

HURON METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

June 30, 2002

Together with Auditors' Report



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Huron Metropolitan Housing Authority
Norwalk, Ohio

We have reviewed the Independent Auditor's Report of the Huron Metropolitan Housing Authority, Huron County, prepared by Kevin L. Penn, CPA, Inc. for the audit period July 1, 2001 through June 30, 2002. 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, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

December 27, 2002

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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 balance sheet of Huron Metropolitan Housing Authority as of June 30, 2002, and the related statements of revenues, expenses, equity and cash flows for the year then ended. These financial statements are the responsibility of the organization'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; 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 for my opinion.

In my opinion, the financial statements referred to in the above present fairly, in all material respects, the financial position of Huron Metropolitan Housing Authority as of June 30, 2002 and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated November 28, 2002 on my consideration of Huron Metropolitan Housing Authority's internal control over financial reporting and on my 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.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Huron Metropolitan. 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 12 to 14 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 28, 2002

HURON METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
JUNE 30, 2002

ASSETS

Current Assets

Cash and Cash Equivalents (Note 1)	\$197,357
Investments – Unrestricted	270,621
Fraud Recovery	13,866
Accounts Receivable – Other	207
Interest Receivable	1,772
Prepaid Expenses	4,877

Total Current Assets	488,700

Other Assets

Property and Equipment - Net (Note 1)	80,520
Deposits	35

Total Other Assets	80,555

TOTAL ASSETS	\$569,255
	=====

LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	10,293
Accounts Payable - HUD	59,244
Accrued Wages and Payroll Taxes	3,191

Total Current Liabilities	72,728

Other Liabilities

Accrued Compensated Absences	35,549
Undistributed Credits - Fraud Recovery	13,866

Total Other Liabilities	49,415

Total Liabilities	122,143

Equity

Retained Earnings	447,112

Total Equity	447,112

TOTAL LIABILITIES AND EQUITY	\$569,255
	=====

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

HURON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2002

Revenue:

HUD Grants	\$2,003,316
Investment Income – Unrestricted	11,196
Fraud Recovery	1,090

Total Revenue	2,015,602

Expenses (before depreciation):

Housing Assistance Payments	1,747,255
Administrative Salaries	145,751
Employee Benefits	33,766
Other Administrative Expense	63,308
Material and Labor – Maintenance	5,711
General Expenses	7,706

Total Expenses	2,003,497

Income(Loss) before Depreciation Expense	12,105
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Depreciation Expense	9,202

Net Income(Loss)	2,903
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Retained Earnings – Beginning of Year, As Previously Reported	455,486
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Prior Period Adjustment – Note 9	(11,277)

Retained Earnings – Beginning of Year, As Restated	444,209

Retained Earnings – End of Year	\$447,112
	=====

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, 2002

Cash Flows from Operating Activities:

Net Income(Loss)	\$2,903
Adjustments to reconcile net income(loss) to net cash	
Provided (used) by operating activities:	
Depreciation	9,202
(Increase) decrease in:	
Accounts Receivable	20,580
Interest Receivable	1,229
Prepaid Expenses	531
Increase (decrease) in:	
Accounts Payable	67,161
Compensated Absences	11,905
Accrued Expenses	1,541
Deferred Revenue	(154,782)

Net Cash Provided (Used) by Operating Activities	(39,730)

Cash Flows From Investing Activities:

Change in Investments	(10,530)
Proceeds from the disposal of Machinery and Equipment	2,200
Acquisition of Machinery and Equipment	(20,010)

Net Cash Provided (Used) by Investing Activities	(28,340)

Cash Flows From Financing Activities:

	0

Net Cash Provided (Used) by Financing Activities	0

Net Cash (Decrease) in Cash and Cash Equivalents	(68,070)

Cash and Cash Equivalents - Beginning of Year	265,427

Cash and Cash Equivalents - End of Year	\$197,357
	=====

Supplemental Schedule of Other Cash Activity:

Interest paid	\$0
	=====
Income taxes	\$0
	=====

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

**HURON METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2002**

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 HMHA's policy is to maintain its accounting records on the accrual basis in accordance with generally accepted accounting principles.

In accordance with Statement Number 20 of the Government Accounting Standards Board (GASB No. 20) "Accounting and Financial Reporting for Proprietary Funds and Other Government Entities the Use Proprietary Fund Accounting," HMHA has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. HMHA will continued to apply all applicable pronouncements of the Governmental Accounting Standards Board.

C. 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 are repair costs are expensed as incurred.

**HURON METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2002**

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

C. Property and Equipment (continued)

Useful life of property and equipment is as follows:

Buildings	40 Years
Equipment	7 Years
Autos	5 Years

Depreciation is recorded on the straight-line method. Total depreciation expense for the 2002 fiscal year was \$9,202.

D. 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.

E. Investments

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

F. 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.

G. Financial Statement Format and Content

The format and content of the financial statements included in this report conforms to the format and content submitted to U.S. Department of Housing and Urban Development, via the Real Estate Assessment Center.

NOTE 2 – Deposits and Investments:

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

**HURON METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2002**

NOTE 2 – Deposits and Investments: (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, 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 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.

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

Category 1.	\$104,181 was covered by federal depository insurance.
Category 2.	\$ 96,942 was covered by specific collateral pledged by the financial institution in the name of the Authority.

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 purchase 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.

**HURON METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2002**

NOTE 2 – Deposits and Investments: (continued)

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

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 non-negotiable certificates of deposit are classified as investments on the balance sheet but are considered as deposits for GASB 3 purposes. Therefore, the categories described above do not apply.

NOTE 3 – Property and Equipment:

A summary of property and equipment at June 30, 2002, by class is as follows:

Building and Building Improvements	\$ 109,000
Land	10,000
Furniture, Equipment – Administrative	<u>45,990</u>
Total	164,990
Less Accumulated Depreciation	<u>(84,470)</u>
Net Property and Equipment	<u>\$ 80,520</u>

NOTE 4 – Administrative Fee:

The Authority receives and "administrative fee" as part of the annual contributions 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 based rate for each unit per month under HAP contracts. The rates are as follows:

Certificates and Vouchers:

Units per month x \$39.25/units – July to September
Units per month x \$40.60/units – October to June

**HURON METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2002**

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 benefits is provided by the state statute per Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report. The report may be obtained by writing PERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Covered employees are required by the System's Retirement Board to contribute 8.5% of their salary to the plan. The employer contribution rate was 13.55% for fiscal year 2002. The Authority's total payroll for covered employees was \$158,803. The College's 2002 total contribution was \$21,518.

The contribution requirement to fund the pension obligation for the year ended June 30, 2002, 2001 and 2000 were \$21,518, \$15,475 and \$16,992 from the Authority.

PERS of Ohio provides post-retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care OPEB is financed through employer contributions and investment earnings and is expected to be sufficient to sustain the program indefinitely.

The pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The System does not make separate measurements of assets and pension benefit obligation for individual employers. PERS issues a stand-alone financial report.

**HURON METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2002**

NOTE 7 – 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.

NOTE 8 – Insurance:

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.

NOTE 8– Prior Period Adjustment:

Beginning retained earnings balance has been restated in the amount of \$11,277 as a result of the following:

1. Understatement of Undistributed Credits – Fraud Recovery, in the amount of \$11,277.

HURON METROPOLITAN HOUSING AUTHORITY

Balance Sheet

June 30, 2002

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

FDS Line
Item No.

Account Description

ASSETS		
111	Cash and Cash Equivalents	\$197,357

100	TOTAL CASH	197,357
125	Accounts Receivable - Miscellaneous	207
128	Accounts Receivable - Fraud Recovery	13,866
129	Accrued Interest Receivable	1,772

120	TOTAL ACCOUNTS RECEIVABLE	15,845
131	Investments – Unrestricted	270,621
142	Prepaid Expenses	4,912

150	TOTAL CURRENT ASSETS	488,735
161	Land	10,000
162	Buildings	109,000
164	Furniture, Equipment & Machinery - Administration	45,990
166	Accumulated Depreciation	(84,470)

160	TOTAL FIXED ASSETS, NET	80,520

190	TOTAL ASSETS	\$569,255
		=====
LIABILITIES		
312	Accounts Payable	\$10,293
321	Accrued Wage/Payroll Taxes Payable	3,191
322	Accrued Compensated Absences	35,549
331	Accounts Payable - HUD PHA Programs	59,244

310	TOTAL CURRENT LIABILITIES	108,277
353	Undistributed Credits - Fraud Recovery	13,866

	TOTAL NON-CURRENT LIABILITIES	13,866

	TOTAL LIABILITIES	122,143
507	Other Contributions	1,276

508	TOTAL CONTRIBUTED CAPITAL	1,276
512	Retained Earnings	445,836

	TOTAL EQUITY	445,836

	TOTAL LIABILITIES AND EQUITY	\$569,255
		=====

HURON METROPOLITAN HOUSING AUTHORITY
Statement of Revenue, Expenses and Changes in Equity
For the Year Ended June 30, 2002

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

FDS Line
Item No.

Account Description

Revenue:		
706	HUD PHA Operating Grant	\$2,003,316
711	Investment Income – Unrestricted	11,196
714	Fraud Recovery	1,090

700	Total Revenue	2,015,602
 Expenses:		
911	Administrative Salaries	133,846
912	Audit Fees	4,187
914	Compensated Absences	11,905
915	Employee Benefit Contributions – Administrative	33,766
916	Other Operating - Administrative	59,121
942	Ordinary Maintenance and Operations - Materials and Other	5,711
961	Insurance Premiums	7,706

969	Total Operating Expenses	256,242

970	Excess Operating Revenue over Expenses	1,759,360
 Other Expenses		
973	Housing Assistance Payments	1,747,255
974	Depreciation Expense	9,202

900	Total Expenses	2,012,699
1010	Total Other Funding Sources(Uses)	0

1000	Excess of Operating Revenue Over Expenses	2,903
1103	Beginning Equity	455,486
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	(11,277)

	Ending Equity	\$447,112
		=====

HURON METROPOLITAN HOUSING AUTHORITY
Additional Information Required by HUD
Year Ended June 30, 2002

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

<u>FDS Line</u> <u>Item No.</u>	<u>Account Description</u>	
1112	Depreciation Add Back	\$9,202
1113	Maximum Annual Contributions Commitment (Per ACC)	\$1,949,420
1114	Applicable to a Period of Less Than Twelve Months	\$0
1115	Contingency Reserve, ACC Program Reserve	\$497,686
1116	Total Annual Contributions Available	\$2,447,106
1120	Unit Months Available	6,864
1121	Number of Unit Months Leased	6,114

HURON METROPOLITAN HOUSING AUTHORITY
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2002

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Amount Received</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development				
Direct Program:				
Section 8 Tenant Based Cluster:				
Housing Choice Vouchers	14.871	C-5101	\$2,003,316	\$2,003,316

TOTAL FEDERAL FINANCIAL ASSISTANCE				\$2,003,316
				=====

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



Kevin L.
Penn, Inc.

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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 Trustees
Huron Metropolitan Housing Authority
Norwalk, Ohio

I have audited the financial statements of Huron Metropolitan Housing Authority as of and for the year ended June 30, 2002, and have issued my report thereon dated November 28, 2002. I conducted my 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 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Huron Metropolitan Housing Authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, 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 28, 2002



Kevin L.
Penn, Inc.

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 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, 2002. Huron Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Huron Metropolitan Housing Authority's management. My responsibility is to express an opinion on Huron Metropolitan Housing Authority's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that 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 my opinion. My audit does not provide a legal determination on 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 for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Huron 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 my audit, I considered Huron 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 my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My 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. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, 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 28, 2002

Huron Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 June 30, 2002

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
Reportable condition(s) 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
Reportable condition(s) 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 Voucher Program
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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 and Questioned Costs

No matters were reported.

Huron Metropolitan Housing Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2002

There were no audit findings, during the 2001 fiscal year.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
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800-282-0370
Facsimile 614-466-4490

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
JANUARY 9, 2003**