



**GENERAL PURPOSE
FINANCIAL STATEMENTS**

of the

**HIGHLAND METROPOLITAN
HOUSING AUTHORITY**

for the

Year Ended December 31, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Directors
Highland Metropolitan Housing Authority

We have reviewed the Independent Auditor's Report of the Highland Metropolitan Housing Authority, Highland County, prepared by Jones, Cochenour & Co. for the audit period January 1, 2000 through December 31, 2001. 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 Highland Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

July 19, 2002

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**HIGHLAND METROPOLITAN HOUSING AUTHORITY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Highland Metropolitan Housing Authority
Washington Court House, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying general purpose financial statements of Highland Metropolitan Housing Authority, as of and for the year ended December 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the Highland Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Highland Metropolitan Housing Authority, as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 25, 2002 on our consideration of Highland Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Highland Metropolitan Housing Authority. The financial data schedule ("FDS") is presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Jones, Cochenour & Co.
February 25, 2002

**Highland Metropolitan Housing Authority
Balance Sheet
Proprietary Fund Type
Enterprise Fund
December 31, 2000**

ASSETS

Cash and cash equivalents	\$	31,454
Accounts receivable - HUD		7,869
Prepaid Insurance		800
Fixed assets - net of accumulated depreciation		<u>5,250</u>

TOTAL ASSETS \$ 45,373

LIABILITIES AND EQUITY

Accounts payable	\$	5,100
Deferred revenues		<u>25,840</u>

TOTAL LIABILITIES 30,940

EQUITY

Undesignated retained earnings		<u>14,433</u>
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TOTAL LIABILITIES AND EQUITY \$ 45,373

See accompanying notes to the general purpose financial statements

Highland Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Retained Earnings
Proprietary Fund Type
Enterprise Fund
Year Ended December 31, 2000

OPERATING REVENUE	
Program operating grants/subsidies	<u>\$ 82,576</u>
TOTAL OPERATING REVENUE	82,576
 OPERATING EXPENSES	
Housing assistance payments	49,053
Other operating - administrative	17,990
Depreciation expense	<u>1,750</u>
TOTAL OPERATING EXPENSES	<u>68,793</u>
NET OPERATING INCOME	13,783
 NON-OPERATING REVENUE	
Interest income	<u>650</u>
NET INCOME	14,433
BEGINNING EQUITY	<u>-</u>
ENDING EQUITY	<u><u>\$ 14,433</u></u>

See accompanying notes to the general purpose financial statements

**Highland Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Fund Type
Enterprise Fund
Year Ended December 31, 2000**

**RECONCILIATION OF NET INCOME TO NET CASH
USED BY OPERATING ACTIVITIES:**

Net income	\$	14,433
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation		1,750
(Increase) decrease in:		
Intergovernmental receivables		
Receivables - net of allowance		(7,869)
Due from other funds		(800)
Increase (decrease) in:		
Accounts payable		5,100
Deferred revenues		<u>25,840</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		38,454
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets		<u>(7,000)</u>
 INCREASE IN CASH AND CASH EQUIVALENTS		31,454
 CASH AND CASH EQUIVALENTS, BEGINNING		<u>-</u>
 CASH AND CASH EQUIVALENTS, ENDING	\$	<u><u>31,454</u></u>

See accompanying notes to the general purpose financial statements

Highland Metropolitan Housing Authority
Notes to the general purpose financial statements
December 31, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

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

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

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

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

Fund Accounting

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

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

Highland Metropolitan Housing Authority
Notes to the general purpose financial statements - continued
December 31, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary Fund Types

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

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

Measurement Focus/Basis of Accounting

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

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 3). Investments are valued at market value. Interest income earned in fiscal year 2000 totaled \$650. The interest income earned on the general fund investments in the Section 8 Program is required to be returned to HUD, and this amount was \$-0- for the year ended December 31, 2000.

Fixed Assets

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

Computer software	3
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Cash and Cash Equivalents

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

Budgetary Accounting

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

Estimates

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

Highland Metropolitan Housing Authority
Notes to the general purpose financial statements - continued
December 31, 2000

2. CASH

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

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

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

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

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

The Authority's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its safekeeping agent in the Authority's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the Authority's name. Category 3 includes uninsured and uncollateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the Authority's name.

Deposits: The carrying amount of the Authority's deposits totaled \$31,454. The corresponding bank balance totaled \$31,676.

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

Category 1: \$31,676 was covered by federal depository insurance

3. FIXED ASSETS

The following is a summary:

Buildings	\$	-
Furniture and equipment - administrative		<u>7,000</u>
		7,000
Accumulated depreciation		<u>(1,750)</u>
		-
NET FIXED ASSETS	<u>\$</u>	<u>5,250</u>

Highland Metropolitan Housing Authority
Notes to the general purpose financial statements - continued
December 31, 2000

3. FIXED ASSETS - CONTINUED

The following is a summary of changes:

	Balance Dec 31, 1999	Additions / Reclass	Deletions / Corrections	Balance Dec 31, 2000
Furniture and equipment				
- administrative	\$ -	\$ 7,000	\$ -	\$ 7,000
TOTAL FIXED ASSETS	\$ -	\$ 7,000	\$ -	\$ 7,000

The depreciation expense for the year ended December 31, 2000 was \$1,750.

4. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended December 31, 2000, the Authority electronically submitted an unaudited version of the combining balance sheet, statement of revenues, expenses and changes in retained earnings and other data to HUD as required on the GAAP basis. The audited version of the FDS schedules are on pages 9-10. The schedules are presented in the manner prescribed by Housing and Urban Development. These schedules can be used to tie the total assets and liabilities into the combined statements.

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

6. CONTRACT SERVICES

The Authority contracts with Fayette Metropolitan Housing Authority to provide management and financial reporting services.

**Highland Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
December 31, 2000**

FDS Line Item No.	<u>Account Description</u>	14.871 Sect. 8 Hsg Choice VO
	ASSETS	
111	Cash - unrestricted	<u>\$ 31,454</u>
100	TOTAL CASH	31,454
122	Accounts receivable - HUD other proj	<u>7,869</u>
120	TOTAL ACCOUNTS RECEIVABLE	7,869
142	Prepaid expenses and other assets	<u>800</u>
150	TOTAL CURRENT ASSETS	40,123
164	Furniture and equipment - admin	7,000
166	Accumulated depreciation	<u>(1,750)</u>
160	TOTAL FIXED ASSETS, NET	<u>5,250</u>
180	TOTAL NON-CURRENT ASSETS	<u>5,250</u>
190	TOTAL ASSETS	<u><u>\$ 45,373</u></u>
	LIABILITIES	
312	Accounts payable <=90 days	\$ 5,100
342	Deferred Revenues	<u>25,840</u>
310	TOTAL CURRENT LIABILITIES	<u>30,940</u>
300	TOTAL LIABILITIES	30,940
513	TOTAL EQUITY	<u>14,433</u>
600	TOTAL LIABILITIES AND EQUITY	<u><u>\$ 45,373</u></u>

Highland Metropolitan Housing Authority
Combining Statement of Revenue Expenses and Changes in Retained Earnings
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
Year Ended December 31, 2000

FDS Line Item No.	Account Description	14.871 Sect. 8 Hsg Choice VO
	REVENUE	
706	PHA HUD grants	\$ 82,576
711	Investment income - unrestricted	<u>650</u>
	TOTAL REVENUE	83,226
	EXPENSES	
913	Outside management fees	5,000
916	Other operating - administrative	11,563
942	Ord maintenance/op - materials	<u>1,427</u>
969	TOTAL OPERATING EXPENSES	<u>17,990</u>
970	EXCESS OPERATING REVENUE OVER EXPENSES	65,236
973	Housing Assistance Payments	49,053
974	Depreciation expense	<u>1,750</u>
900	TOTAL EXPENSES	<u>68,793</u>
	EXCESS OF REVENUE OVER EXPENSES	14,433
1103	Beginning equity	-
1104	Prior period adi/equity transfers	<u>-</u>
	ENDING EQUITY	<u>\$ 14,433</u>



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

Board of Directors
Highland Metropolitan Housing Authority
Washington Court House, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the general purpose financial statements of Highland Metropolitan Housing Authority as of and for the year ended December 31, 2000, and have issued our report thereon dated February 25, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Highland 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 Highland 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 solely for the information and use of the board of directors, management, Auditor of State and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Jones, Cochenour & Co.
February 25, 2002

Schedule of Findings and Questioned Costs

**Highland Metropolitan Housing Authority
December 31, 2000**

There are no findings or questioned costs for the year ended December 31, 2000.

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**GENERAL PURPOSE
FINANCIAL STATEMENTS**

of the

**HIGHLAND METROPOLITAN
HOUSING AUTHORITY**

for the

Year Ended December 31, 2001

**HIGHLAND METROPOLITAN HOUSING AUTHORITY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Highland Metropolitan Housing Authority
Washington Court House, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying general purpose financial statements of Highland Metropolitan Housing Authority, as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the Highland Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Highland Metropolitan Housing Authority, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 25, 2002 on our consideration of Highland Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jones, Cochenour & Co.
February 25, 2002

**Highland Metropolitan Housing Authority
Balance Sheet
Proprietary Fund Type
Enterprise Fund
December 31, 2001**

ASSETS

Cash and cash equivalents	\$ 85,724
Fixed assets - net of accumulated depreciation	<u>3,544</u>
TOTAL ASSETS	<u>\$ 89,268</u>

LIABILITIES, EQUITY AND OTHER CREDITS

Accounts payable	\$ 27,140
Accounts payable - HUD	<u>47,056</u>
TOTAL LIABILITIES	74,196

EQUITY

Undesignated retained earnings	<u>15,072</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 89,268</u>

See accompanying notes to the general purpose financial statements

Highland Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Retained Earnings
Proprietary Fund Type
Enterprise Fund
Year Ended December 31, 2001

OPERATING REVENUE	
Program operating grants/subsidies	\$ 348,212
OPERATING EXPENSES	
Housing assistance payments	306,398
Auditing fees	56
Other operating - administrative	39,850
Depreciation expense	<u>2,365</u>
TOTAL OPERATING EXPENSES	<u>348,669</u>
NET OPERATING (LOSS)	(457)
NON-OPERATING REVENUE	
Interest income	<u>1,096</u>
NET INCOME	639
BEGINNING EQUITY	14,433
PRIOR PERIOD ADJUSTMENTS	
ENDING EQUITY	<u><u>\$ 15,072</u></u>

See accompanying notes to the general purpose financial statements

**Highland Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Fund Type
Enterprise Fund
Year Ended December 31, 2001**

**RECONCILIATION OF NET INCOME TO NET CASH
USED BY OPERATING ACTIVITIES:**

Net income	\$	639
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation		2,365
(Increase) decrease in:		
Receivables - net of allowance		7,869
Prepaid insurance		800
Increase (decrease) in:		
Accounts payable		22,040
Accounts payable - HUD		47,056
Revenue		<u>(25,840)</u>

**NET CASH PROVIDED
BY OPERATING ACTIVITIES** 54,929

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets		<u>(659)</u>
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INCREASE IN CASH AND CASH EQUIVALENTS 54,270

CASH AND CASH EQUIVALENTS, BEGINNING 31,454

CASH AND CASH EQUIVALENTS, ENDING \$ 85,724

See accompanying notes to the general purpose financial statements

Highland Metropolitan Housing Authority
Notes to the general purpose financial statements
December 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

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

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

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

Fund Accounting

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

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

Highland Metropolitan Housing Authority
Notes to the general purpose financial statements – continued
December 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary Fund Types

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

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

Measurement Focus/Basis of Accounting

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

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2001 totaled \$1,096. The interest income earned on the general fund investments in the Section 8 Program is required to be returned to HUD, and this amount was \$862 for the year ended December 31, 2001.

Fixed Assets

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

Furniture – non-dwelling	7
Computer software	3

Cash and Cash Equivalents

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

Budgetary Accounting

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

Estimates

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

Highland Metropolitan Housing Authority
Notes to the general purpose financial statements – continued
December 31, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounting and Reporting for Nonexchange Transactions

The Authority adopted GASB 33 effective for the year ended December 31, 2001. Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of nonexchange transactions as follows:

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

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

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

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

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

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

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

2. CASH

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.

Highland Metropolitan Housing Authority
Notes to the general purpose financial statements – continued
December 31, 2001

2. CASH - CONTINUED

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

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

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

The Authority's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its safekeeping agent in the Authority's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the Authority's name. Category 3 includes uninsured and uncollateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the Authority's name.

Deposits: The carrying amount of the Authority's deposits totaled \$85,724. The corresponding bank balances totaled \$86,493.

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

Category 1: \$86,493 was covered by federal depository insurance

3. NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

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

4. FIXED ASSETS

The following is a summary:

Furniture and equipment - administrative	\$	7,659
		7,659
Accumulated depreciation		<u>(4,115)</u>
NET FIXED ASSETS	\$	<u>3,544</u>

Highland Metropolitan Housing Authority
Notes to the general purpose financial statements – continued
December 31, 2001

4. FIXED ASSETS

The following is a summary of changes:

	<u>Balance</u> <u>Dec 31, 2000</u>	<u>Additions /</u> <u>Reclass</u>	<u>Deletions /</u> <u>Corrections</u>	<u>Balance</u> <u>Dec 31, 2001</u>
Furniture and equipment				
- administrative	<u>\$ 7,000</u>	<u>\$ 659</u>	<u>\$ -</u>	<u>\$ 7,659</u>
TOTAL FIXED ASSETS	<u><u>\$ 7,000</u></u>	<u><u>\$ 659</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,659</u></u>

The depreciation expense for the year ended December 31, 2001 was \$2,365.

5. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended December 31, 2001, the Authority electronically submitted an unaudited version of the combining balance sheet, statement of revenues, expenses and changes in retained earnings and other data to HUD as required on the GAAP basis. The audited version of the FDS schedules are on pages 10-11. The schedules are presented in the manner prescribed by Housing and Urban Development. These schedules can be used to tie the total assets and liabilities into the combined statements.

**Highland Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
December 31, 2001**

FDS Line Item No.	Account Description	14.871 Sect. 8 Hsg Choice VO
	ASSETS	
111	Cash - unrestricted	<u>\$ 85,724</u>
100	TOTAL CASH	85,724
150	TOTAL CURRENT ASSETS	85,724
164	Furniture and equipment - admin	7,659
166	Accumulated depreciation	<u>(4,115)</u>
160	TOTAL FIXED ASSETS, NET	3,544
180	TOTAL NON-CURRENT ASSETS	<u>3,544</u>
190	TOTAL ASSETS	<u><u>\$ 89,268</u></u>
	LIABILITIES	
312	Accounts payable <=90 days	\$ 27,140
331	Accounts payable - HUD PHA programs	<u>47,056</u>
310	TOTAL CURRENT LIABILITIES	74,196
300	TOTAL LIABILITIES	74,196
513	TOTAL EQUITY	<u>15,072</u>
600	TOTAL LIABILITIES AND EQUITY	<u><u>\$ 89,268</u></u>

Highland Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Changes in Retained Earnings
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
December 31, 2001

FDS Line Item No.	<u>Account Description</u>	14.871 Sect. 8 Hsg Choice VO
	REVENUE	
706	PHA HUD grants	\$ 348,212
711	Investment income - unrestricted	<u>1,096</u>
	TOTAL REVENUE	349,308
	EXPENSES	
912	Auditing fees	56
916	Other operating - administrative	<u>40,046</u>
969	TOTAL OPERATING EXPENSES	<u>40,102</u>
970	EXCESS OPERATING REVENUE OVER EXPENSES	309,206
973	Housing Assistance Payments	306,398
974	Depreciation expense	<u>2,365</u>
900	TOTAL EXPENSES	<u>348,865</u>
	EXCESS OF REVENUE OVER EXPENSES	443
1103	Beginning equity	14,433
1104	Prior period adi/equity transfers	<u>196</u>
	ENDING EQUITY	<u>\$ 15,072</u>

**Highland Metropolitan Housing Authority
Schedule of Federal Awards Expenditures
December 31, 2001**

	<u>FEDERAL CFDA NUMBER</u>	<u>FUNDS EXPENDED</u>
<u>FROM U.S. DEPARTMENT OF HUD DIRECT PROGRAMS</u>		
Housing Assistance Payments:		
Annual Contribution -		
Section 8 Housing Choice Vouchers	14.871	\$ 348,212



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

**Board of Directors
Highland Metropolitan Housing Authority
Washington Court House, Ohio**

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

We have audited the general purpose financial statements of Highland Metropolitan Housing Authority as of and for the year ended December 31, 2001, and have issued our report thereon dated February 25, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Highland 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 Highland 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 solely for the information and use of the board of directors, management, Auditor of State and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

**Jones, Cochenour & Co.
February 25, 2002**



**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
Highland Metropolitan Housing Authority
Washington Court House, Ohio**

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

Compliance

We have audited the compliance of Highland Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended December 31, 2001. Highland Metropolitan Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Highland Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Highland Metropolitan Housing Authority's compliance based on our audit.

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

In our opinion, Highland Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001.

Internal Control Over Compliance

The management of Highland Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Highland Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

Jones, Cochenour & Co.
February 25, 2002

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

**Highland Metropolitan Housing Authority
December 31, 2001**

1. SUMMARY OF AUDITORS' RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	Housing Choice Vouchers CFDA #14.871
Dollar Threshold: Type A/B Programs	\$300,000
Low Risk Auditee?	No – First year A-133

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

**Highland Metropolitan Housing Authority
December 31, 2001**

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings or questioned costs for the year ended December 31, 2001.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended December 31, 2001.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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HIGHLAND METROPOLITAN HOUSING AUTHORITY

HIGHLAND 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
AUGUST 13, 2002**