

**MORROW METROPOLITAN HOUSING AUTHORITY
MT GILEAD, OHIO**

**REPORT ON EXAMINATION OF FINANCIAL
STATEMENTS AND SUPPLEMENTAL DATA FOR THE
YEAR ENDED SEPTEMBER 30, 1999**

J. E. Slaybaugh & Associates, Inc.

Certified Public Accountant

15 East Main Street

Leipsic, Ohio 43041

**MORROW METROPOLITAN HOUSING AUTHORITY
MT GILEAD, OHIO**

**REPORT ON EXAMINATION OF FINANCIAL
STATEMENTS AND SUPPLEMENTAL DATA FOR THE
YEAR ENDED SEPTEMBER 30, 1999**

J. E. Slaybaugh & Associates, Inc.
Certified Public Accountant
12 East Main Street
Lexington, Ohio 44904

MORROW METROPOLITAN HOUSING AUTHORITY
MT GILEAD, OHIO

SEPTEMBER 30, 1999

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Board of Commissioners
Morrow Metropolitan Housing Authority
Mount Gilead, Ohio

We have reviewed the Independent Auditor's Report of the Morrow Metropolitan Housing Authority, Morrow County, prepared by J. E. Slaybaugh & Associates, Inc., for the audit period October 1, 1998 through September 30, 1999. 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 J. E. Slaybaugh & Associates, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Jim Petro".

JIM PETRO
Auditor of State

June 6, 2000

J. E. Slaybaugh & Associates, Inc.

*12 East Main Street
Lexington, Ohio 44904*

*Member AICPA
Member OSCPA*

*John E. Slaybaugh III
Certified Public Accountant*

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Morrow Metropolitan Housing Authority
Mt Gilead, Ohio

We have audited the accompanying financial statements of the Morrow Metropolitan Housing Authority, Morrow, Ohio, as of and for the year ended September 30, 1999, and the related statements of revenues, expenses and equity and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Morrow Metropolitan Housing Authority as of September 30, 1999, and the results of its operations and the cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 24, 2000, on our consideration of Morrow Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of Morrow Metropolitan Housing Authority, taken as a whole. The accompanying schedule of expenditures of federal awards, as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*, and the additional information, are presented for the purposes of additional analysis, and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and in our opinion, is stated fairly, in all material respects, in relation to the financial statements taken as a whole.

J.E. Slaybaugh & Associates, Inc.

J.E. Slaybaugh & Associates, Inc.
Lexington, Ohio
March 24, 2000

MORROW METROPOLITAN HOUSING AUTHORITY
 MT-GILEAD, OHIO
 BALANCE SHEET
 SEPTEMBER 30, 1999

ASSETS

Current Assets

Cash and Cash Equivalents	\$	26,627
Investments-Unrestricted		34,000
Intergovernmental Receivables		96
Prepaid Expenses		830
Total Current Assets		61,553

Noncurrent Assets

Fixed Assets

Furniture, Equipment & Machinery-Administrative		-
Net of \$ 3,387 Accumulated Depreciation		-

Total Noncurrent Assets		-
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Total Assets	\$	61,553
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LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	\$	3,240
Accrued Compensated Absences		1,695
Deferred Revenue		1,058
Total Current Liabilities		5,993

Noncurrent Liabilities

Other Noncurrent Liabilities		25,000
Total Noncurrent Liabilities		25,000

Equity

Contributed Capital		3,388
Retained Earnings		27,172

Total Equity		30,560
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Total Liabilities and Equity	\$	61,553
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See Independent Auditors' Report

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

MORROW METROPOLITAN HOUSING AUTHORITY
 MT. GILEAD, OHIO
 STATEMENT OF REVENUE, EXPENSE AND EQUITY
 FOR THE YEAR ENDED SEPTEMBER 30, 1999

<u>Revenue</u>	
HUD Grants	\$ 247,123
Investment Income- Unrestricted	<u>467</u>
Total Revenue	247,590
<u>Expenses</u>	
Housing Assistance Payments	186,271
Administrative Salaries	18,983
Compensated Absences	1,093
Employee Benefits	6,431
Other Administrative Expense	16,469
Maintenance Expense	1,024
General Expense	<u>641</u>
Total Expenses	<u>230,912</u>
Income (Loss) before Depreciation and other costs	16,678
Depreciation	<u>220</u>
Net Income (Loss)	16,458
Retained Earnings - Beginning of Year	
As Previously Reported	14,573
Prior Period Adjustments	<u>(3,859)</u>
Retained Earnings - End of Year	27,172
Contributed Capital - Beginning of Year	
As previously Reported	<u>3,388</u>
Contributed Capital - End of Year	<u>3,388</u>
Total Equity - End of Year	<u>\$ 30,560</u>

See Independent Auditors' Report

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

MORROW METROPOLITAN HOUSING AUTHORITY
 MT GILEAD, OHIO
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 1999

Cash Flows from Operating Activities

Net Income (Loss)	\$ 16,458
Adjustments to reconcile Net Income(Loss) to Net Cash	
Provided By Operating Activities:	
Depreciation	220
Prior Period Adjustment	(693)
Changes in Operating Assets and Liabilities that	
Increase (Decrease) Cash Flows:	
Receivables	(29)
Prepaid Expenses	211
Accounts Payable	(321)
Accrued Compensated Absences	1,695
Deferred Credits and Other Current Liabilities	(15,241)
Other noncurrent liabilities	<u>11,527</u>
Total Adjustments	<u>(2,631)</u>
Net Cash Provided (Used) By Operating Activities	13,827

Cash Flows from Investing Activities

Purchase of Property and Equipment	
Purchase of Investments	<u>(19,249)</u>
Net Cash Provided (Used) By Investing Activities	<u>(19,249)</u>
Increase (Decrease) In Cash and Cash Equivalents	(5,422)
Cash and Cash Equivalents - Beginning of Year	<u>32,049</u>
Cash and Cash Equivalents - End of Year	<u>\$ 26,627</u>

See Independent Auditors' Report

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

MORROW METROPOLITAN HOUSING AUTHORITY
MT GILEAD, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Morrow Metropolitan Housing Authority (MMHA or Authority) was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing and administration of a low-rent housing program. An Annual Contributions Contract (ACC) was signed by the Morrow Metropolitan Housing Authority and the U.S. Department of Housing and Urban Development (HUD), under the provisions of the ACC and all applicable 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. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity.

Basis of Accounting

The accompanying combined financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

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 Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

MORROW METROPOLITAN HOUSING AUTHORITY
MT GILEAD, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues expenses during the reporting period. Actual results could differ from those estimates.

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 equivalents.

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 and repair costs are expensed as incurred.

Depreciation is recorded on the straight-line method.

Investments

Investments are stated at fair value. Cost-based measures of fair value were applied to nonnegotiable certificates of deposit.

MORROW METROPOLITAN HOUSING AUTHORITY
MT GILEAD, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 1999

NOTE 2 - CASH INVESTMENTS

Cash

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

Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The Authority's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its safekeeping agent in the Authority's name. Category 2 includes insured deposits collateralized with securities held by the pledging financial institutions trust department or safekeeping agent in the Authority's name.

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

Category 1: \$ 69,068 was covered by Federal Depository Insurance

MORROW METROPOLITAN HOUSING AUTHORITY
 MT GILEAD, OHIO
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED SEPTEMBER 30, 1999

NOTE 2 - CASH AND INVESTMENTS, Continued

Investments

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

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's Trust department or agent in the Authority's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its Trust department but not in the Authority's name.

The Authority's investments, are all Category A and consist of the following:

<u>INVESTMENT</u>	<u>CATEGORY A</u>	<u>CARRYING AMOUNT</u>
Cash	\$ 35,068	\$ 26,627
Certificate of Deposit	<u>34,000</u>	<u>34,000</u>
Total	<u>\$ 69,068</u>	<u>\$ 60,627</u>

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment at September 30, 1999, by class is as follows:

Furniture, Equipment & Machinery	\$ 3,387
Less Accumulated Depreciation	<u>(3,387)</u>
Net Property and Equipment	<u>\$ -</u>

MORROW METROPOLITAN HOUSING AUTHORITY
MT GILEAD, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 1999

NOTE 4 - ADMINISTRATIVE FEE

The Authority receives and "administrative fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the Section 8 Housing Assistance Payments (HAP) Programs. The fee is a percentage of a HUD determined base rate for each unit per month under HAP contracts. The rates are as follows:

A. Certificates and Vouchers

Units per month X \$ 37.07/unit

NOTE 5 - ALLOCATION OF COSTS

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

NOTE 6 - RETIREMENT AND OTHER BENEFIT PLANS

The employees of the Authority are covered by the Public Employees Retirement System of Ohio (PERS), a statewide cost-sharing multiple-employer deferred benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, death benefits to plan members and beneficiaries. The authority to establish and amend benefit benefits is provided by the state statute per Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report. Interested parties may obtain a copy by making a written request to 277 E. Town Street, Columbus, OH 43215-4642 or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.50% of qualifying gross wages for all employees. The total 1998 employer contribution rate was 13.55% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The Authority's contributions to P.E.R.S. for the years ending September 30, 1999, and 1998 were \$ 6,823 and \$ 6,693, respectively. All required contributions were made prior to each of those fiscal year ends.

MORROW METROPOLITAN HOUSING AUTHORITY
MT GILEAD, OHIO
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 1999

NOTE 7 - COMPENSATED ABSENCES

Vacation and sick leave policies are established by the Board of Commissioners in conjunction with local policies and state law.

Employees are entitled to two weeks annual leave after completing twelve months of consecutive employment, three weeks after five years of service.

Sick leave is accumulated at the rate of 1.25 days per month.

At September 30, 1999, \$ 1,695 was accrued by the Authority for unused vacation and sick time.

NOTE 8 - CHANGE IN BASIS OF ACCOUNTING

Effective October 1, 1998, the Authority adopted the accrual basis of accounting, in conformity with generally accepted accounting principles (GAAP).

Equity as of October 1, 1998 has been reduced by \$ 3,859 retroactively reflect this change in accounting. The adjustment is made up of a reduction of \$ 1,571 to beginning retained earnings and \$ 2,288 to beginning contributed capital.

The prior period adjustment of \$ 3,859 is made up of the following amounts:

\$	(111)	Compensated Absences
	(2,288)	Equipment Write Off
	<u>(1,460)</u>	Accumulated Depreciation
\$	<u>(3,859)</u>	

NOTE 9 - INSURANCE

The Housing 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.

MORROW METROPOLITAN HOUSING AUTHORITY
 MT GILEAD, OHIO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED SEPTEMBER 30, 1999

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Amount Received</u>	<u>Expenditures For The Year Ended</u>
<u>U.S. Department of Housing and Urban Development</u>				
Section 8 Cluster:				
Housing Assistance Program:				
Certificates	14.857	C-5001	247,123	247,123
Total Federal Assistance			\$ 247,123	\$ 247,123

NOTE: This schedule has been prepared on the accrual basis of accounting.

See Independent Auditors' Report

MORROW METROPOLITAN HOUSING AUTHORITY
 MT GILEAD, OHIO
 SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM
 FOR THE YEAR ENDED SEPTEMBER 30, 1999

	Rental Certificates Program	Total
REVENUE		
HUD Grants	\$ 247,123	\$ 247,123
Investment Income-Unrestricted	<u>467</u>	<u>467</u>
Total Revenue	247,590	247,590
EXPENSES		
HAP	186,271	186,271
Administrative Salaries	18,983	18,983
Compensated Absences	1,093	1,093
Employee Benefit Contributions	6,431	6,431
Other Operating - Admin	16,469	16,469
Ordinary Maintenance	1,024	1,024
Other General Expenses	<u>641</u>	<u>641</u>
Total Expenses	<u>230,912</u>	<u>230,912</u>
Income (Loss) before		
Depreciation	16,678	16,678
Depreciation	<u>220</u>	<u>220</u>
Net Income (Loss)	<u>\$ 16,458</u>	<u>\$ 16,458</u>

See Independent Auditors' Report

MORROW METROPOLITAN HOUSING AUTHORITY
MT GILEAD, OHIO
SCHEDULE OF ACTIVITY
SEPTEMBER 30, 1999

The PHA had 61 units under management.

<u>Management</u>	<u>Units</u>
Section 8 Certificates	<u>61</u>
TOTAL	<u>61</u>

THERE WERE NO PRIOR AUDIT FINDINGS.

See Independent Auditors' Report

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

J. E. Slaybaugh & Associates, Inc.

*12 East Main Street
Lexington, Ohio 44904*

*Member AICPA
Member OSCPA*

*John E. Slaybaugh III
Certified Public Accountant*

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Morrow Metropolitan Housing Authority
Mt Gilead, Ohio

We have audited the financial statements of Morrow Metropolitan Housing Authority, Mt Gilead, Ohio, as of and for the year ended September 30, 1999, and have issued our report thereon dated March 24, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Morrow Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

J. E. Slaybaugh & Associates, Inc.

J.E. Slaybaugh & Associates, Inc.
Lexington, Ohio
March 24, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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MORROW METROPOLITAN HOUSING AUTHORITY

MORROW 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.

By *Susan Babbitt*

Date: JUNE 20, 2000