

GENERAL-PURPOSE FINANCIAL STATEMENTS

of the

Hardin Metropolitan Housing Authority

September 30, 2002



**Auditor of State
Betty Montgomery**

Board of Directors
Hardin Metropolitan Housing Authority
298 East Center Street, Suite B
Marion, OH 43302

We have reviewed the Independent Auditor's Report of the Hardin Metropolitan Housing Authority, Hardin County, prepared by Wilson, Shannon & Snow, Inc., 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 Hardin Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 19, 2003

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HARDIN METROPOLITAN HOUSING AUTHORITY
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
GENERAL-PURPOSE FINANCIAL STATEMENTS:	
BALANCE SHEET	3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN EQUITY	4
STATEMENT OF CASH FLOWS	5
NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS	6
SUPPLEMENTAL DATA:	
BALANCE SHEET – FDS SCHEDULE SUBMITTED TO HUD	10
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN EQUITY – FDS SCHEDULE SUBMITTED TO HUD	11
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS	12

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Board of Directors
Hardin Metropolitan Housing Authority
298 East Center Street, Suite B
Marion, Ohio 43302

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying general-purpose financial statements of Hardin Metropolitan Housing Authority, Hardin County, Ohio (the Authority) as of and for the year ended September 30, 2002. These general purpose financial statements are the responsibility of the 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 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 general-purpose 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 Authority as of September 30, 2002 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 June 19, 2003 on our consideration of the 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.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The supplemental financial data schedules accompanying the financial statements are not necessary for fair presentation of the financial position, results of operations and cash flows of the Authority in conformity with accounting principles generally accepted in the United States. The supplemental schedules listed in the table of contents are presented only for purposes of additional analysis and are not a required part of the financial statements. Such schedules have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects, in relation to the financial statements taken as a whole.

Wilson, Sherman & Snow, Inc.

Newark, Ohio
June 19, 2003

Hardin Metropolitan Housing Authority

**Balance Sheet
September 30, 2002**

Assets

Cash and Cash Equivalents	\$ 60
Governmental Accounts Receivable	<u>3,580</u>
Total Assets	<u><u>\$ 3,640</u></u>

Liabilities and Equity

Accounts Payable	<u>\$ 2,018</u>
Total Liabilities	2,018

Total Equity	<u>1,622</u>
Total Liabilities and Equity	<u><u>\$ 3,640</u></u>

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

Hardin Metropolitan Housing Authority

**Statement of Revenues, Expenses
and Changes in Equity
Year Ended September 30, 2002**

Revenue		
HUD Grants		\$ 14,278
Other Governmental Grants		<u>31,777</u>
Total Revenue		46,055
Operating Expenses		
Housing Assistance Payments	\$ 38,205	
Other Administrative Expense	6,282	
General Expenses	<u>1,640</u>	
Total Expenses		<u>46,127</u>
Operating Loss		(72)
Other Income		
Interest Earnings		<u>13</u>
Net Loss		(59)
Equity at October 1, 2001		<u>1,681</u>
Equity at September 30, 2002		<u><u>\$ 1,622</u></u>

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

Hardin Metropolitan Housing Authority

**Statement of Cash Flows
Year Ended September 30, 2002**

Cash flows from operating activities:	
Net Loss for the year	\$ (59)
Changes in assets and liabilities:	
Accounts Receivable	(2,773)
Accounts Payable	<u>722</u>
Net Cash Used In Operating Activities	<u><u>(2,110)</u></u>
Net decrease in cash and cash equivalents	(2,110)
Cash and cash equivalents at October 1, 2001	<u>2,170</u>
Cash and cash equivalents at September 30, 2002	<u><u>\$ 60</u></u>

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

Hardin Metropolitan Housing Authority
Notes to the General-Purpose Financial Statements
September 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The general-purpose financial statements of the Hardin Metropolitan Housing Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America. 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 provisions 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.

Hardin Metropolitan Housing Authority
Notes to the General-Purpose Financial Statements
September 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Excluded Entity

The following entity is excluded from the Reporting Entity; however, the entity does conduct activities for the benefit of the Authority.

Hardin Housing Development Association – This organization was formed as an instrumentality of the Authority on March 15, 2002 to assist in the development and financing of housing projects. The Board of the Association is legally separate from the Hardin Metropolitan Housing Authority and is independently elected.

The responsibility of the Hardin Metropolitan Housing Authority was to make application to the State of Ohio, Ohio Department of Development pursuant to their Energy, Home Investment Partnership, and Section 403 planning grant programs in order to obtain grants or deferred loans for the development of the Project. As of the date of this report, the organization is in the preliminary development stage and no projects have been established.

Fund Accounting

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

Proprietary Fund Types:

Proprietary funds are used to account for the Authority's ongoing activities 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.

Hardin Metropolitan Housing Authority
Notes to the General-Purpose Financial Statements - Continued
September 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid investments 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.

Non-Exchange Transaction

For the fiscal year ended September 30, 2002, the Authority has implemented GASB Statement 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". At October 1, 2001, there was no effect on fund equity as a result of implementing GASB 33 and GASB 36.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

Cash and cash equivalents included in the Authority's cash position at September 30, 2002 are as follows:

Demand deposits:

Bank balance - Checking	\$ 2,135
Items-in-transit	<u>(2,075)</u>
Carrying balance	\$ <u>60</u>

Of the year-end cash balance, \$60 was covered by federal depository insurance.

Hardin Metropolitan Housing Authority
Notes to the General-Purpose Financial Statements - Continued
September 30, 2002

3. RISK MANAGEMENT

During the fiscal year 2002, the Authority contracted with KMU Insurance for lead-based paint insurance that carries a \$5,000 deductible for contractors' pollution liability and professional liability.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from the last year.

Hardin Metropolitan Housing Authority

**Balance Sheet
FDS Schedule Submitted to HUD**

September 30, 2002

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers	14.239 Home Program	Total
<u>Assets</u>				
111	Cash - Unrestricted	\$ 60	\$ -	\$ 60
100	Total Cash	<u>60</u>	<u>-</u>	<u>60</u>
	Accounts Receivable			
122	Accounts Receivable - HUD	43	-	43
124	Accounts Receivable - Other Government	<u>3,537</u>	<u>-</u>	<u>3,537</u>
120	Total Accounts Receivable	<u>3,580</u>	<u>-</u>	<u>3,580</u>
150	Total Current Assets	<u>3,640</u>	<u>-</u>	<u>3,640</u>
190	Total Assets	<u><u>\$ 3,640</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,640</u></u>
<u>Liabilities</u>				
312	Accounts Payable	\$ 2,018	\$ -	\$ 2,018
310	Total Current Liabilities	<u>2,018</u>	<u>-</u>	<u>2,018</u>
300	Total Liabilities	<u>2,018</u>	<u>-</u>	<u>2,018</u>
<u>Equity</u>				
512	Undesignated Fund Balance/Retained Earnings	<u>1,622</u>	<u>-</u>	<u>1,622</u>
	Total Equity	<u>1,622</u>	<u>-</u>	<u>1,622</u>
600	Total Liabilities and Equity	<u><u>\$ 3,640</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,640</u></u>

Hardin Metropolitan Housing Authority

**Statement of Revenues, Expenses and Changes in Equity
FDS Schedule Submitted to HUD**

Year ended September 30, 2002

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers	14.239 Home Program	Total
<u>Revenue</u>				
706	HUD Grants	\$ 14,278	\$ 31,777	\$ 46,055
711	Investment Income - Unrestricted	13	-	13
	Total Revenue	<u>14,291</u>	<u>31,777</u>	<u>46,068</u>
<u>Expenses</u>				
912	Auditing Fees	2,389	-	2,389
916	Other Operating - Administrative	252	3,990	4,242
962	Insurance Premiums	<u>1,281</u>	<u>10</u>	<u>1,291</u>
	Total Operating Expenses	<u>3,922</u>	<u>4,000</u>	<u>7,922</u>
970	Excess Operating Revenue Over Operating Expenses	<u>10,369</u>	<u>27,777</u>	<u>38,146</u>
	Other Expenses			
973	Housing Assistance Payments	<u>10,428</u>	<u>27,777</u>	<u>38,205</u>
	Total Other Expenses	<u>10,428</u>	<u>27,777</u>	<u>38,205</u>
900	Total Expenses	<u>14,350</u>	<u>31,777</u>	<u>46,127</u>
1000	Excess of Revenues over Expenses	(59)	-	(59)
1103	Equity at Beginning of Year	<u>1,681</u>	-	<u>1,681</u>
	Ending Equity	<u>\$ 1,622</u>	<u>\$ -</u>	<u>\$ 1,622</u>



Report On Compliance And On Internal Control Required By Government Auditing Standards

Board of Directors
Hardin Metropolitan Housing Authority
298 East Center Street, Suite B
Marion, Ohio 43302

We have audited the general-purpose financial statements of Hardin Metropolitan Housing Authority, Hardin County, Ohio (the Authority) as of and for the year ended September 30, 2002 and have issued our report thereon dated June 19, 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 the 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 the 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.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
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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.

Wilson, Sherman & Snow, Inc.

Newark, Ohio
June 19, 2003



**Auditor of State
Betty Montgomery**

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HARDIN METROPOLITAN HOUSING AUTHORITY

HARDIN 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
SEPTEMBER 16, 2003**