
Furniture, Equipment and Machinery	<u>(23,676)</u>	<u>(365)</u>	<u>0</u>	<u>(24,041)</u>
Total Accumulated Depreciation	(157,919)	(13,132)	0	(171,051)
Depreciable Assets, Net	<u>63,634</u>	<u>(13,132)</u>	<u>0</u>	<u>50,502</u>
Total Capital Assets, Net	<u>\$ 73,634</u>	<u>\$ (13,132)</u>	<u>\$ 0</u>	<u>\$ 60,502</u>

NOTE 5 – 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 coverage and no settlements exceeded insurance coverage, during the past three years.

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limits</u>
General Liability	\$ 5,000	\$ 2,000,000 (per occurrence)
Transportation	\$ 2,000	\$ 500,000
Employee Dishonesty		\$ 25,000

**HURON METROPOLITAN HOUSING AUTHORITY
NORWALK, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 6: Pension Plan

Ohio Public Employees Retirement System

All Authority full-time 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 defined 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 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.

Ohio Public Employees Retirement System

PERS provides retirement, disability, survivor, and 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) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. Effective January 1, 2009, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Authority's contribution rate for 2010 and 2009 was 14.0 percent (of which 8.5 percent relates to pension contributions) of covered payroll.

The Authority's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2010, 2009 and 2008 were \$28,288; \$27,325 and \$26,897 respectively. 100 percent has been contributed for 2010, 2009 and 2008.

NOTE 7: Post-Employment Benefits

A. Plan Description

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

**HURON METROPOLITAN HOUSING AUTHORITY
NORWALK, OHIO**

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

B. Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010 and 2009, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2010 and 2009, the employer contribution allocated to the health care plan was 5.50 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended March 31, 2010, which were used to fund post-employment benefits were \$11,241.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. 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.

**HURON METROPOLITAN HOUSING AUTHORITY
NORWALK, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 8 – Contingent Liabilities:

A. Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts could have a material adverse effect on the overall financial position of the Authority at June 30, 2010.

B. Litigation

The Authority is unaware of any outstanding lawsuits or other contingencies.

NOTE 9 – Compensated Absences:

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

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off as some other form of compensation because an employee has not met the minimum service requirement is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

	Balance at 6/30/09	Additions	Deletions	Balance at 6/30/10	Due Within One Year
Compensated Absences	\$59,575	\$ 1,871	\$ 0	\$61,446	\$1,844

NOTE 10 – Schedule of Expenditures of Federal Awards:

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

**HURON METROPOLITAN HOUSING AUTHORITY
NORWALK, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2010**

NOTE 11 - Subsequent Events

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements as issued or are available to be issued. Management has evaluated subsequent events through November 8, 2010, the date on which the financial statements were available to be issued.

Huron Metropolitan Housing Authority
Statement of Net Assets
June 30, 2010

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

Line item	Account Description	Housing Choice Voucher	State & Local	TOTALS
111	Cash - Unrestricted	\$ 129,999	\$ 182,781	312,780
113	Cash - Other Restricted	168,669		168,669
100	Total Cash	<u>298,668</u>	<u>182,781</u>	<u>481,449</u>
122	Acct. Rec. - HUD Other Projects	5,472		5,472
125	Acct. Rec. - Miscellaneous	4,663		4,663
128	Fraud Recovery	21,499		21,499
128.1	Allow Doubtful Accts	(20,299)		(20,299)
120	Net Total Receivables	11,335	-	11,335
142	Prepaid Expenses	<u>2,275</u>		<u>2,275</u>
150	Total Current Assets	<u>312,278</u>	<u>182,781</u>	<u>495,059</u>
161	Land		10,000	10,000
162	Buildings		109,000	109,000
164	F/E/M Admin	36,553		36,553
165	Leasehold Improvement	76,001		76,001
166	Accum. Depreciation	<u>(70,227)</u>	<u>(100,825)</u>	<u>(171,052)</u>
160	Net Fixed Assets	<u>42,327</u>	<u>18,175</u>	<u>60,502</u>
190	TOTAL ASSETS	<u>\$ 354,605</u>	<u>\$ 200,956</u>	<u>\$ 555,561</u>
312	A/P <= 90 days	\$ 4,362		\$ 4,362
321	Accrued Wage/Taxes Payable	7,850		7,850
322	Accrued Comp Abs - current	<u>1,844</u>		<u>1,844</u>
310	Total Current Liabilities	14,056	-	14,056
354	Accrued Comp Abs - Noncurrent	<u>59,602</u>		<u>59,602</u>
	TOTAL Liabilities	73,658	-	73,658
508.1	Invested in Capital Assets Net	42,327	18,175	60,502
511.1	Restricted Net Assets	168,669	-	168,669
512.1	Unrestricted Net Assets	<u>69,951</u>	<u>182,781</u>	<u>252,732</u>
513	TOTAL Equity/Net Assets	<u>280,947</u>	<u>200,956</u>	<u>481,903</u>
600	TOTAL LIAB & EQUITY	<u>\$ 354,605</u>	<u>\$ 200,956</u>	<u>\$ 555,561</u>

Huron Metropolitan Housing Authority
Statement of Revenues and Expenses
For the Year Ended June 30, 2010

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

<u>Line item</u>	<u>Account Description</u>	<u>Housing Choice Voucher</u>	<u>State & Local</u>	<u>TOTALS</u>
706	HUD PHA Operating Grants	\$2,764,392	\$ -	\$2,764,392
711	Investment Income - PHA	1,317	2,356	3,673
714	Fraud Recovery - PHA	9,198		9,198
715	Other Revenue	-	82,739	82,739
720	Investment Income - Restricted	1,053	-	1,053
700	TOTAL REVENUE	2,775,960	85,095	2,861,055
911	Admin Salaries	142,343	62,054	204,397
912	Audit	4,290		4,290
9131	Bookkeeping Fee	21,120		21,120
914	Advertisement & Marketing	58		58
915	Employee Benefits	68,522	20,685	89,207
916	Office Expenses	44,092		44,092
917	Legal Expenses	1,988		1,988
918	Travel	3,105		3,105
919	Other	2,034		2,034
	Total Operating - Admin.	287,552	82,739	370,291
942	Ordinary Maint.	9,910		9,910
	Total Maint.	9,910	-	9,910
961.2	Insurance - Liab. Insurance	6,995		6,995
961.3	Insurance – Workmen’ Comp.	2,450		2,450
	Total Insurance	9,445	-	9,445
962.1	Compensated Absences	1,844		1,844
	TOTAL OPERATING EXPENSES	308,751	82,739	391,490
970	Excess Oper. Rev. over Exp.	2,467,209	2,356	2,469,565
973	Housing Assistance Payments	2,386,747		2,386,747
974	Depreciation Expense	7,682	5,450	13,132
900	TOTAL EXPENSES	2,703,180	88,189	2,791,369
1000	NET INCOME(LOSS)	\$ 72,780	\$ (3,094)	\$ 69,686

Huron Metropolitan Housing Authority
Additional Information Required by HUD
For the Year Ended June 30, 2010

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

Line item	<u>Account Description</u>	<u>Housing Choice Voucher</u>
11030	Beginning Equity	\$ 208,167
11170	Administrative Fee Equity	\$ 112,278
11180	Housing Assistance Payment Equity	\$ 168,669
11190	Unit Months Available	6,864
11210	Number of Unit Months Leased	6,363

HURON METROPOLITAN HOUSING AUTHORITY
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Program Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development			
Direct Program:			
Section 8 Tenant Based Cluster:			
Housing Choice Voucher	14.871	\$2,764,392	<u>\$2,386,747</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>\$2,386,747</u></u>

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



Certified Public Accountant
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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Board of Trustees
Huron Metropolitan Housing Authority
Norwalk, Ohio

I have audited the financial statements of Huron Metropolitan Housing Authority, Norwalk, Ohio (the Authority) as of and for the year ended June 30, 2010, and have issued my report thereon dated November 8, 2010. I conducted my audit in accordance with generally accepted auditing standards 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 my audit, I considered Huron Metropolitan Housing Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Huron Metropolitan Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Huron Metropolitan Housing Authority's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Huron Metropolitan Housing Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Huron Metropolitan Housing Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain matters that I reported to management of the Authority's in a separate letter dated November 8, 2010.

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

Kevin L. Penn, Inc.

November 8, 2010



Certified Public Accountant
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Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Trustees
Huron Metropolitan Housing Authority
Norwalk, Ohio

Compliance

I have audited the compliance of Huron Metropolitan Housing Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. My responsibility is to express an opinion on the Authority's compliance based on my audit.

I conducted my 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 of America and OMB Circular A-1 33, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-1 33 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Huron Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for our opinion. My audit does not provide a legal determination of Huron Metropolitan Housing Authority's compliance with those requirements.

In my opinion, Huron Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs as of June 30, 2010 and for the year ended.

Internal Control Over Compliance

The management of Huron Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Huron Metropolitan Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Huron Metropolitan Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Kevin L. Penn, Inc.

November 8, 2010

Huron Metropolitan Housing Authority
 Schedule of Findings
 June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified not considered to be material weaknesses?	None Reported

Type of auditor's report issued on compliance for major program:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
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Identification of major programs: 14.871	Housing Choice Vouchers
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Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000 (Type A)
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Auditee qualified as low-risk auditee?	Yes
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Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings

No matters were reported.

Huron Metropolitan Housing Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2010

There were no audit findings, during the 2009 fiscal year.

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Dave Yost • Auditor of State

HURON METROPOLITAN HOUSING AUTHORITY

HURON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 3, 2011**