

Vinton Metropolitan Housing Authority

Vinton County

Single Audit

October 1, 2001 Through September 30, 2002

Fiscal Year Audited Under GAGAS: 2002

BALESTRA & COMPANY

(A division of Harr & Scherer, CPAs, Inc.)

CERTIFIED PUBLIC ACCOUNTANTS

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**Auditor of State
Betty Montgomery**

Board of Commissioners
Vinton Metropolitan Housing Authority

We have reviewed the Independent Auditor's Report of the Vinton Metropolitan Housing Authority, Vinton County, prepared by Balestra & Company for the audit period October 1, 2001 through September 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 Vinton Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

April 10, 2003

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VINTON METROPOLITAN HOUSING AUTHORITY
VINTON, OHIO
FOR THE YEAR ENDED SEPTEMBER 30, 2002

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Ohio Society of Certified Public Accountants

Board of Commissioners
Vinton Metropolitan Housing Authority
McArthur, Ohio 45651

INDEPENDENT AUDITORS= REPORT

We have audited the accompanying general purpose financial statements of Vinton Metropolitan Housing Authority, Vinton County, as of and for the year ended September 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Vinton Metropolitan Housing Authority's management. Our responsibility is to express an opinion on the 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 the Vinton Metropolitan Housing Authority, as of September 30, 2002, and the results of its operations and 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*, we have also issued our report dated March 11, 2003 on our consideration of the Vinton 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.

Vinton Metropolitan Housing Authority
Independent Auditors=Report
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The accompanying schedule of federal awards expenditures is presented for purpose 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*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Balestra & Company
Balestra & Company

March 11, 2003

VINTON METROPOLITAN HOUSING AUTHORITY
 McARTHUR, OHIO
 BALANCE SHEET - PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED SEPTEMBER 30, 2002

Assets

Current Assets:

| | |
|-----------------------------------|------------|
| Cash - Unrestricted | \$141,728 |
| Prepaid Expenses and Other Assets | <u>630</u> |
| Total Current Assets: | 142,358 |

Noncurrent Assets:

Fixed Assets:

| | |
|---|-----------------|
| Building and Land | 57,659 |
| Equipment | 24,009 |
| Accumulated Depreciation | <u>(16,220)</u> |
| Fixed Assets, Net of Accumulated Depreciation | 65,448 |

| | |
|--------------|-------------------------|
| Total Assets | <u><u>\$207,806</u></u> |
|--------------|-------------------------|

Liabilities

Current Liabilities:

| | |
|-------------------------------------|---------------|
| Accrued Wages/Payroll Taxes Payable | 1,065 |
| Accounts Payable | 5,639 |
| Mortgage Payable | <u>25,464</u> |
| Total Current Liabilities: | 32,168 |

Long Term Liabilities:

| | |
|------------------------------|--------------|
| HUD Advances | 50,587 |
| Accrued Compensated Absences | <u>6,293</u> |
| Total Long Term Liabilities: | 56,880 |

| | |
|-------------------|--------|
| Total Liabilities | 89,048 |
|-------------------|--------|

Equity

| | |
|---------------------|----------------|
| Contributed Capital | 601 |
| Retained Earnings | <u>118,157</u> |
| Total Equity | 118,758 |

| | |
|------------------------------|-------------------------|
| Total Liabilities and Equity | <u><u>\$207,806</u></u> |
|------------------------------|-------------------------|

See accompanying notes to the general purpose financial statements

VINTON METROPOLITAN HOUSING AUTHORITY
 McARTHUR, OHIO
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY -
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED SEPTEMBER 30, 2002

| | |
|---|-------------------------|
| Revenues | |
| HUD PHA Grants/Capital Grants | \$651,226 |
| Investment Income - Unrestricted | <u>1,297</u> |
| Total Revenue | 652,523 |
| Expenses | |
| Housing Assistance Payments | 523,040 |
| Administrative Salaries | 69,790 |
| Employee Benefits | 9,835 |
| Other Administrative Expenses | 1,245 |
| Material and Labor/Maintenance | 12,608 |
| Utilities | 1,509 |
| General Expenses | <u>509</u> |
| Total Expenses | <u>618,536</u> |
| Income/(Loss) before Depreciation | 33,987 |
| Depreciation | <u>5,025</u> |
| Operating Income | 28,962 |
| Retained Earnings, Beginning of the Year (as restated - see note 3) | <u>89,195</u> |
| Retained Earnings, End of Year | 118,157 |
| Contributed Capital at Beginning of Year | 601 |
| Contributed Capital at End of Year | <u>601</u> |
| Total Fund Equity at End of Year | <u><u>\$118,758</u></u> |

See accompanying notes to the general purpose financial statements

VINTON METROPOLITAN HOUSING AUTHORITY
 McARTHUR, OHIO
 STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED SEPTEMBER 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|-------------------------|
| Net Operating Income | \$28,962 |
| Adjustments to Reconcile Net Income/(Loss) to Net Cash Provided by Operating Activities: | |
| Depreciation | 5,025 |
| Changes in Operating Assets and Liabilities that Increase/(Decrease) Cash Flows: | |
| (Increase) Decrease In: | |
| Accounts Receivable | 32,674 |
| Prepaid Expenses and Other Assets | 714 |
| Increase (Decrease) In: | |
| Accounts Payable | 5,585 |
| Compensated Absences Payable | 1,736 |
| Accrued Wages/Payroll Taxes Payable | 58 |
| Mortgage Payable | 25,464 |
| HUD Advance | 50,587 |
| Other Noncurrent Liabilities | <u>(12,089)</u> |
| Total Adjustments | <u>104,729</u> |
| Net Cash Provided By Operating Activities | 138,716 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Change in fixed assets | <u>(59,434)</u> |
| Net Cash Used By Capital Financing Activities | <u>(59,434)</u> |
| Net Increase In Cash | 79,282 |
| Cash At The Beginning Of Year | <u>62,446</u> |
| Cash At End Of Year | <u><u>\$141,728</u></u> |

See accompanying notes to the general purpose financial statements

VINTON METROPOLITAN HOUSING AUTHORITY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2002

1. DESCRIPTION OF THE HOUSING AUTHORITY AND REPORTING ENTITY

The Vinton Metropolitan Housing Authority (the Authority) is a political subdivision of the State of Ohio, created under Section 3735.27 of the Ohio Revised Code.

The Vinton Metropolitan Housing Authority was established for the purpose of engaging the development, acquisition, and administrative activities of the low-income housing program. An Annual Contributions contract (ACC) was signed by the Vinton Metropolitan Housing Authority and the U.S. Department of Housing and Urban Development (HUD), under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring, constructing, maintaining, operating, improving, extending, and repairing housing facilities. The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government." A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity.

DESCRIPTION OF PROGRAMS:

HOUSING CHOICE VOUCHERS - SECTION 8

The Authority administers the Housing Choice Voucher Program to operate housing programs within its jurisdiction. The program provides rental assistance to help very low income families afford decent, safe, and sanitary rental housing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Vinton Metropolitan Housing Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applies to governmental units. The Governmental Accounting Standards Board 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.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

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

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, 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.

VINTON METROPOLITAN HOUSING AUTHORITY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION - FUND ACCOUNTING (Continued)

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. For financial statement presentation purposes, the various funds of the Authority are grouped into the following fund type:

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

Enterprise Funds - The enterprise funds are used to account for operations 1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services of the general public on a continuing basis be financed or recovered primarily through user charges; or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type income statements represent increases (e.g. revenues and other financing sources) and decreases (e.g. expenditures and other financing uses) in net total assets.

C. BASIS OF ACCOUNTING

Proprietary fund types use accrual basis of accounting for reporting purposes. Revenues are recognized when they are earned and measurable and expenses are recorded at the time liabilities are incurred, if measurable.

D. BUDGETARY DATA

The Authority is not required to follow the budgetary requirements of the Ohio Revised Code. However, the Authority does maintain a budget for management purposes.

VINTON METROPOLITAN HOUSING AUTHORITY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of funds deposited in checking accounts. Cash equivalents are stated at cost, which approximates market value.

The Authority has investments in the form of certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value which is based upon quoted market prices. Nonparticipating investment contracts such as certificates of deposit are reported at cost.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the Authority with an original maturity of three months or less at the time they are purchased by the Authority are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. PROPERTY, PLANT AND EQUIPMENT

The fixed asset values initially were determined by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. Donated fixed assets are capitalized at estimated fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

Enterprise Fund Fixed Assets: Fixed assets reflected in the enterprise funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|-------------------------|------------------------|
| Buildings | 30 years |
| Equipment and Machinery | 7 years |

Fixed assets acquired from resources externally restricted for capital acquisition (e.g. capital grants) are recorded as revenue in the benefiting proprietary fund

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

VINTON METROPOLITAN HOUSING AUTHORITY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2002

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond September 30, 2002, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

H. COMPENSATED ABSENCES

The Authority implemented the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are currently eligible to receive termination benefits and by those employees for whom it is probable will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end. In proprietary funds, compensated absences are expensed when earned. The entire amount of compensated absences is reported as a fund liability.

I. TAX LIABILITY

The Authority is by law exempt from all federal, state, and local taxes and assessments

J. INTERGOVERNMENTAL REVENUES

Grants, entitlements or shared revenues received for enterprise fund operating purposes are recognized in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as revenue.

K. CONTRIBUTED CAPITAL

Contributed capital represents resources from other governments and private sources to the extent they exceed the cost, which have been provided to the enterprise funds and are not subject to repayment. All other fund equity amounts pertaining to the enterprise funds have been classified as retained earnings.

L. USE OF 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 certain reported amounts and accompanying notes. Accordingly, actual results could differ from those estimates.

VINTON METROPOLITAN HOUSING AUTHORITY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2002

3. RESTATEMENT OF RETAINED EARNINGS

The correction of accounting errors in the prior year required that certain adjustments be recorded to the October 1, 2001 beginning retained earnings balance as previously recorded. The restatements to the opening retained earnings and contributed capital balances are as follows:

| Beginning Retained Earnings | Adjustment | Restated Retained Earnings |
|--------------------------------|------------|-------------------------------|
| \$90,216 | (\$1,021) | \$89,195 |
| | | |

4. CASH AND INVESTMENTS

The Governmental Accounting Standards Board has established three (3) risk categories for deposits. Category 1 includes deposits insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 includes uncollateralized deposits. This includes any bank balance that is collateralized with securities held by the pledging institution or its trust department or agent but not in the Authority's name.

All deposits are carried at cost. As of September 30, 2002, the bank balances of the Authority's cash were \$149,957. Of the bank balances, \$100,000 was insured by FDIC insurance. The remaining balance of \$49,957 was classified as Category 1 for deposits.

HUD Handbook 7475.1, Chapter 4, section 1, authorized the PHA to make investments in direct obligations of the Federal Government, obligation of Federal Government Agencies, securities of Government-sponsored Agencies and demand and savings deposits and certificates of deposits.

The Authority had only checking accounts and petty cash on hand and classified all as cash. As of September 30, 2002, the book balance was \$141,728.

5. FIXED ASSETS

A summary of the Proprietary Fund Types fixed assets as of September 30, 2002, follows:

| | |
|--------------------------|-----------------|
| | Balance at |
| | <u>09/30/02</u> |
| Building and Property | \$ 57,659 |
| Equipment | <u>24,009</u> |
| Total Assets | 81,668 |
| Accumulated Depreciation | <u>(16,220)</u> |
| Net Value of Assets | <u>\$65,448</u> |

6. ADMINISTRATIVE FEE

The Authority receives an "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.

VINTON METROPOLITAN HOUSING AUTHORITY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

6. ADMINISTRATIVE FEE (Continued)

The rates are as follows:

Units per month X \$39.25/unit

7. DEFINED BENEFIT PENSION PLAN

PUBLIC EMPLOYEES RETIREMENT SYSTEM PENSION PLAN

All Vinton Metropolitan Housing Authority's full time employees participate in the Public Employees Retirement System of Ohio ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 42315-4562 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates effective for 2002 were 8.5% of their salary. The 2002 employer contribution rate relating to employees 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. As of September 30, 2002, the Authority had no outstanding amounts owed to PERS. The Authority's contribution to PERS for the years ending September 30, 2000, 2001 and 2002 were \$3,520, \$3,665 and \$3,881 respectively which are equal to the required contributions for each year.

8. POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement service is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The portion of the 2002 employer contribution rate for local government employer units was 13.55% of covered payroll and 5% was the portion used to fund health care for the year.

The health inflation and significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the OPERS of Ohio's latest actuarial review performed as of December 31, 2001. OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

VINTON METROPOLITAN HOUSING AUTHORITY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

8. POSTEMPLOYMENT BENEFITS (Continued)

The number of active contributing participants was 402,041. \$11.6 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2001. The actuarially accrued liability and the unfunded actuarial liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

In December 2001, the Board adopted the Health Care Choices Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year cliff eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Accounts.

9. OTHER EMPLOYEE BENEFITS

Compensated Absences: Vacation and sick leave policies are established by the Board of Commissioners based on local and state laws.

Sick leave is earned at a rate of 4.60 hours per (90) 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.

At September 30, 2002, \$6,293 was accrued by the Authority for unused vacation and sick leave.

10. CONTINGENCIES

Under the terms of federal and state grants, periodic audits are required and certain expenditures may be questioned as not appropriate under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Authority's management believes disallowances, if any, will be immaterial.

In the normal course of operations, the Authority may be subject to litigation and claims. At September 30, 2002, the Authority was involved in no matters management believes will have a material effect on the financial statements.

11. ECONOMIC DEPENDENCY

The Authority is economically dependent on receiving operating subsidies from the U.S. Department of Housing and Urban Development (HUD).

VINTON METROPOLITAN HOUSING AUTHORITY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2002**

12. RISK MANAGEMENT

The Authority maintains comprehensive liability 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.

VINTON METROPOLITAN HOUSING AUTHORITY
 McARTHUR, OHIO
 SCHEDULE OF FEDERAL AWARDS EXPENDITURES
 FOR THE YEAR ENDED SEPTEMBER 30, 2002

| FROM U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: | FEDERAL CFDA NUMBER | 2002 FEDERAL EXPENDITURES |
|---|---------------------------|---------------------------------|
| Section 8 Housing Choice Vouchers | 14.871 | <u>\$697,339</u> |
| TOTAL - ALL PROGRAMS | | <u><u>\$697,339</u></u> |

See accompanying notes to the Schedule of Federal Awards Expenditures.

VINTON METROPOLITAN HOUSING AUTHORITY
McARTHUR, OHIO
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2002

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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.

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McArthur, Ohio 45651

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

We have audited the financial statements of the Vinton Metropolitan Housing Authority, Vinton County, as of and for the year ended September 30, 2002, and have issued our report thereon dated March 11, 2003. 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 Vinton 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 and 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*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of Vinton Metropolitan Housing Authority in a separate letter dated March 11, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Vinton 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 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 audit committee, management, members of the Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra & Company
Balestra & Company

March 11, 2003

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Vinton Metropolitan Housing Authority
McArthur, Ohio 45651

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of Vinton 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 its major federal program for the year ended September 30, 2002. Vinton Metropolitan Housing Authority's major federal program is 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 its major federal program is the responsibility of Vinton Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Vinton 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* and the provisions of the Public and Indian Housing Compliance Supplement dated June 1995. 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 Vinton 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 Vinton Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Vinton Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2002. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of Vinton Metropolitan Housing Authority in a separate letter dated March 11, 2003.

Internal Control Over Compliance

The management of Vinton Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Vinton 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 audit committee, management, members of the Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra & Company

Balestra & Company

March 11, 2003

VINTON METROPOLITAN HOUSING AUTHORITY

McARTHUR, OHIO
YEAR ENDING SEPTEMBER 30, 2002

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

1. SUMMARY OF AUDITOR-S RESULTS

| | | |
|--------------|--|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Was there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under section .510? | No |
| (d)(1)(vii) | Major Programs (list): | Section 8 Housing Choice Vouchers; #14.871 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

VINTON METROPOLITAN HOUSING AUTHORITY

McARTHUR, OHIO
FOR THE YEAR ENDED SEPTEMBER 30, 2002

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

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

| | |
|----------------|------|
| Finding Number | None |
|----------------|------|

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

| | |
|---------------------------|------|
| Finding Number | None |
| CFDA Title and Number | |
| Federal Award Number/Year | |
| Federal Agency | |
| Pass-Through Agency | |

VINTON METROPOLITAN HOUSING AUTHORITY

McARTHUR, OHIO
FOR THE YEAR ENDED SEPTEMBER 30, 2002

SUMMARY OF ACTIVITIES

At the close of fiscal year ended September 30, 2002, the Vinton Metropolitan Housing Authority had the following operations management:

| | <u>Units</u> |
|---|--------------|
| <u>Section 8 Housing Vouchers Program</u> | 196 |

PRIOR AUDIT FINDINGS

No prior audit findings.



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VINTON METROPOLITAN HOUSING AUTHORITY

VINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 8, 2003**