

**SANDUSKY METROPOLITAN HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2010**





Mary Taylor, CPA  
Auditor of State

Board of Directors  
Sandusky Metropolitan Housing Authority  
1358 Mosser Drive  
Fremont, Ohio 43420

We have reviewed the *Independent Auditor's Report* of the Sandusky Metropolitan Housing Authority, Sandusky County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2009 through June 30, 2010. 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 Sandusky Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 23, 2010

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**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2010**

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**JAMES G. ZUPKA, C.P.A., INC.**

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*Garfield Hts., Ohio 44125*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Sandusky Metropolitan Housing Authority  
Fremont, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited the accompanying financial statements of the Sandusky Metropolitan Housing Authority, Ohio as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sandusky Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on these financial statements based on our audit.

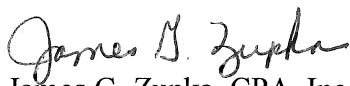
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 respective financial position of the Sandusky Metropolitan Housing Authority, as of June 30, 2010, and the respective changes in financial position, and cash flows thereof 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 November 4, 2010, on our consideration of the Sandusky Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Sandusky Metropolitan Housing Authority, Ohio's basic financial statements as a whole. The accompanying Supplemental Financial Data Schedules are presented for additional analysis and are not a required part of the basic financial statements of the Sandusky Metropolitan Housing Authority. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is also not a required part of the basic financial statements of the Sandusky Metropolitan Housing Authority, Ohio. The above noted schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
James G. Zupka, CPA, Inc.  
Certified Public Accountants

November 4, 2010

**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Unaudited)**

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The Sandusky Metropolitan Housing Authority's (the Authority) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Authority's authority-wide statements reflect a decrease in total net assets of \$77,255 (or 2.98 percent) during 2010. Net Assets were \$2.511 million and \$2.588 million for 2010 and 2009 respectively.
- The Authority's revenue increased by \$76,674 (or 5.1 percent) during 2010, and was \$1.586 million and \$1.510 million for 2010 and 2009 respectively.
- The total expenses of all Authority programs decreased by \$22,610 (or 1.34 percent). Total expenses were \$1.664 million and \$1.687 million for 2010 and 2009 respectively.

***Authority-Wide Financial Statements***

The Authority-wide financial statements are designed to be corporate-like in that all business-type activities are consolidated into columns, which add to a total for the entire Authority.

These statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.



**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010 (Continued)  
(Unaudited)**

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*Authority-Wide Financial Statements* (Continued)

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets". This account resembles the old operating reserves account.

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Net Assets (similar to an Income Statement). This statement includes Operating Revenues, such as rental income; Operating Expenses, such as administrative, utilities, and maintenance, and depreciation; and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

**THE AUTHORITY'S PROGRAMS**

*Business-Type Activities*

Conventional Public Housing - Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30 percent of adjusted gross household income.

Capital Fund Program (CFP) - This is the current primary funding source for the Authority's Public Housing physical and management improvements. Funds are provided by formula allocation and based on size and age of the agency's Public Housing units.

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30 percent, and the Housing Authority subsidizes the balance.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED June 30, 2010 (Continued)  
(Unaudited)**

**AUTHORITY-WIDE STATEMENTS**

*Statement of Net Assets*

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

**Table 1 - Statement of Net Assets**

	<u>2010</u>	<u>2009</u>
<b><u>Assets</u></b>		
Current and Other Assets	\$ 191,015	\$ 150,079
Capital Assets	<u>2,730,116</u>	<u>2,852,231</u>
<b>Total Assets</b>	<b><u>\$ 2,921,131</u></b>	<b><u>\$3,002,310</u></b>
<b><u>Liabilities</u></b>		
Current Liabilities	\$ 75,498	\$ 69,832
Long-term Liabilities	<u>334,262</u>	<u>343,852</u>
<b>Total Liabilities</b>	<b><u>409,760</u></b>	<b><u>413,684</u></b>
<b><u>Net Assets</u></b>		
Invested in Capital Assets, Net of Related Debt	2,405,509	2,507,142
Restricted	126,802	49,912
Unrestricted	<u>(20,940)</u>	<u>31,572</u>
<b>Total Net Assets</b>	<b><u>2,511,371</u></b>	<b><u>2,588,626</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 2,921,131</u></b>	<b><u>\$ 3,002,310</u></b>

For more detail information, see Statement of Net Assets presented on page 9.

**Major Factors Affecting the Statement of Net Assets:**

Current assets decreased by \$81,179 and total liabilities decreased by \$3,924. The decrease in current assets is primarily due to the use of cash for operating expenses.

Total liabilities decreased mostly as a result of a decrease in the long-term debt.

Capital assets decreased by \$122,115 primarily due to current year depreciation expense.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010 (Continued)  
(Unaudited)**

**Table 2- Change of Unrestricted Net Assets**

Unrestricted Net Assets, June 30, 2009	\$ 31,572
Results of Operations	(77,255)
Adjustments:	
Depreciation (1)	183,415
Adjusted Results from Operations	106,160
Net Change in Restricted Assets (2)	(76,890)
Net Change in Capital Assets and Related Debt (3)	(81,782)
Unrestricted Net Assets, June 30, 2010	<u>\$ (20,940)</u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.

(2) Recognizing the use of Housing Choice Voucher housing assistance payments as restricted net assets in fiscal year 2010.

(3) Capital expenditure (net of debt payments) represent an outflow of unrestricted net assets, but are not treated as an expense against results of operations, and therefore must be deducted.

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well being. The Authority's unrestricted net assets decreased.

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

**Table 3 - Statement of Revenues, Expenses, and Changes in Net Assets**

	2010	2009
<b><u>Revenues</u></b>		
Tenant Revenues - Rents and Other	\$ 78,599	\$ 77,575
Operating Subsidies and Grants	1,337,582	1,248,613
Capital Grants	60,800	65,252
Investment Income	64	246
Other Revenues	109,641	118,326
<b>Total Revenues</b>	<u>1,586,686</u>	<u>1,510,012</u>
<b><u>Expenses</u></b>		
Administrative	366,021	332,142
Contract Services	28,909	27,555
Utilities	11,279	13,365
Maintenance	59,592	86,310
Payment in Lieu of Taxes/Interest	21,933	29,800
General Expense	77,396	87,611
Housing Assistance Payments	915,396	931,618
Depreciation	183,415	178,150
<b>Total Expenses</b>	<u>1,663,941</u>	<u>1,686,551</u>
Net Increases (Decreases) in Net Assets	<u>\$ (77,255)</u>	<u>\$ (176,539)</u>

**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010 (Continued)  
(Unaudited)**

**MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS**

*REVENUES:* Operating Subsidies, Grants and Capital Grants increased by \$88,969, or 7.13 percent. The housing authority accepted an increase in operating subsidies due to HUD's asset management and project based budgeting measures. Other unobligated capital fund grants caused a partial recapture of current capital fund grants. Other Revenues increased as a result of funds received from payment of management fees.

*EXPENSES:* Maintenance expenses increased as a result of current SMHA programs minimizing the absorption of personnel related costs from Fremont Village Apartments. Housing Assistance Payments decreased as a result of a slight decrease in the payment standards.

General expenses increased due to additional bad debt expense charged off to Fremont Village.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

***Capital Assets***

As of year end, the Authority had \$2.73 million invested in a variety of capital assets as reflected in the following schedule. This represents a net decrease (addition, deductions and depreciation) of \$122,115 from the end of last year.

**Table 4 - Capital Assets at Year-End  
(Net of Depreciation)**

	2010	2009
Land	\$ 604,764	\$ 604,764
Building and Improvements	4,058,155	4,011,655
Equipment - Administrative	315,383	300,583
Equipment - Dwelling	99,207	99,207
Accumulated Depreciation	(2,347,393)	(2,163,978)
<b>Total</b>	<b><u>\$2,730,116</u></b>	<b><u>\$2,852,231</u></b>

**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010 (Continued)  
(Unaudited)**

The following reconciliation summarizes the change in Capital Assets, which is presented in detail in Note 3 of the financial statements.

**Table 5 - Change in Capital Assets**

	2010	2009
Beginning Balance, June 30, 2008	\$ 2,852,231	\$ 2,965,129
Additions	61,300	65,252
Deletions, Net of Depreciation	0	0
Depreciation	(183,415)	(178,150)
Ending Balance	<u>\$ 2,730,116</u>	<u>\$ 2,852,231</u>

***Debt Administration***

The Authority's long term debt of \$324,607 includes mortgages for seven (7) homes purchased for the Sandusky County MRDD's Capital Assisted Housing Program.

Additional information on long-term debt can be found in Note 4 of the financial statements.

**Economic Factors**

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

**IN CONCLUSION**

The Authority had a \$52,512 decrease in unrestricted net assets.

Occupancy at Fremont Village Apartments continued to be low, resulting in lower management fees to the Sandusky Metropolitan Housing Authority Board. Severe storms in June 2006 (just prior to the start of the fiscal year being audited) caused storm sewers to back up and flood one third of the property (40 units). Twenty-seven families were displaced as a result. Some were moved to vacant units, and others chose to move permanently from the property, increasing the number of vacancies at the beginning of the fiscal year. The cash flow for the property was not good enough to obtain a FEMA/SBA loan to make repairs, so the process of getting units repaired and back on line has been slow, resulting in low occupancy.

Payment Standard adjustments resulted in the use of HAP reserves.

**FINANCIAL CONTACT**

If you have any questions regarding this report, you may contact Ralph Chamberlain, Executive Director of the Sandusky Metropolitan Housing Authority at (419) 334-4426.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 35,102
Restricted Cash and Cash Equivalents	84,378
Tenant Accounts Receivable (Net of Allowance for Doubtful Accounts)	7,794
Accounts Receivable - Miscellaneous (Net of Allowance for Doubtful Accounts)	57,316
Prepaid Insurance	<u>6,425</u>
<b>Total Current Assets</b>	<u>191,015</u>

**Capital Assets**

Non-Depreciable Capital Assets	604,764
Depreciable Capital Assets, Net	<u>2,125,352</u>
<b>Total Capital Assets</b>	<u>2,730,116</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 2,921,131</u></b>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accrued Wages and Payroll Taxes	\$ 5,924
Tenant Security Deposits	17,086
Current Portion of Mortgage Payable	21,034
Current Portion of Accrued Compensated Absences	7,672
Other Current Liabilities	<u>23,782</u>
<b>Total Current Liabilities</b>	<u>75,498</u>

**Noncurrent Liabilities**

Mortgages Payable	303,573
Accrued Compensated Absences	<u>30,689</u>
<b>Total Noncurrent Liabilities</b>	<u>334,262</u>
<b>Total Liabilities</b>	<u>409,760</u>

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	2,405,509
Restricted Net Assets	126,802
Unrestricted	<u>(20,940)</u>
<b>Total Net Assets</b>	<u>2,511,371</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,921,131</u></b>
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See accompanying notes to the basic financial statements.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<b><u>Operating Revenues</u></b>	
HUD Operating Subsidies and Grants	\$ 1,337,582
Tenant Rental Income	78,599
Other Revenue	<u>109,641</u>
<b>Total Operating Revenues</b>	<b><u>1,525,822</u></b>
<b><u>Operating Expenses</u></b>	
Housing Assistance Payments	915,396
Administrative Salaries	137,251
Employee Benefits	86,993
Other Administrative Expense	141,777
Material and Labor - Maintenance	59,592
Contract Services	28,909
Utilities	11,279
General Expenses	21,205
Payments in Lieu of Taxes	232
Bad Debt Expense	56,191
Depreciation Expense	<u>183,415</u>
<b>Total Operating Expenses</b>	<b><u>1,642,240</u></b>
<b>Operating Income (Loss)</b>	<b><u>(116,418)</u></b>
<b><u>Non-Operating Revenues (Expenses)</u></b>	
Interest Expense	(21,701)
Investment Income	<u>64</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<b><u>(21,637)</u></b>
Income (Loss) Before Capital Grants	(138,055)
Capital Grants	<u>60,800</u>
<b>Change in Net Assets</b>	<b><u>(77,255)</u></b>
Total Net Assets, Beginning of Year	<u>2,588,626</u>
<b>Net Assets, End of Year</b>	<b><u><u>\$ 2,511,371</u></u></b>

See accompanying notes to the basic financial statements.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<b><u>Cash Flows from Operating Activities</u></b>	
Cash Received - HUD Operating Subsidies and Grants	\$ 1,337,582
Cash Received from Tenants and Other Sources	186,726
Cash Payments for Housing Assistance Payments	(915,396)
Cash Payments for Administrative Costs	(349,038)
Cash Payment for Other Operating Expenses	<u>(175,559)</u>
<b>Net Cash Used in by Operating Activities</b>	<u>84,315</u>
 <b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Capital Addition	(61,300)
Capital Grant	60,800
Interest Expense	(21,701)
Repayment of Long Term Debt	<u>(20,483)</u>
<b>Net Cash Provided (Used) by Capital and Other Related Financing Activities</b>	<u>(42,684)</u>
 <b><u>Cash Flows from Investing Activities</u></b>	
Investment Income	<u>64</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>64</u>
Net Increase (Decrease) in Cash and Cash Equivalents	41,695
 Cash and Cash Equivalents, Beginning	<u>77,785</u>
 <b>Cash and Cash Equivalents, Ending</b>	<u><u>\$ 119,480</u></u>
 <b><u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u></b>	
Net Operating (Loss)	\$ (116,418)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	183,415
(Increase) Decrease in:	
Accounts Receivable	(654)
Prepaid Expenses	1,413
Increase (Decrease) in:	
Accounts Payable	(14,620)
Compensated Absences	15,168
Security Deposit	(860)
Other Current Liabilities	15,056
Accrued Wages and Payroll Taxes	<u>1,815</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u><u>\$ 84,315</u></u>

See accompanying notes to the basic financial statements.



**SANDUSKY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Reporting Entity**

The Sandusky Metropolitan Housing Authority (SMHA) is a political subdivision of the State of Ohio, located in Fremont, Ohio, created under Section 3735.27 of the Ohio Revised Code, to engage in the acquisition, development, leasing and administration of low-rent housing program. An Annual Contributions Contract was signed by the SMHA and the United States Department of Housing and Urban Development (HUD), under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring constructing, maintenance, 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. This criterion was considered in determining the reporting entity. The Authority is a political subdivision with no component units.

**Basis of Presentation**

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Authority has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board, or any Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The Authority has elected not to follow FASB guidance issued after November 30, 1989.

The Authority’s basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(CONTINUED)**

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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Basis of Presentation** (Continued)

The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the changes in net assets, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

**Measurement Focus and Basis of Accounting**

The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(CONTINUED)**

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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Cash and Cash Equivalents**

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

**Investments**

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

**Restricted Assets**

Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include excess Housing Choice Voucher housing assistance payments funding and security deposits collected from residents of the Agency's housing units.

**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 repair costs are expensed as incurred.

Useful life of property and equipment is as follows:

Buildings	27.5 - 40 years
Land and Building Improvements	15 years
Equipment	5 - 10 years

Depreciation is recorded on the straight-line method. Total depreciation expense for the 2010 fiscal year was \$183,415.

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted Net Assets include what is know as Housing Choice Voucher Program HAP Equity. That is funding provided to the Agency by HUD for the purpose of making rental assistance payments on behalf of program participants that has yet to be expended.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(CONTINUED)**

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NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Net Assets** (Continued)

The Authority applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Budgetary Accounting**

SMHA annually prepares funding requests as prescribed by HUD. After HUD approval of these requests, a budget is adopted by the Board of SMHA.

**Capitalization of Interest**

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

NOTE 2: **DEPOSITS AND INVESTMENTS**

**Deposits**

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed to 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.

At year-end, the carrying amount of the Authority's deposits were \$119,480 (including \$67,384 of restricted funds and \$120 of petty cash) and the bank balance was \$144,719.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(CONTINUED)**

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NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

**Custodial Credit Risk**

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of year-end, deposits totaling \$144,719 were covered by Federal Depository Insurance and no deposits were uninsured and collateralized with securities held by the financial institution's trust department or agent, pledged to the Authority.

**Investments**

HUD regulations and the Ohio Revised Code restrict how the Authority may invest its funds.

The Authority has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At June 30, 2010 the Authority has no investments.

**Interest Rate Risk**

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires those funds which are not operating reserve funds to be invested in investments with a maximum term of one year or the Authority's operating cycle. For investments of the Authority's operating reserve funds, the maximum term can be up to three years. The intent of the policy is to avoid the need to sell securities prior to maturity.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk**

Generally, the Authority places no limit on the amount it may invest in any one financial institution. The Authority's deposits in financial institutions represent 100 percent of its deposits.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(CONTINUED)**

NOTE 3: **CAPITAL ASSETS**

A summary of changes in capital assets during the year is as follows:

	Balance <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2010</u>
<b>Capital Assets not being</b>				
<b>Depreciated</b>				
Land	\$ 604,764	\$ 0	\$ 0	\$ 604,764
Total Capital Assets not being Depreciated	<u>604,764</u>	<u>0</u>	<u>0</u>	<u>604,764</u>
<b>Capital Assets being</b>				
<b>Depreciated</b>				
Buildings and Improvements	4,011,655	46,500	0	4,058,155
Furniture and Equipment	<u>399,790</u>	<u>14,800</u>	<u>0</u>	<u>414,590</u>
Total Capital Assets being Depreciated	<u>4,411,445</u>	<u>61,300</u>	<u>0</u>	<u>4,472,745</u>
<b>Less Accumulated Depreciation</b>				
Buildings and Improvements	1,774,237	167,078	0	1,941,315
Furniture and Equipment	<u>389,741</u>	<u>16,337</u>	<u>0</u>	<u>406,078</u>
Total Accumulated Depreciation	<u>2,163,978</u>	<u>183,415</u>	<u>0</u>	<u>2,347,393</u>
Total Capital Assets being Depreciated, Net	<u>2,247,467</u>	<u>(122,115)</u>	<u>0</u>	<u>2,125,352</u>
<b>Total Capital Assets, Net</b>	<b><u>\$ 2,852,231</u></b>	<b><u>\$ (122,115)</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 2,730,116</u></b>

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**SANDUSKY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(CONTINUED)**

**NOTE 4: LONG-TERM LIABILITIES**

The changes in the Authority's long-term liabilities during the year were as follows:

	Balance 06/30/09	Additions	Deductions	Balance 06/30/10	Amounts Due in One Year
<b><u>Business-Type Activities</u></b>					
Mortgages Payable	\$ 345,090	\$ 0	\$ (20,483)	\$ 324,607	\$ 21,034
Compensated Absences	23,193	19,799	(4,631)	38,361	7,672
Total Business-Type Long-Term Liabilities	<u>\$ 368,283</u>	<u>\$ 19,799</u>	<u>\$ (25,114)</u>	<u>\$ 362,968</u>	<u>\$ 28,706</u>

Mortgages payable consist of the following:

The Authority has a note payable to the Croghan Colonial Bank of Fremont amounting to \$27,663. The original principal of the loan was \$104,041 and the current rate is 7.25 percent annually. Principal and interest payments, currently \$445.90 began in December 2001 with the final payment due on December 2016. The loan is secured by the first mortgage on the property located at 728 Nickel St., Fremont, Ohio. \$ 27,663

The Authority has a note payable to the Croghan Colonial Bank of Fremont amounting to \$17,847. The original principal of the loan was \$87,250 and the current rate is 7.125 percent annually. Principal and interest payments, currently \$320.01, began in February, 2007 with the final payment due on January, 2016. The loan is secured by an open-end mortgage on real estate property located at 408 S. Pennsylvania Avenue and 1007 W. State Street, Fremont, Ohio. 17,847

The Authority has a note payable to the Croghan Colonial Bank of Fremont amounting to \$62,266. The original principal of the loan was \$123,500 and the current rate is 6.15 percent annually. Principal and interest payments, currently \$430.06 began in October 2002 with the final payment due on July, 2032. The loan is secured by an open-end mortgage on real estate property located at 562 Crestwood, Fremont, Ohio. 62,266

The Authority has a note payable to the Croghan Colonial Bank of Fremont amounting to \$44,021. The original principal of the loan was \$70,000 and the current rate is 6.60 percent annually. Principal and interest payments, currently \$606.05, began in March, 2003 with the final payment due on March, 2018. The loan is secured by an open-end mortgage on real estate property located at 114 S. Jefferson Street, Fremont, Ohio. 44,021

The Authority has a note payable to the Croghan Colonial Bank of Fremont, amounting to \$76,649 at a current rate of 5.50 percent annually. Principal and interest payments of \$671.62 began in January, 2004 with the final payment due on December, 2023. The loan is secured by an open-end mortgage on real estate located at 1407 Rosewood Street, Fremont, Ohio 43420. 76,649

**SANDUSKY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(CONTINUED)**

NOTE 4: **LONG-TERM LIABILITIES** (Continued)

The Authority has a note payable to the Croghan Colonial Bank of Fremont amounting to \$68,739. The original principal of the loan was \$147,000 and the current rate is 6.75 percent annually. Principal and interest payments, currently \$598.79, began in November 2005 with the final payment due on October, 2025. The loan is secured by an open-end mortgage on real estate property located at 3695 CR 175, Clyde, Ohio & 1107 W. State Street, Fremont, Ohio. 68,739

The Authority has a note payable to the Croghan Colonial Bank of Fremont amounting to \$27,422. The original principal of the loan was \$104,000 and the current rate is 7.40 percent annually. Principal and interest payments, currently \$439.56, began in January 2002 with the final payment due in January, 2017. The loan is secured by a first mortgage on the property located at 148 W. Drew Lane, Clyde, Ohio. 27,422

Subtotal 324,607

Less: Current Portion (21,034)

Total Long-Term Mortgages Payable \$ 303,573

The following is a summary of the Authority's future debt service requirements as of June 30, 2010:

<u>For the Year</u> <u>Ended June, 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
2011	\$ 21,910	\$ 20,234	\$ 42,144
2012	23,420	18,724	42,144
2013	25,035	17,109	42,144
2014	26,762	15,382	42,144
2015	28,610	13,534	42,144
2016-2020	94,471	41,287	135,758
2021-2025	68,637	21,248	89,885
2026-2030	21,282	7,513	28,795
2031-2033	<u>14,480</u>	<u>1,456</u>	<u>15,936</u>
Totals	<u><u>\$ 324,607</u></u>	<u><u>\$ 156,487</u></u>	<u><u>\$ 481,094</u></u>

Additional information on compensated absences is detailed in Note 8 of the financial statements.



**SANDUSKY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(CONTINUED)**

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NOTE 5: **ALLOCATION OF COSTS**

The Authority allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program or estimated actual usage. Management considers this to be an equitable method of allocation.

NOTE 6: **DEFINED BENEFIT PENSION PLAN**

**Ohio Public Employees Retirement System**

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the Traditional Pension and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. Effective January 1, 2009, the members of all three plans were required to contribute 10.0 percent of their annual covered salaries. The Authority's contribution rate for 2010 and 2009 was 14.0 percent of covered payroll.

The Authority's required contributions to OPERS for the years ended June 30, 2010, 2009 and 2008 were \$27,238, \$30,538 and \$38,933, respectively; 100 percent has been contributed for 2010, 2009, and 2008.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(CONTINUED)**

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NOTE 7: **POST-EMPLOYMENT BENEFITS**

**A. Plan Description**

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

**B. Funding Policy**

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(CONTINUED)**

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NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

B. **Funding Policy** (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010 and 2009, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2010 and 2009, the employer contribution allocated to the health care plan was 5.50 percent of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended June 30, 2010, which were used to fund post-employment benefits were \$10,701.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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**SANDUSKY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(CONTINUED)**

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**NOTE 8: COMPENSATED ABSENCES**

Vacation and sick leave policies are established by the Board of Authority based on local and state laws. All permanent full-time employees will earn 8 hours of sick leave per month of active pay status. Employees who are eligible for sick leave may accrue and carryover all sick leave earned, but not used. At the time of retirement, employees shall be paid the amount equal to one fourth (1/4) of the value of the employee's accrued but unused sick leave at the time of retirement up to a maximum payment of 30 days. Full-time employees earn paid vacation according to a schedule based on the number of full months of completed service with the Housing Authority. All vacation time accumulated will be limited to the equivalent to two (2) years accumulation at the employee's current vacation accrual rate. All vacation time accumulated will be paid upon separation.

**NOTE 9: RISK MANAGEMENT**

The Authority is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of damage to, and destruction of assets; errors and omissions; and injuries to employees.

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, and building contents. Workers' Compensation coverage is maintained through the State. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three years.

**NOTE 10: CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2010, the Authority implemented GASB Statement No. 51, *Accounting and Reporting for Intangible Assets*, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

The implementation of GASB Statements No. 51, No. 54, No. 55, No. 56, and No. 58 did not affect the presentation of the financial statements of the Authority.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(CONTINUED)**

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NOTE 11: **CONTINGENCIES**

The Authority is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

The Authority has received several Federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

NOTE 12: **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Sandusky Metropolitan Housing Authority and is presented on the accrued basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
<i>Direct Programs:</i>		
Low Rent Public Housing Program	14.850	\$ <u>150,913</u>
<i>CFP Cluster:</i>		
Capital Fund Program	14.872	98,195
Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded	14.885	<u>39,500</u>
<b>Total CFP Cluster</b>		<u>137,695</u>
Section 8 Housing Choice Voucher Program	14.871	<u>1,109,774</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>1,398,382</u>
<b>Total Federal Expenditures</b>		<u>\$ 1,398,382</u>

This schedule is prepared on the accrual basis of accounting.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY (OH054)**  
**FREMONT, OH**  
**Entity Wide Balance Sheet Summary**

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2010

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	14.885 Formula Recovery Act	Total
111 Cash - Unrestricted	\$15,714		\$19,388		\$35,102
113 Cash - Other Restricted		\$67,384			\$67,384
114 Cash - Tenant Security Deposits	\$11,192		\$5,802		\$16,994
100 Total Cash	\$26,906	\$67,384	\$25,190	\$0	\$119,480
124 Accounts Receivable - Other Government			\$57,316		\$57,316
126 Accounts Receivable - Tenants	\$9,169				\$9,169
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,375				-\$1,375
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$7,794	\$0	\$57,316	\$0	\$65,110
142 Prepaid Expenses and Other Assets	\$5,249		\$1,176		\$6,425
144 Inter Program Due From	\$101,866	\$45,529	\$22,178	(\$169,573)	\$0
150 Total Current Assets	\$141,815	\$112,913	\$105,860	(\$169,573)	\$191,015
161 Land	\$596,650	\$8,114			\$604,764
162 Buildings	\$3,108,985		\$949,170		\$4,058,155
163 Furniture, Equipment & Machinery - Dwellings	\$99,207				\$99,207
164 Furniture, Equipment & Machinery - Administration	\$260,618	\$50,697	\$4,068		\$315,383
166 Accumulated Depreciation	-\$2,018,196	-\$50,697	-\$278,500		-\$2,347,393
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,047,264	\$8,114	\$674,738		\$2,730,116
180 Total Non-Current Assets	\$2,047,264	\$8,114	\$674,738	\$0	\$2,730,116
190 Total Assets	\$2,189,079	\$121,027	\$780,598	(\$169,573)	\$2,921,131
321 Accrued Wage/Payroll Taxes Payable			\$5,924		\$5,924
322 Accrued Compensated Absences - Current Portion	\$3,807	\$3,334	\$531		\$7,672
341 Tenant Security Deposits	\$11,286		\$5,800		\$17,086
342 Deferred Revenues	\$22,710				\$22,710
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds			\$21,034		\$21,034
345 Other Current Liabilities	\$1,072				\$1,072
347 Inter Program - Due To	\$18,013		\$151,560	(\$169,573)	\$0
310 Total Current Liabilities	\$56,888	\$3,334	\$184,849	(\$169,573)	\$75,498
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			\$303,573		\$303,573
354 Accrued Compensated Absences - Non Current	\$15,228	\$13,338	\$2,123		\$30,689
350 Total Non-Current Liabilities	\$15,228	\$13,338	\$305,696		\$334,262
300 Total Liabilities	\$72,116	\$16,672	\$490,545	(\$169,573)	\$409,760
508.1 Invested In Capital Assets, Net of Related Debt	\$2,047,264	\$8,114	\$350,131		\$2,405,509
511.1 Restricted Net Assets		\$126,802			\$126,802
512.1 Unrestricted Net Assets	\$69,699	(\$30,561)	-\$60,078		(\$20,940)
513 Total Equity/Net Assets	\$2,116,963	\$104,355	\$290,053	\$0	\$2,511,371
600 Total Liabilities and Equity/Net Assets	\$2,189,079	\$121,027	\$780,598	(\$169,573)	\$2,921,131

SANDUSKY METROPOLITAN HOUSING AUTHORITY (OH054)  
FREMONT, OH

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2010

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	14,885 Formula Recovery Act	Total
70300 Net Tenant Rental Revenue	\$3,830		\$74,769		\$78,599
70500 Total Tenant Revenue	\$3,830		\$74,769		\$78,599
70600 HUD PHA Operating Grants	\$227,808	\$1,109,774			\$1,337,582
70610 Capital Grants	\$21,300			\$39,500	\$60,800
71100 Investment Income - Unrestricted	\$25	\$35	\$4		\$64
71400 Fraud Recovery		\$113			\$113
71500 Other Revenue			\$109,528		\$109,528
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted					
70000 Total Revenue	\$252,963	\$1,109,922	\$184,301	\$39,500	\$1,586,686
91100 Administrative Salaries	\$43,346	\$70,298	\$38,775		\$152,419
91200 Auditing Fees	\$3,812	\$6,713	\$262		\$10,787
91300 Management Fee	\$13,844	\$20,522			\$34,366
91500 Employee Benefit contributions - Administrative	\$13,568	\$25,434	\$14,529		\$53,531
91900 Other	\$82,370	\$12,943	\$1,311		\$96,624
91000 Total Operating - Administrative	\$156,940	\$135,910	\$54,877		\$347,727
93100 Water	\$1,479				\$1,479
93200 Electricity	\$6,778				\$6,778
93300 Gas	\$3,022				\$3,022
93000 Total Utilities	\$11,279	\$0	\$0		\$11,279
94100 Ordinary Maintenance and Operations - Labor	\$29,875		\$16,274		\$46,149
94200 Ordinary Maintenance and Operations - Materials and Other	\$9,087		\$4,356		\$13,443
94300 Ordinary Maintenance and Operations Contracts	\$8,692	\$11,378	\$8,839		\$28,909
94500 Employee Benefit Contributions - Ordinary Maintenance	\$12,064		\$6,230		\$18,294
94000 Total Maintenance	\$59,718	\$11,378	\$35,699		\$106,795



SANDUSKY METROPOLITAN HOUSING AUTHORITY (OH054)  
 FREMONT, OH

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2010

	Project Total	14,871 Housing Choice Vouchers	2 State/Local	14,885 Formula Recovery Act	Total
95100 Protective Services - Labor	\$1,008				\$1,008
95000 Total Protective Services	\$1,008	\$0	\$0		\$1,008
96110 Property Insurance	\$14,200	\$956	\$3,721		\$18,877
96130 Workmen's Compensation	\$1,320				\$1,320
96100 Total Insurance Premiums	\$15,520	\$956	\$3,721		\$20,197
96300 Payments in Lieu of Taxes			\$232		\$232
96400 Bad debt - Tenant Rents			\$56,191		\$56,191
96000 Total Other General Expenses	\$0	\$0	\$56,423		\$56,423
96710 Interest of Mortgage (or Bonds) Payable			\$21,701		\$21,701
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$21,701		\$21,701
96900 Total Operating Expenses	\$244,465	\$148,244	\$172,421		\$565,130
97000 Excess of Operating Revenue over Operating Expenses	\$8,498	\$961,678	\$11,880	\$39,500	\$1,021,556
97300 Housing Assistance Payments		\$915,396		\$915,396	\$915,396
97400 Depreciation Expense	\$147,596		\$5,819	\$183,415	\$183,415
90000 Total Expenses	\$392,061	\$1,063,640	\$208,240	\$1,663,941	\$1,663,941
10010 Operating Transfer In	\$39,500			(\$39,500)	\$0
10100 Total Other financing Sources (Uses)	\$39,500			(\$39,500)	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(\$99,598)	\$46,282	(\$23,939)	\$0	(\$77,255)
11030 Beginning Equity	\$2,216,561	\$58,073	\$313,992	\$0	\$2,588,626
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors					
11170 Administrative Fee Equity		\$22,447		\$22,447	\$22,447
11180 Housing Assistance Payments Equity		\$126,802		\$126,802	\$126,802
11190 Unit Months Available	576	4008	108	4692	4692
11210 Number of Unit Months Leased	558	2473	108	3139	3139

**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
*5240 East 98<sup>th</sup> Street*  
*Garfield Hts., Ohio 44125*

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

Board of Directors  
Sandusky Metropolitan Housing  
Fremont, Ohio

Regional Inspector General for Audit  
Department of Housing and Urban  
Development

We have audited the financial statements of the Sandusky Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 4, 2010. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Sandusky Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sandusky Metropolitan Housing Authority, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sandusky Metropolitan Housing Authority, Ohio's internal control over financial reporting.

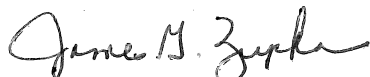
*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Sandusky Metropolitan Housing Authority, Ohio's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Sandusky Metropolitan Housing Authority, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, Board of Directors, others within the entity and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
James G. Zupka, CPA, Inc.  
Certified Public Accountants

November 4, 2010

**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants*

*5240 East 98<sup>th</sup> Street*

*Garfield Hts., Ohio 44125*

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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
Sandusky Metropolitan Housing Authority  
Fremont, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Compliance**

We have audited the compliance of the Sandusky Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect to each of its major federal programs for the year ended June 30, 2010. The Sandusky Metropolitan Housing Authority, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Sandusky Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Sandusky Metropolitan Housing Authority, Ohio'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. 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 the Sandusky Metropolitan Housing Authority, Ohio'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 of the Sandusky Metropolitan Housing Authority, Ohio's compliance with those requirements.

In our opinion, the Sandusky Metropolitan Housing Authority, Ohio, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, we did note an immaterial instance of noncompliance described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2010-1**.

### **Internal Control Over Compliance**

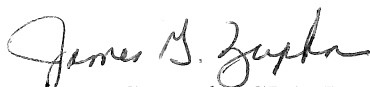
The management of the Sandusky Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Sandusky Metropolitan Housing Authority, Ohio's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Sandusky Metropolitan Housing Authority, Ohio's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operations of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

Sandusky Metropolitan Housing Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Sandusky Metropolitan Housing Authority's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the management, the Board of Directors, others within the entity and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
James G. Zupka CPA, Inc.  
Certified Public Accountants

November 4, 2010

**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
JUNE 30, 2010**

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**1. SUMMARY OF AUDITOR'S RESULTS**

2010(i)	Type of Financial Statement Opinion	Unqualified
2010(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2010(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2010(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2010(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2010(iv)	Were there any other significant deficiency conditions reported for major Federal programs?	No
2010(v)	Type of Major Programs' Compliance Opinion	Unqualified
2010(vi)	Are there any reportable findings under .510?	Yes
2010(vii)	Major Programs (list):  CFDA #14.871 - Housing Choice Voucher Program CFDA #14.872 - Capital Fund Program CFDA #14.885 - Stimulus Recovery Act Funded	
2010(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
2010(ix)	Low Risk Auditee?	Yes

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

None.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 & .505  
(CONTINUED)  
JUNE 30, 2010**

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**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Finding 2010-1 - Cash Management**

**Program Names** - 14.872 Public Housing Capital Fund and 14.855 Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded

**Federal Agency** - Department of Housing and Urban Development

**Finding Type** - Immaterial Noncompliance

**Criteria** - PHAs must disburse cash received within three working days of the receipt (HUD Guidebook 7485.3, 10-6)

**Condition** - In our test of program receipts and disbursements, we noted several instances where program receipts were not fully disbursed within three business days of their receipt.

**Questioned Costs** - None noted.

**Cause and Effect** - Program draws were not effectively coordinated with program disbursements to ensure all funds received were fully expended within three business days. No material effect to the program. The amounts not fully expended within three business days did not result in the Authority having a material amount of program funds that should have been disbursed.

**Recommendation** - The Authority should implement procedures to ensure program funds are fully disbursed in compliance with program regulations.

**Auditee Response** - In the Authority's attempt to efficiently disburse funds to the contractor, funds were requested as soon as possible. Unforeseen delays in obtaining final written approval from the Authority's contracted architect resulted in disbursement beyond the three business day time frame. In the future, funds will not be requisitioned until final written approval from the architect has already been received.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
STATUS OF PRIOR CITATIONS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2010**

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The prior audit report, as of June 30, 2009, included no material instances of noncompliance or significant deficiencies in internal controls, citations, questioned costs, or management letter recommendations.





**Mary Taylor, CPA**  
Auditor of State

**SANDUSKY METROPOLITAN HOUSING AUTHORITY**

**SANDUSKY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 6, 2011**