

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

of the

**PERRY METROPOLITAN
HOUSING AUTHORITY**

for the

Year Ended December 31, 2003



**Auditor of State
Betty Montgomery**

Board of Directors
Perry Metropolitan Housing Authority
26 Brown Circle Drive
Crooksville, Oh 43731

We have reviewed the Independent Auditor's Report of the Perry Metropolitan Housing Authority, Perry County, prepared by Jones, Cochenour & Co., for the audit period January 1, 2003 through December 31, 2003. 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 Perry Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 28, 2004

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Perry Metropolitan Housing Authority
Crooksville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying basic financial statements of Perry Metropolitan Housing Authority, as of and for the year ended December 31, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the Perry Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Perry Metropolitan Housing Authority, as of December 31, 2003, and the results of its operations and the cash flows of its proprietary funds activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 of the basic financial statements, the Authority adopted the provisions of Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, as of January 1, 2003. This results in a change to the Authority's format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 16, 2004 on our consideration of Perry Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The supplemental data listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements of the Perry Metropolitan Housing Authority. The accompanying Schedule of Federal Awards Expenditures 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 not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

**Jones, Cochenour & Co.
April 16, 2004**

**PERRY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2003
Unaudited**

Housing Authority's ("the Authority") *Management 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)
- (d) Identify the single enterprise fund issues or concerns.

This *Management Discussion and Analysis (M D & A)* is new and will now be presented at the front of each year's financial statements.

Since the *M D & 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 which follow.

FINANCIAL HIGHLIGHTS

- In 2003, the Housing Authority implemented GASB 34.
- Total revenues: FYE 12/31/03: \$1,566,144
FYE 12/31/02: \$1,530,311 Increase of \$35,833 (2.34%) in 2003
- Total expenses: FYE 12/31/03: \$1,667,263
FYE 12/31/02: \$1,642,060 Increase of \$25,203 (1.53%) in 2003

USING THIS ANNUAL REPORT

This is a very different presentation of the Authority's previous financial statements. The following graphic outlining these changes is provided for your review:

MD&A ~ Management Discussion and Analysis (new) ~
Basic Financial Statements ~ Statement of Net Assets ~ ~ Statement of Revenues, Expenses and Changes in Net Assets ~ ~ Statement of Cash Flows ~ ~ Notes to Financial Statements ~

The new and clearly preferable focus is on the Authority as a single enterprise fund. This new format will allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

PERRY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS -CONTINUED
Year Ended December 31, 2003
Unaudited

BASIC FINANCIAL STATEMENTS

The basic financial statements, beginning on page 10 are designed to be corporate-like in that all business type programs are consolidated into one single enterprise fund for the 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, equals "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 (as applicable):

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.

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 basic financial statements also include a Statement of Revenues, Expenses and Changes in Fund 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 Fund 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 that are consolidated into a single enterprise fund are as follows:

Conventional Public Housing (PH) – 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% of adjusted gross household income.

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. Funds are allocated by a formula allocation and based on size and age of the authority's units.

Housing Choice Voucher Program (HCVP) – 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%, and the Housing Authority subsidizes the balance.

**PERRY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS -CONTINUED
Year Ended December 31, 2003
Unaudited**

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

The following table reflects the condensed Statement of Net Assets compared to prior year.

**TABLE 1
STATEMENT OF NET ASSETS**

	<u>EYE 12/31/03</u>	<u>RESTATED EYE 12/31/02</u>
Current and Other Assets	\$ 638,276	\$ 597,527
Capital Assets	<u>\$3,838,595</u>	<u>\$3,983,884</u>
<i>TOTAL ASSETS</i>	\$4,476,871	\$4,581,411
Other Liabilities	\$ 103,543	\$ 104,821
Long-Term Liabilities	<u>\$ 12,946</u>	<u>\$ 15,089</u>
<i>TOTAL LIABILITIES</i>	\$ 116,489	\$ 119,910
Net Assets:		
Invested in Capital Assets, net of Related Debt	\$3,838,595	\$3,983,884
Unrestricted	<u>\$ 521,787</u>	<u>\$ 477,617</u>
<i>TOTAL NET ASSETS</i>	<u>\$4,360,382</u>	<u>\$4,461,501</u>

NOTE: For more detailed information, see the *Statement of Net Assets*.

Major factors affecting the *Statement of Net Assets*: Net Assets reflect the most significant change in comparing the two years largely due to *Capital Fund Programs*.

**PERRY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS -CONTINUED
Year Ended December 31, 2003
Unaudited**

**TABLE 2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

The following schedule compares the revenues and expenses for the current and previous fiscal year:

	<u>FYE 12/31/03</u>	<u>RESTATED FYE 12/31/02</u>
Revenue:		
Tenant Revenue (Rent and Other)	\$ 252,186	\$ 260,852
Operating Subsidies and Grants	\$1,088,047	\$1,053,005
Capital Grants	\$ 27,567	\$ 76,392
Investment Income	\$ 9,770	\$ 11,597
Other Revenues	<u>\$ 188,574</u>	<u>\$ 129,479</u>
<i>TOTAL REVENUE</i>	\$1,566,144	\$1,531,325
Expenses:		
Administration	\$ 251,206	\$ 278,568
Tenant Services	\$ 1,302	\$ 327
Utilities	\$ 99,653	\$ 94,734
Maintenance	\$ 180,454	\$ 223,707
General Expenses	\$ 45,339	\$ 40,417
Housing Assistance Payments	\$ 759,833	\$ 740,032
Depreciation	<u>\$ 329,476</u>	<u>\$ 264,275</u>
<i>TOTAL EXPENSES</i>	<u>\$1,667,263</u>	<u>\$1,642,060</u>
Net Operating Loss	\$ (101,119)	\$ (110,735)
Equity, Beginning, Restated	<u>\$4,461,501</u>	<u>\$4,572,236</u>
<i>EQUITY, ENDING</i>	<u>\$4,360,382</u>	<u>\$4,461,501</u>

Major factors affecting the *Statement of Revenue, Expenses, and Changes in Net Asset*: Comparisons between these years do not reflect any significant changes. The Authority essentially operated consistently between the years.

**PERRY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS -CONTINUED
Year Ended December 31, 2003
Unaudited**

CAPITAL ASSETS

As of year end, the Authority had \$3,838,595 invested in a variety of capital assets as reflected in the following schedule which represents a net decrease (addition, deductions and depreciation) of \$145,289 from the end of last year after the restatement of capital assets.

**TABLE 3
CAPITAL ASSETS AT YEAR-END
(Net of Depreciation)**

	<u>FYE 12/31/03</u>	<u>FYE 12/31/02</u>
Land and Land Rights	\$ 250,335	\$ 250,335
Buildings	\$5,711,626	\$5,553,214
Equipment-Administrative	\$ 209,138	\$ 203,835
Equipment-Dwellings	\$ 30,673	\$ 20,970
Accumulated Depreciation	(\$4,075,817)	(\$3,757,110)
Leasehold Improvements	<u>\$1,712,640</u>	<u>\$1,712,640</u>
TOTAL	<u>\$3,838,595</u>	<u>\$3,983,884</u>

**TABLE 4
CHANGE IN CAPITAL ASSETS**

The following reconciliation summarizes the change in Capital Assets.

Beginning Balance	\$3,983,884
Additions	184,187
Net Depreciation	<u>(329,476)</u>
Ending Balance:	<u>\$3,838,595</u>

Additions relate to *Capital Fund Program* grant improvements.

**PERRY METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS -CONTINUED
Year Ended December 31, 2003
Unaudited**

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

Perry Metropolitan Housing Authority takes great pride in its financial management and is pleased to report on consistent and sound financial condition of the Authority.

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Carole Sowards, Executive Director of the Perry Metropolitan Housing Authority at (740) 982-3661.

Respectfully submitted,

Carole, Sowards, Executive Director

**PERRY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2003**

ASSETS

Cash and cash equivalents	\$	463,205
Investments		128,000
Receivables - net of allowance		7,369
Inventories - net of allowance		20,368
Due from other programs		17,345
Deferred charges and other assets		<u>1,989</u>
TOTAL CURRENT ASSETS		638,276

CAPITAL ASSETS

Land and construction in progress		250,335
Other capital assets - net		<u>3,588,260</u>
TOTAL ASSETS		4,476,871

LIABILITIES

Accounts payable		6,252
Accounts payable - other government		17,882
Accrued wages and payroll taxes		11,404
Accrued compensated absences - current		19,180
Tenant security deposits		25,891
Due to other programs		17,345
Deferred revenue		<u>5,589</u>
TOTAL CURRENT LIABILITIES		103,543

FSS liability		4,357
Accrued compensated absences - noncurrent		<u>8,589</u>
TOTAL LIABILITIES		116,489

NET ASSETS

Invested in capital assets - net of related debt		3,838,595
Unrestricted net assets		<u>521,787</u>
TOTAL NET ASSETS	\$	<u>4,360,382</u>

See accompanying notes to the basic financial statements

PERRY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended December 31, 2003

OPERATING REVENUES	
Tenant revenue	\$ 252,186
HUD operating grants	1,115,614
Other operating revenues	<u>4,387</u>
TOTAL OPERATING REVENUES	1,372,187
 OPERATING EXPENSES	
Administrative	252,508
Utilities	99,653
Maintenance	180,454
Depreciation	329,476
PILOT	14,489
Insurance	23,289
Bad debts	7,561
Housing assistance payments	<u>759,833</u>
TOTAL OPERATING EXPENSES	<u>1,667,263</u>
OPERATING LOSS	(295,076)
 NON-OPERATING REVENUES	
Interest income	9,770
HUD CAPITAL GRANTS	<u>184,187</u>
CHANGE IN NET ASSETS	(101,119)
Net Assets Beginning of Year	4,460,486
Prior period adjustments	<u>1,015</u>
Net Assets Beginning of Year - Restated	<u>4,461,501</u>
NET ASSETS END OF YEAR	<u><u>\$ 4,360,382</u></u>

See accompanying notes to the basic financial statements

PERRY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from tenants/other	\$ 277,948
Cash received from HUD	1,114,335
Cash payments for housing assistance payments	(759,833)
Cash payments for administrative	(256,308)
Cash payments for other operating expenses	(306,141)
Cash payments to HUD and other governments	<u>(15,922)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	54,079
 CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Capital grants received	184,187
Acquisition of capital assets	(184,187)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>9,770</u>
INCREASE IN CASH AND CASH EQUIVALENTS	63,849
CASH AND CASH EQUIVALENTS, BEGINNING	<u>399,356</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 463,205</u></u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED FOR) OPERATING ACTIVITIES	
Operating (loss)	\$ (295,076)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	329,476
(Increase) decrease in:	
Receivables - net of allowance	21,375
Due from other programs	(3,860)
Inventories - net of allowance	4,935
Deferred charges and other assets	650
Increase (decrease) in:	
Accounts payable	(9,126)
Accrued wages and payroll taxes	11,404
Accrued compensated absences	(6,123)
Due to other programs	3,860
Accounts payable - other government	1,960
Tenant security deposits	195
Deferred revenue	(3,070)
FSS liability	<u>(2,521)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 54,079</u></u>

See accompanying notes to the basic financial statements

PERRY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Perry Metropolitan Housing Authority (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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after November 30, 1989, to its business-type activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the Authority's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operations.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Authority elected to implement the provisions of the Statement for the year ended December 31, 2003.

Reporting Entity

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

Basis of Presentation

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

The Authority uses a single enterprise fund to maintain its financial records during the year. 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 change 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

The enterprise fund is accounted for on a flow of economic resources measurement focus. 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.

Enterprise Fund

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

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

**PERRY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The following are the various programs which are included in the single enterprise fund:

Conventional Public Housing (PH) – 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% of adjusted gross household income.

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on the size and age of the units.

Housing Choice Voucher Program (HCVP) – 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 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%, and the Housing Authority subsidizes the balance.

Development Program (DP) - Grants can be used for capacity building, and support for innovative housing and economic development activities for these programs. This program was closed and transferred to public housing.

Accounting and Reporting for Nonexchange Transactions

The Authority previously adopted GASB 33. Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of nonexchange transactions as follows:

- **Derived tax revenues:** result from assessments imposed on exchange transactions (i.e., income taxes, sales taxes and other assessments on earnings or consumption).
- **Imposed nonexchange revenues:** result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (i.e. property taxes and fines).
- **Government-mandated nonexchange transactions:** occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (i.e., federal programs that state or local governments are mandated to perform).
- **Voluntary nonexchange transactions:** result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).

PHA grants and subsidies will be defined as a government-mandated or voluntary nonexchange transactions.

GASB 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

- **Time requirements** specify (a) the period when resources are required to be used or when use may begin (for example, operating or capital grants for a specific period) or (b) that the resources are required to be maintained intact in perpetuity or until a specified date or event has occurred (for example, permanent endowments, term endowments, and similar agreements). Time requirements affect the timing of recognition of nonexchange transactions.
- **Purpose restrictions** specify the purpose for which resources are required to be used. (i.e. capital grants used for the purchase of capital assets). Purpose restrictions do not affect when a nonexchange transaction is recognized. However, PHAs that receive resources with purpose restrictions should report resulting net assets, equity, or fund balance as restricted.

PERRY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The PHA will recognize assets (liabilities) when all applicable eligibility requirements are met or resources received whichever is first. Eligibility requirements established by the provider may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies.

The PHA will recognize revenues (expenses) when all applicable eligibility requirements are met. For transactions that have a time requirement for the beginning of the following period, PHAs should record resources received prior to that period as deferred revenue and the provider of those resources would record an advance.

The PHA receives government-mandated or voluntary nonexchange transactions, which do not specify time requirements. Upon award, the entire subsidy should be recognized as a receivable and revenue in the period when applicable eligibility requirements have been met.

Deferred Revenue

Deferred revenue arises when revenues are received before revenue recognition criteria have been satisfied.

Prepaid expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2003 for both programs totaled \$9,770. The interest income earned on the general fund investments in the Section 8 Program is required to be returned to HUD, and this amount was \$150 for the year ended December 31, 2003.

Capital Assets

Fixed assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The capitalization policy is \$750. The following are the useful lives used for depreciation purposes:

Buildings – residential	27.5
Buildings – non residential	40
Building improvements	15
Furniture – dwelling	7
Furniture – non-dwelling	7
Equipment – dwelling	5
Equipment – non-dwelling	7
Autos and trucks	5
Computer hardware	3
Computer software	3
Leasehold improvements	15

Due From/To Other Programs

On the basic financial statements, receivables and payables resulting from the short-term interprogram loans are classified as due to/due from other programs.

Accrued Liabilities

All payables and accrued liabilities are reported in the basic financial statements.

PERRY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 borrowing used for the acquisition, construction or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use either by internal or external restrictions.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are tenant revenues, operating grants from HUD and other miscellaneous revenue. Operating expenses are those expenses that are generated from the primary activity of the proprietary fund.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1) The employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee, 2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a liability.

Budgetary Accounting

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is submitted to the Department of Housing and Urban Development and once approved is adopted by the Board of the Housing Authority.

Estimates

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

Receivables – net of allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for receivables was \$17,495 at December 31, 2003.

Inventories

Inventories are stated at cost. The allowance for obsolete inventory was \$2,270 at December 31, 2003.

PERRY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2003

2. CASH AND 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.

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, but surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The Authority's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its safekeeping agent in the Authority's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the Authority's name. Category 3 includes uninsured and uncollateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the Authority's name.

Deposits: The carrying amount of the Authority's deposits totaled \$463,205, which includes tenant security deposits of \$25,891. The corresponding bank balances totaled \$474,235.

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

Category 1:	\$100,000 was covered by federal depository insurance
Category 2:	\$374,235 was covered by specific collateral pledged by the financial institution in the name of the Authority.

Investments

HUD, State Statute and Board Resolutions authorize the Authority to invest in obligations of the 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 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 principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose or 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 specific 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 confirmation of transfer from the custodian.

PERRY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2003

2. CASH AND INVESTMENTS

Investments – Continued

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 invested in certificates of deposit and the balance at December 31, 2003 was \$128,000. The investments of the Authority are classified as Category A.

3. NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

The accompanying schedule of federal awards expenditures is a summary of the activity of the Authority's federal award programs. The schedule has been prepared on the accrual basis of accounting.

4. RISK MANAGEMENT

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

5. CAPITAL ASSETS

The following is a summary of capital assets:

	<u>Balance</u> <u>12/31/02</u>	<u>Net Additions /</u> <u>Deletions</u>	<u>Balance</u> <u>12/31/03</u>
CAPITAL ASSETS, NOT BEING DEPRECIATED			
Land	<u>\$ 250,335</u>	<u>\$ -</u>	<u>\$ 250,335</u>
CAPITAL ASSETS, BEING DEPRECIATED			
Buildings and Improvements	\$ 7,265,854	\$ 158,412	\$ 7,424,266
Furniture and equipment	224,805	15,006	239,811
Totals at Historical Costs	<u>7,490,659</u>	<u>173,418</u>	<u>7,664,077</u>
Less: Accumulated Depreciation	<u>\$ (3,757,110)</u>	<u>\$ (318,707)</u>	<u>(4,075,817)</u>
TOTAL CAPITAL ASSETS, NET, BEING DEPRECIATED	<u>\$3,733,549</u>	<u>\$ (145,289)</u>	<u>\$ 3,588,260</u>

The depreciation expense for the year then ended December 31, 2003 was \$329,476.

PERRY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2003

6. DEFINED BENEFIT PENSION PLANS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

- a. The Traditional Pension Plan (TP) – cost-sharing multiple-employer defined benefit pension plan.
- b. The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year.) Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
- c. The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension 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 Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed plan.

OPERS provides basic retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Public Employee Retirement system, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members are required to contribute 8.5 percent of their annual covered payroll to fund pension obligations and the Authority was required to contribute 13.55 percent of covered payroll during 2003. The Authority's required contributions, for the periods ended December 31, 2003, 2002 and 2001 were \$31,067, \$29,547 and \$28,780, respectively. All required payments of contributions have been made through December 31, 2003.

7. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

OPERS provides retirement, disability, survivor and post retirement health benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age and services retirees must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by the Ohio Revised Code. The 2003 employer contribution rate was 13.55 percent of covered payroll, and 5.00 percent was used to fund health care for the year.

The assumptions and calculations below were based on the System's latest actuarial review performed as of December 31, 2002.

PERRY METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2003

7. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM – continued

An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfounded actuarial accrued liability. All investments are carried as market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2002 was 8.00 percent. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4.00% annually.

OPEBs are advance-funded on an actuarially determined basis. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The Authority's actual contributions for 2003 that were used to fund post employment benefits were \$10,903, including the employee pick up portion. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002 were \$10 billion. The actuarially accrued liability and the unfounded actuarial accrued liability, based on the actuarial cost method used were \$18.7 billion and \$8.7 billion, respectively.

8. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended December 31, 2003, the Authority electronically submitted an unaudited version of the balance sheet, statement of revenues, expenses and changes in net asset and other data to HUD as required on the GAAP basis. The FDS schedules are on pages 20 – 23. The schedules are presented in the manner prescribed by Housing and Urban Development.

9. CHANGES IN ACCOUNTING PRINCIPLES, RECLASSIFICATIONS, AND RESTATEMENT OF PRIOR YEAR FUND EQUITY

Changes in Accounting Principle

For the year 2003, the Authority implemented GASB 34. The implementation had no effect on the total enterprise fund equity, however, it did effect the classification of the equity. See the following for the reclassification and restatement.

	Total	Net HUD PHA Contributions	Undesignated Retained Earnings	Invested in Capital Assets - Net of Debt	Unrestricted Net Assets
Net Assets, Beginning of Year	\$ 4,460,486	\$ 3,607,467	\$ 853,019	\$ -	\$ -
Reclassification - GASB 34	-	(3,607,467)	(853,019)	3,607,467	853,019
Reclassification of capital assets HUD corrections on Section 8 year end reports	-	-	-	376,417	(376,417)
	<u>1,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,015</u>
Net Assets, Beginning of Year, Restated	\$ 4,461,501	-	-	\$ 3,983,884	\$ 477,617
Capital asset additions	-	-	-	184,187	(184,187)
Current change in net assets / Depreciation expense	(101,119)	-	-	(329,476)	228,357
Net assets, End of Year	<u>\$ 4,360,382</u>	<u>-</u>	<u>-</u>	<u>\$ 3,838,595</u>	<u>\$ 521,787</u>

PERRY METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
December 31, 2003

FDS Line Item No.	Account Description	14.850a Public & Indian Hsg	14.850b Public & Indian Hsg Dev	14.852 CIAP	14.871 Section 8 Vouchers	14.872 Capital Fund	TOTAL
ASSETS							
111	Cash - unrestricted	\$ 163,942	\$ -	\$ -	\$ 224,830	\$ -	\$ 388,772
114	Cash - tenant security deposits	25,891	-	-	-	-	25,891
115	Cash - restricted for payemnt current liabilities	48,542	-	-	-	-	48,542
100	TOTAL CASH	<u>238,375</u>	-	-	<u>224,830</u>	-	<u>463,205</u>
122	Accounts receivable - HUD other proj	-	-	-	-	1,274	1,274
125	A/R miscellaneous	751	-	-	-	-	751
126	A/R Tenants - dwelling rents	1,133	-	-	-	-	1,133
126.1	Allowance for doubtful acct	(150)	-	-	-	-	(150)
128	Fraud recovery	-	-	-	21,706	-	21,706
128.1	Allowance for doubtful acct	-	-	-	(17,345)	-	(17,345)
120	TOTAL ACCOUNTS RECEIVABLE	<u>1,734</u>	-	-	<u>4,361</u>	<u>1,274</u>	<u>7,369</u>
131	Investments - unrestricted	128,000	-	-	-	-	128,000
142	Prepaid expenses and other assets	1,989	-	-	-	-	1,989
143	Inventories	22,638	-	-	-	-	22,638
143.1	Allowance for obsolete inventory	(2,270)	-	-	-	-	(2,270)
144	Interprogram due from	17,345	-	-	-	-	17,345
150	TOTAL CURRENT ASSETS	<u>407,811</u>	-	-	<u>229,191</u>	<u>1,274</u>	<u>638,276</u>
161	Land	250,335	-	-	-	-	250,335
162	Buildings	5,349,207	-	-	29,361	333,058	5,711,626
163	Furniture and equipment - dwellings	20,970	-	-	-	9,703	30,673
164	Furniture and equipment - admin	142,028	-	-	18,848	48,262	209,138
165	Leasehold improvements	1,712,640	-	-	-	-	1,712,640
166	Accumulated depreciation	(4,025,499)	-	-	(17,748)	(32,570)	(4,075,817)
160	TOTAL FIXED ASSETS, NET	<u>3,449,681</u>	-	-	<u>30,461</u>	<u>358,453</u>	<u>3,838,595</u>
180	TOTAL NON-CURRENT ASSETS	<u>3,449,681</u>	-	-	<u>30,461</u>	<u>358,453</u>	<u>3,838,595</u>
190	TOTAL ASSETS	<u>\$ 3,857,492</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,652</u>	<u>\$ 359,727</u>	<u>\$ 4,476,871</u>

See independent auditors' report

**PERRY METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
December 31, 2003**

FDS Line Item No.	Account Description	14.850a Public & Indian Hsg	14.850b Public & Indian Hsg Dev	14.852 CIAP	14.871 Section 8 Vouchers	14.872 Capital Fund	TOTAL
LIABILITIES							
312	Accounts payable <=90 days	\$ 3,658	\$ -	\$ -	\$ 2,594	\$ -	\$ 6,252
321	Accrued wages/payroll taxes	11,404	-	-	-	-	11,404
322	Accrued compensated absences	15,404	-	-	3,776	-	19,180
331	Accounts payable - HUD PHA programs	-	-	-	3,393	-	3,393
333	Accounts payable - other govt	14,489	-	-	-	-	14,489
341	Tenant security deposits	25,891	-	-	-	-	25,891
342	Deferred revenue	3,587	-	-	2,002	-	5,589
347	Interprogram due to	-	-	-	16,071	1,274	17,345
310	TOTAL CURRENT LIABILITIES	74,433	-	-	27,836	1,274	103,543
350	TOTAL NONCURRENT LIABILITIES	6,472	-	-	6,474	-	12,946
353	Noncurrent liabilities - other	6,472	-	-	2,117	-	8,589
354	Noncurrent comp absences	-	-	-	4,357	-	4,357
300	TOTAL LIABILITIES	80,905	-	-	34,310	1,274	116,489
513	TOTAL EQUITY	3,776,587	-	-	225,342	358,453	4,360,382
600	TOTAL LIABILITIES AND EQUITY	\$ 3,857,492	\$ -	\$ -	\$ 259,652	\$ 359,727	\$ 4,476,871

See independent auditors' report

PERRY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
YEAR ENDED December 31, 2003

FDS Line Item No.	Account Description	14.850a Public & Indian Hsg	14.850b Public & Indian Hsg Dev	14.852 CIAP	14.871 Section 8 Vouchers	14.872 Capital Fund	TOTAL
REVENUE							
703	Net tenant revenue	\$ 244,539	\$ -	\$ -	\$ -	\$ -	\$ 244,539
704	Tenant revenue - other	7,647	-	-	-	-	7,647
705	TOTAL TENANT REVENUE	252,186	-	-	-	-	252,186
706	PHA HUD grants	208,529	-	-	879,518	27,567	1,115,614
706.1	Capital contributions	-	-	-	-	184,187	184,187
711	Investment income - unrestricted	6,656	-	-	3,114	-	9,770
714	Fraud recovery	-	-	-	1,200	-	1,200
715	Other revenue	-	-	-	3,187	-	3,187
	TOTAL REVENUE	467,371	-	-	887,019	211,754	1,566,144
EXPENSES							
911	Administrative salaries	93,113	-	-	56,720	-	149,833
912	Auditing fees	2,480	-	-	2,480	-	4,960
914	Compensated absences	3,144	-	-	(3,040)	-	104
915	Employee benefit contribution - admin	27,416	-	-	16,370	-	43,786
916	Other operating - administrative	27,891	-	-	17,979	6,653	52,523
924	Tenant services - other	1,302	-	-	-	-	1,302
931	Water	64,850	-	-	-	-	64,850
932	Electricity	33,449	-	-	-	-	33,449
933	Gas	1,354	-	-	-	-	1,354
941	Ord maintenance/op - labor	79,782	-	-	-	7,871	87,653
942	Ord maintenance/op - materials	36,407	-	-	5,570	10,458	52,435
943	Ord maintenance/op - cont costs	14,092	-	-	335	2,585	17,012
945	Emp benefit contrib - ord main	23,354	-	-	-	-	23,354

See independent auditors' report

PERRY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
YEAR ENDED December 31, 2003

FDS Line Item No.	Account Description	14.850a Public & Indian Hsg	14.850b Public & Indian Hsg Dev	14.852 CIAP	14.871 Section 8 Vouchers	14.872 Capital Fund	TOTAL
	EXPENSES - CONTINUED						
961	Insurance premiums	\$ 16,286	\$ -	\$ -	\$ 7,003	\$ -	\$ 23,289
963	PILOT	14,489	-	-	-	-	14,489
964	Bad debts - tenant rents	7,431	-	-	-	-	7,431
966	Bad debts - other	-	-	-	130	-	130
969	TOTAL OPERATING EXPENSES	446,840	-	-	103,547	27,567	577,954
970	EXCESS OPERATING REVENUE OVER EXPENSES	20,531	-	-	783,472	184,187	988,190
973	Housing Assistance Payments	-	-	-	759,833	-	759,833
974	Depreciation expense	305,760	-	-	3,667	20,049	329,476
900	TOTAL EXPENSES	752,600	-	-	867,047	47,616	1,667,263
	EXCESS OF REVENUE						
1000	OVER EXPENSES	(285,229)	-	-	19,972	164,138	(101,119)
1001	Operating transfers in	1,528,746	-	-	-	-	1,528,746
1002	Operating transfers out	-	(1,395,987)	(128,144)	(4,615)	-	(1,528,746)
1103	Beginning equity	2,533,070	1,395,987	128,144	208,970	194,315	4,460,486
1104	Prior period adj/equity transfers	-	-	-	1,015	-	1,015
	ENDING EQUITY	\$ 3,776,587	\$ -	\$ -	\$ 225,342	\$ 358,453	4,360,382

See independent auditors' report

**PERRY METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF FEDERAL AWARDS EXPENDITURES
 December 31, 2003**

	FEDERAL CFDA NUMBER	FUNDS EXPENDED
<u>FROM U.S. DEPARTMENT OF HUD</u>		
<u>DIRECT PROGRAMS</u>		
PHA Owned Housing:		
Public and Indian Housing	14.850a	\$ 208,529
Public Housing Capital Fund	14.872	211,754
Housing Assistance Payments:		
Annual Contribution -		
Section 8 Housing Choice Vouchers	14.871	879,518
Total - All Programs		\$ 1,299,801

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**PERRY METROPOLITAN HOUSING AUTHORITY
 COST CERTIFICATION OF MODERNIZATION PROJECTS
 December 31, 2003**

OH16-P034-501-00	
Management improvements	\$ 41,795
Administration	15,846
Fees & Costs	12,000
Dwelling structures	138,746
Dwelling Equipment - Nonexpendable	2,461
Nondwelling equipment	<u>8,342</u>
TOTAL EXPENDED	\$ <u>219,190</u>
TOTAL RECEIVED	\$ <u>219,190</u>

OH16-P034-501-01	
Administration	\$ 7,105
Dwelling structures	200,750
Nondwelling equipment	<u>14,900</u>
TOTAL EXPENDED	\$ <u>222,755</u>
TOTAL RECEIVED	\$ <u>222,755</u>

1. The HUD Form 53001 was submitted and signed by the Authority on April 18, 2003 and August 8, 2003 for 501-00 and 501-01, respectively.
2. There are no outstanding liabilities associated with 501-00 or 501-01.
3. The expenditures and receipts agree to the Authority's records.

See independent auditors' report



**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 Directors
Perry Metropolitan Housing Authority
Crooksville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the basic financial statements of Perry Metropolitan Housing Authority as of and for the year ended December 31, 2003, and have issued our report thereon dated April 16, 2004. The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, as of January 1, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Perry 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 Perry 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 solely for the information and use of the board of directors, management, Auditor of State and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Jones, Cochenour & Co.
April 16, 2004



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

Board of Directors
Perry Metropolitan Housing Authority
Crooksville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of Perry Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended December 31, 2003. Perry Metropolitan Housing Authority's major federal programs are identified in the summary of auditors' 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 Perry Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Perry Metropolitan Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 Perry 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 Perry Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Perry 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 December 31, 2003.

Internal Control Over Compliance

The management of Perry 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 Perry Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management, Auditor of State, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

**Jones, Cochenour & Co.
April 16, 2004**

**Summary of Auditors' Results and Schedule of Findings
OMB Circular A-133 § .505**

**Perry Metropolitan Housing Authority
December 31, 2003**

1. SUMMARY OF AUDITORS' RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	Section 8 Housing Choice Vouchers CFDA# 14.871
Dollar Threshold: Type A/B Programs	\$300,000
Low Risk Auditee?	Yes

**Summary of Auditors' Results and Schedule of Findings
OMB Circular A-133 § .505 - Continued**

**Perry Metropolitan Housing Authority
December 31, 2003**

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings or questioned costs for the year ended December 31, 2003.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended December 31, 2003.



**Auditor of State
Betty Montgomery**

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PERRY METROPOLITAN HOUSING AUTHORITY

PERRY 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
AUGUST 10, 2004**