

**KNOX METROPOLITAN HOUSING AUTHORITY  
MT VERNON, OHIO**

**REPORT ON EXAMINATION OF FINANCIAL  
STATEMENTS AND SUPPLEMENTAL DATA FOR THE  
YEAR ENDED SEPTEMBER 30, 2001**

*J. E. Slaybaugh & Associates, Inc.*  
*Certified Public Accountant*  
*12 East Main Street*  
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**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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**JIM PETRO, AUDITOR OF STATE**

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Board of Commissioners  
Knox Metropolitan Housing Authority  
Mt. Vernon, Ohio

We have reviewed the independent auditor's report of the Knox Metropolitan Housing Authority, Knox County, prepared by J.E. Slaybaugh & Associates, Inc., for the audit period October 1, 2000 through September 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Knox Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

**JIM PETRO**  
Auditor of State

April 1, 2002

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KNOX METROPOLITAN HOUSING AUTHORITY  
MT. VERNON, OHIO

FOR THE YEAR ENDED SEPTEMBER 30, 2001

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Knox Metropolitan Housing Authority  
Mt. Vernon, Ohio

We have audited the accompanying balance sheet of the Knox Metropolitan Housing Authority, Mt. Vernon, Ohio, as of and for the year ended September 30, 2001, and the related statements of revenues, expenses, equity, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

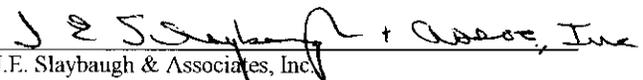
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Knox Metropolitan Housing Authority as of September 30, 2001, 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*, we have also issued a report dated March 5, 2002, on our consideration of Knox Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the 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 of America. 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.

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

  
J.E. Slaybaugh & Associates, Inc.  
March 5, 2002

KNOX METROPOLITAN HOUSING AUTHORITY  
 MT. VERNON, OHIO  
 BALANCE SHEET  
 FOR THE YEAR ENDED SEPTEMBER 30, 2001

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 15,342
Investments-Unrestricted	46,053
Accounts Receivable - HUD	66,772
Intergovernmental Accounts Receivable	59,604
Accounts Receivable-Fraud	10,587
Accounts Receivable-Other	1,789
Prepaid Expenses	<u>7,241</u>
 Total Current Assets	 207,388

Property and Equipment - Net of \$ 22,252 Accumulated Depreciation	<u>141,950</u>
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Total Assets	<u>\$ 349,338</u>
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**LIABILITIES AND EQUITY**

**Current Liabilities**

Accounts Payable	\$ 6,296
Accounts Payable- Governments	59,604
Accrued Wages and Payroll Taxes	1,294
Other Current Liabilities	10,587
Current Portion of Long Term Debt	<u>5,040</u>
 Total Current Liabilities	 <u>82,821</u>

**Non-current Liabilities**

Accrued Compensated Absences	8,280
Long Term Liability- Mortgage Payable	<u>101,809</u>
 Total Non-current Liabilities	 <u>110,089</u>

Total Liabilities	<u>192,910</u>
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**Equity**

Contributed Capital	89,860
Retained Earnings	<u>66,568</u>

Total Equity	<u>156,428</u>
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Total Liabilities and Equity	<u>\$ 349,338</u>
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The accompanying notes are an integral part of these financial statements.

KNOX METROPOLITAN HOUSING AUTHORITY  
 MT. VERNON, OHIO  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN EQUITY  
 FOR THE YEAR ENDED SEPTEMBER 30, 2001

<b><u>Revenue</u></b>	
HUD Grants	\$ 1,986,485
Investment Income-Unrestricted	6,733
Other Revenue	<u>9,453</u>
 Total Revenue	 2,002,671
<b><u>Expenses (before depreciation)</u></b>	
Housing Assistance Payments	1,706,268
Administrative Salaries	140,053
Compensated Absences	4,048
Employee Benefits	44,817
Other Administrative Expense	63,957
Material and Labor-Maintenance	13,663
General Expenses	<u>3,684</u>
 Total Expenses	 1,976,490
 Income (Loss) before Depreciation & Other Costs	 26,181
Depreciation	5,064
Interest Expense	<u>955</u>
 Operating Income (Loss)	 20,162
 Retained Earnings - Beginning of Year	 <u>46,406</u>
 Retained Earnings - End of Year	 66,568
 Contributed Capital - Beginning of Year	 <u>89,860</u>
 Contributed Capital - End of Year	 <u>89,860</u>
 Total Equity - End of Year	 <u>\$ 156,428</u>

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

KNOX METROPOLITAN HOUSING AUTHORITY  
 MT. VERNON, OHIO  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2001

**Cash Flows from Operating Activities**

Operating Income (Loss)	\$ 20,162
Adjustments to reconcile Operating Income(Loss) to Net Cash Provided By Operating Activities:	
Depreciation	5,064
Changes in Operating Assets and Liabilities that Increase (Decrease) Cash Flows:	
Intergovernmental Accounts Receivable	(25,039)
Accounts Receivable- Fraud	(9,224)
Accounts Receivable- HUD	(32,030)
Accounts Receivable-Other	(1,789)
Prepaid Expenses	(629)
Accounts Payable- Vendor	(1,255)
Accounts Payable-Other Government	33,572
Accrued Wages & Taxes Payable	1,294
Accrued Compensated Absences	4,049
Other Current Liabilities	10,587
Current Portion of Long Term Debt	5,040
Total Adjustments	<u>(10,360)</u>
Net Cash Provided By Operating Activities	<u>9,802</u>

**Cash Flows from Investing Activities**

Change in Property and Equipment	(146,206)
Change in Investments	<u>41,978</u>
Net Cash Used By Investing Activities	<u>(104,228)</u>

**Cash Flows from Capital and Related Financing Activities**

Mortgage Payable	<u>101,809</u>
Net Cash Provided by Capital and Related Financing Activities	<u>101,809</u>
Increase (Decrease) In Cash and Cash Equivalents	7,383
Cash and Cash Equivalents - Beginning of Year	<u>7,959</u>
Cash and Cash Equivalents - End of Year	<u>\$ 15,342</u>

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

KNOX METROPOLITAN HOUSING AUTHORITY  
MT. VERNON, OHIO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Knox Metropolitan Housing Authority (KMHA or Authority) was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing and administration of a low-rent housing program. An Annual Contributions Contract (ACC) was signed by the Knox 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 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.

Basis of Accounting

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

Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Authority follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Use of Estimates

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

KNOX METROPOLITAN HOUSING AUTHORITY  
MT. VERNON, OHIO  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Property and Equipment

Property and Equipment is recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred.

Useful Lives

Buildings	40 Years
Equipment	7 Years

Depreciation is recorded on the straight-line method.

Investments

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

Cash

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

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

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

NOTE 2 - CASH AND INVESTMENTS

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.

KNOX METROPOLITAN HOUSING AUTHORITY  
 MT. VERNON, OHIO  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED SEPTEMBER 30, 2001

NOTE 2 - CASH AND INVESTMENTS (continued)

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. . . . \$ 75,402 was covered by federal depository insurance.  
 Category 2. . . . n/a

The Book balances at September 30, 2001 were as follows:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Section 8 Vouchers	\$ 15,342	\$ 43,259	\$ 58,601
State/Local	-	2,794	2,794
Total	\$ 15,342	\$ 46,053	\$ 61,395

Investments

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

KNOX METROPOLITAN HOUSING AUTHORITY  
 MT. VERNON, OHIO  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED SEPTEMBER 30, 2001

NOTE 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2001, by class is as follows:

Land	\$ 15,600
Buildings	119,400
Furniture, Equipment- Administrative	<u>29,202</u>
 Total	 164,202
 Less Accumulated Depreciation	 <u>(22,252)</u>
 Net Property and Equipment	 <u>\$ 141,950</u>

NOTE 4 - 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. The rates are as follows:

Vouchers	Units per month x \$ 39.25/unit
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NOTE 5 - 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. Interested parties may obtain a copy by making a written request to 277 E. Town Street, Columbus, OH 43215-4642 or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.50% of qualifying gross wages for all employees. The total 2001 employer contribution rate was 13.55% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. The Authority's contributions to PERS. for the years ending September 30 were as follows:

	Contribution	%
9/30/01	\$ 12,711	13.55%
9/30/00	\$ 13,373	13.55%
9/30/99	\$ 15,384	13.55%

KNOX METROPOLITAN HOUSING AUTHORITY  
 MT. VERNON, OHIO  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED SEPTEMBER 30, 2001

NOTE 5 - RETIREMENT AND OTHER BENEFIT PLANS(continued)

All required contributions were made prior to each of those fiscal year ends. 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. The Ohio Revised Code provides statutory authority for employee and employer contributions. The 2001 employer contribution rate for state employers was 10.84 % of covered payroll: 4.3 % was the portion that was used to fund health care for the year, under the new calculation methodology effective January 1, 1998. Under the prior method, which was actuarially based, accrued liabilities and normal cost rates were computed to determine the amount of employerr contributions necessary to fund OPEB. OPEB is financed through employer contributions and investment earnings and is expected to be sufficient to sustain the program indefinitely. The number of benefit recipients eligible for OPEB at September 30, 2001, was 401,339.

NOTE 6 - COMPENSATED ABSENCES

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

Employees are entitled to 10 days of annual leave after completing twelve months of consecutive employment, 15 days after six years of service, 20 days after 13 years of service, and 25 days after 23 years of service. Sick pay is accumulated at the rate of 5 hours for each completed 75 hours of pay to a maximum of 900 hours.

At September 30, 2001, \$ 8,280 was accrued by the Authority for unused vacation and sick time.

NOTE 7 - INSURANCE

The Housing Authority maintains comprehensive insurance coverage with private carriers for health real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. There was no significant reduction in coverages and no settlements exceeded insurance coverage during the past three years.

NOTE 8- LONG TERM LIABILITY- Mortgage Payable

Lender:	First Knox National Bank	
Purpose:	Building Purchase	
Interest Rate:	Prime 5 Year Rate plus Margin Rate	
Current Rate:	6.50 % - 1.80 % = 4.7 %	
Amount of Loan:	\$ 107,250	
Maturity:	August 24, 2016	
Principal Payments:	2002	\$ 5,101
	2003	5,350
	2004	5,598
	2005	5,883
	2006	6,169
	Future	<u>78,748</u>
	Total	<u>\$ 106,849</u>

KNOX METROPOLITAN HOUSING AUTHORITY  
 MT. VERNON, OHIO  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2001

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures For The Year Ended</u>
<u>U.S. Department of Housing and Urban Development</u>		
<b>Section 8 Tenant Based :</b>		
Section 8 Housing Vouchers Program	14.871	\$ <u>1,986,485</u>
<b>Total Federal Assistance</b>		<b>\$ <u>1,986,485</u></b>

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

*See Independent Auditors' Report*

**KNOX METROPOLITAN HOUSING AUTHORITY**  
**Supplemental Financial Data Schedule**  
**Balance Sheet**  
**As of September 30, 2001**

	Section 8		
ASSETS	Housing Vouchers	State/Local	TOTAL
	<u>14,871</u>		
<b>Current Assets</b>			
Cash-unrestricted	\$ 15,342	\$ -	\$ 15,342
<b>Total cash</b>	<b>15,342</b>	<b>-</b>	<b>15,342</b>
<b>Accounts and notes receivables</b>			
Accounts receivable-HUD other projects	66,772		66,772
Accounts receivable-other governments		59,604	59,604
Accounts receivable-miscellaneous	1,361	428	1,789
Fraud recovery	10,587		10,587
<b>Total receivables, net of allow. for uncoll.</b>	<b>78,720</b>	<b>60,032</b>	<b>138,752</b>
<b>Current Investments</b>			
Investments-Unrestricted	43,259	2,794	46,053
Prepaid expenses and other assets	7,241		7,241
<b>Total investments</b>	<b>50,500</b>	<b>2,794</b>	<b>53,294</b>
<b>Total current assets</b>	<b>144,562</b>	<b>62,826</b>	<b>207,388</b>
<b>Noncurrent assets</b>			
Land	15,600		15,600
Buildings	119,400		119,400
Furniture, equipment and machinery-admin.	29,202		29,202
Accumulated depreciation	(22,252)		(22,252)
<b>Total fixed assets, net of accum. depreciation</b>	<b>141,950</b>	<b>-</b>	<b>141,950</b>
<b>Total non-current assets</b>	<b>141,950</b>	<b>-</b>	<b>141,950</b>
<b>Total assets</b>	<b>\$ 286,512</b>	<b>\$ 62,826</b>	<b>\$ 349,338</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable-Vendors	\$ 6,296	\$ -	\$ 6,296
Accrued wages/payroll taxes payable	1,294		1,294
Accounts payable-other government	59,604		59,604
Loan Liability-Current	5,040		5,040
Other Current Liabilities	10,587		10,587
<b>Total current liabilities</b>	<b>82,821</b>	<b>-</b>	<b>82,821</b>
<b>Non-current liabilities</b>			
Accrued Compensated Absences-Non Current	8,280		8,280
Loan Liability-Non Current	101,809		101,809
<b>Total non-current liabilities</b>	<b>110,089</b>	<b>-</b>	<b>110,089</b>
<b>Total Liabilities</b>	<b>192,910</b>	<b>-</b>	<b>192,910</b>
<b>Equity</b>			
Net HUD PHA contributions	29,492	60,368	89,860
Undesignated fund balance/retained earnings	64,110	2,458	66,568
<b>Total equity</b>	<b>93,602</b>	<b>62,826</b>	<b>156,428</b>
<b>Total liabilities &amp; equity</b>	<b>\$ 286,512</b>	<b>\$ 62,826</b>	<b>\$ 349,338</b>

See Independent Auditors' Report

KNOX METROPOLITAN HOUSING AUTHORITY  
 MT. VERNON, OHIO  
 SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM  
 FOR THE YEAR ENDED SEPTEMBER 30, 2001

	<b>Section 8 Housing Voucher Program</b>	<b>State/Local</b>	<b>Total</b>
<b>REVENUE</b>			
HUD Grants	\$ 1,986,485		\$ 1,986,485
Investment Income-Unrestricted	4,429	\$ 2,304	6,733
Other Revenue	<u>365</u>	<u>9,088</u>	<u>9,453</u>
<b>Total Revenue</b>	1,991,279	11,392	2,002,671
<b>EXPENSES</b>			
Housing Assistance Payments	1,706,268		1,706,268
Administrative Salaries	135,430	4,623	140,053
Compensated Absences	4,048		4,048
Employee Benefits	43,072	1,745	44,817
Other Administrative Expense	62,126	1,831	63,957
Material and Labor-Maintenanc	13,270	393	13,663
General Expenses	<u>3,553</u>	<u>131</u>	<u>3,684</u>
<b>Total Expenses</b>	<u>1,967,767</u>	<u>8,723</u>	<u>1,976,490</u>
<b>Income (Loss) before</b>			
<b>Depreciation &amp; Other Costs</b>	23,512	2,669	26,181
Depreciation	5,064	-	5,064
Interest Expense	<u>955</u>	<u>-</u>	<u>955</u>
<b>Operating Income (Loss)</b>	<u>\$ 17,493</u>	<u>\$ 2,669</u>	<u>\$ 20,162</u>

*See Independent Auditors' Report*

KNOX METROPOLITAN HOUSING AUTHORITY  
MT. VERNON, OHIO  
SCHEDULE OF ACTIVITY  
FOR THE YEAR ENDED SEPTEMBER 30, 2001

The PHA had 525 units under management.

<u>Management</u>	<u>Units</u>
Section 8 Housing Vouchers Program	<u>525</u>
TOTAL	<u>525</u>

REPORT ON PRIOR YEAR AUDIT FINDINGS

THERE WERE NO PRIOR YEAR AUDIT FINDINGS

*See Independent Auditors' Report*

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Certified Public Accountant*

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

Board of Commissioners  
Knox Metropolitan Housing Authority  
Mt. Vernon, Ohio

We have audited the financial statements of Knox Metropolitan Housing Authority, Mt. Vernon, Ohio, as of and for the year ended September 30, 2001, and have issued our report thereon dated March 5, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

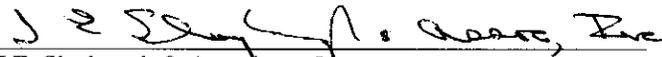
Compliance

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

Internal Control Over Financial Reporting

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

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



J.E. Slaybaugh & Associates, Inc.  
March 5, 2002

*J. E. Slaybaugh & Associates, Inc.  
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Lexington, Ohio 44904*

*Member AICPA  
Member OSCPA*

*John E. Slaybaugh III  
Certified Public Accountant*

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 Commissioners  
Knox Metropolitan Housing Authority  
Mt. Vernon, Ohio

Compliance

We have audited the compliance of Knox 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 September 30, 2001. Knox Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on Knox 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the provisions of the *Public and Indian Housing Compliance Supplement*, PIH Notice 97-30. 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 Knox 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 Knox Metropolitan Housing Authority's compliance with those requirements.

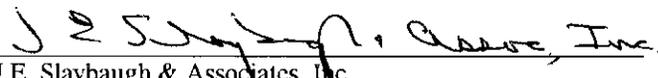
In our opinion, Knox Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2001.

Internal Control Over Compliance

The management of Knox Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the 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 for the information and use of management and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

  
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J.E. Slaybaugh & Associates, Inc.  
March 5, 2002

KNOX METROPOLITAN HOUSING AUTHORITY  
MT. VERNON, OHIO

SCHEDULE OF FINDINGS

September 30, 2001

PART I - SUMMARY OF AUDITOR'S RESULTS

1. The auditor has issued an unqualified opinion on the financial statements of Knox Metropolitan Housing Authority.
2. There were no reportable conditions in internal control disclosed by the audit of the financial statements.
3. There was no noncompliance material to the financial statements disclosed by the audit.
4. There were no reportable conditions in the internal control over major programs disclosed by the audit.
5. The auditor has issued an unqualified opinion on compliance for major programs for Knox Metropolitan Housing Authority.
6. The audit disclosed no audit findings.
7. The major programs are:
  - Section 8 Housing Voucher Program
8. The dollar threshold used to distinguish between Type A and Type B programs was \$ 300,000.
9. The auditor determined that Knox Metropolitan Housing Authority qualified as a low-risk auditee.

PART II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED  
TO BE REPORTED IN ACCORDANCE WITH *GAGAS*

1. None

PART III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS

1. None



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**KNOX METROPOLITAN HOUSING AUTHORITY**

**KNOX 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  
APRIL 11, 2002**