

WILLIAMS METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

March 31, 2004

Together with Auditors' Report



**Auditor of State
Betty Montgomery**

Board of Trustees
Williams Metropolitan Housing Authority
1044 Chelsea
Napoleon, Ohio 43545

We have reviewed the Independent Auditor's Report of the Williams Metropolitan Housing Authority, Williams County, prepared by Kevin L. Penn, Inc., for the audit period April 1, 2003 to March 31, 2004. 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 Williams Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 26, 2004

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**WILLIAMS METROPOLITAN HOUSING AUTHORITY
BRYAN, OHIO**

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Independent Auditor's Report

Board of Trustees
Williams Metropolitan Housing Authority
Bryan, Ohio

I have audited the accompanying statement of net assets of Williams Metropolitan Housing Authority, as of March 31, 2004 and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Williams Metropolitan Housing Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards 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 I 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. I believe that my audit provides a reasonable basis in my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Williams Metropolitan Housing Authority, as of March 31, 2004, and the changes in net assets and revenues, expenditures and other changes for the year ended March 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages 4 – 9, is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. The MD&A has been reviewed in accordance with the standards established by the American Institute of Certified Public Accountants. Such a review, however, is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion on the MD&A information.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 13, 2004 on my consideration of the Williams Metropolitan Housing Authority's internal control over financial reporting and my 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 result of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Williams Metropolitan Housing Authority taken as a whole. 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 Governments, and Non-Profit Organizations. In addition, the financial data schedule, pages 19 to 21 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development. These schedules are the responsibility of management of Williams Metropolitan Housing Authority, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kevin L. Penn, Inc.

August 13, 2004

Williams Metropolitan Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MARCH 31, 2004

Introduction

The Williams Metropolitan Housing Authority's (the Authority's) 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 fiscal year challenges), and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 10).

FINANCIAL HIGHLIGHTS

- During FY 2004, the Authority's net assets increased by \$3,845 (or 6.45%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$59,598 and \$63,443 for FY2003 and FY2004 respectively.
- The revenue decreased by \$5,168 (or 1.02%) during 2004, and was \$504,691 and \$499,523 for FY2003 and FY2004 respectively.
- The total expenses decreased by \$7,771 (or 1.54) during FY 2004 for the Authority. Total expenses were \$505,022 and \$497,251 for FY2003 and FY2004 respectively.

Authority-Wide Financial Statements

The Authority-wide financial statements (see pages 10-11) 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 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.

Restricted Net Assets: This component of Net Assets consists of restricted assets. They are Restricted 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”.

The Authority-wide 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, Statement of Cash Flows (see page 12) is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the funds maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Authority’s Funds

Business Type Funds

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family’s rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants’ rent at 30% of adjusted household income.

Business Activities – represents non-HUD resources developed from a variety of activities.

AUTHORITY-WIDE STATEMENT

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

	FY 2004	FY 2003
Current and Other Assets	\$ 83,894	\$ 58,504
Capital Assets	5,812	10,199
Total Assets	<u>89,706</u>	<u>68,703</u>
Other Liabilities	26,263	9,105
Long-Term Liabilities	0	0
Total Liabilities	<u>26,263</u>	<u>9,105</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	5,812	10,199
Restricted	- 0 -	- 0 -
Unrestricted	57,631	49,399
Total Net Assets	<u>\$63,443</u>	<u>\$59,598</u>

For more detailed information see page 10 for the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

Current assets were increased by \$25,390 in 2004; liabilities also increased by \$17,158. Current assets (primarily cash and investments) were added to by the HUD funds that were over requested.

Capital assets changed, decreasing from \$10,199 to \$5,812. The \$4,387 net decrease was attributed to the current year's depreciation (\$4,912) and the \$525 capital expenditure. For more detail see "Capital Assets and Debt Administration" below.

Table 2 presents details on the change in Unrestricted Net Assets

TABLE 2**CHANGE OF UNRESTRICTED NET ASSETS**

Unrestricted Net Assets 3/31/2003		\$ 49,399
Results of Operations	2,272	
Adjustments:		
Depreciation (1)	4,912	
Prior Period Adjustment (2)	1,573	
Adjusted Results from Operations		8,757
Capital Expenditures		<u>(525)</u>
Unrestricted Net Assets 3/31/04		<u><u>\$ 57,631</u></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) Prior Period Adjustment – HUD adjusted FY2003 for retro increase in administrative fees.

While the result of operations is 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.

TABLE 3**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

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

	FY 2004	FY 2003
Revenues		
HUD PHA Operating Grants	498,488	503,917
Investment Income	373	722
Other Revenues – Fraud Recovery	662	52
Total Revenue	<u>499,523</u>	<u>504,691</u>
Expenses		
Administrative	75,091	73,715
Maintenance	922	2,065
General	5,029	3,732
Housing Assistance Payments	411,297	420,368
Depreciation	4,912	5,142
Total Expenses	<u>497,251</u>	<u>505,022</u>
Net (Decrease)/Increase	<u><u>\$ 2,272</u></u>	<u><u>\$ (331)</u></u>

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

HUD PHA Grants decreased slightly due to changes in Payment Standards and changes in client's incomes which directly affects Housing Assistance Payments.

During fiscal year 2004 there were no employees. The Authority contracts with Henry Metropolitan Housing Authority for the Executive Director and leasing/inspection services as well as Hap check processing and office space.

The Housing Authority continued to maintain a high leasing rate average of 99%.

Most other expenses increased moderately due to inflation

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had \$5,812 invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation).

TABLE 4

CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	Business-type Activities	
	FY 2004	FY 2003
Equipment – Administrative	\$ 26,976.88	\$ 26,451.88
Accumulated Depreciation	(21,164.88)	(16,252.88)
Total	\$ 5,812.00	\$10,199.00

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 17 of the notes.

TABLE 5

CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance	\$ 10,199
Additions	525
Depreciation	<u>(4,912)</u>
Beginning Balance	<u><u>\$ 5,812</u></u>

Debt Outstanding

As of year-end, the Authority has no outstanding debt (bonds, notes, etc.)

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, recession and employment trends, which can affect resident incomes and therefore the amount of housing assistance
- Inflationary pressure on utility rates, supplies and other costs

FINANCIAL CONTACT

The individual to be contacted regarding this report is Marsha K. Inscho; Finance Manager for the Williams Metropolitan Housing Authority, at (419) 526-1622 Specific requests may be submitted to the Authority at 1044 Chelsea Avenue Napoleon, OH 43454-1202.

WILLIAMS METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
MARCH 31, 2004

ASSETS

Current Assets

Cash and Cash Equivalents (Note 1)	\$	71,046
Accounts Receivable - Fraud Recovery		7,684
Prepaid Expenses		2,973
Total Current Assets		81,703

Other Assets

Property and Equipment - Net (Note 1)		5,812
Total Other Assets		5,812
TOTAL ASSETS	\$	87,515

LIABILITIES

Current Liabilities

Accounts Payable	\$	2,751
Accounts Payable – HUD		13,637
Total Current Liabilities		16,388

Non-Current Liabilities

Undistributed Credits - Fraud Recovery		7,684
Total Other Liabilities		7,684
Total Liabilities	\$	24,072

Net Assets

Invested in Capital Assets	\$	5,812
Unrestricted		57,631
Total Net Assets	\$	63,443

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

WILLIAMS METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2004

Operating Revenues:

HUD Operating Subsidies and Grants	\$498,488
Fraud Recovery	662
Total Revenue	<u>499,150</u>

Operating Expenses:

Housing Assistance Payments	411,297
Management Fee	51,507
Other Administrative Expense	23,584
Material and Labor - Maintenance	922
General Expenses	5,029
Depreciation Expense	4,912
Total Expenses	<u>497,251</u>

Operating Income (Loss)	<u>1,899</u>
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Non-Operating Revenues (Expenses)

Investment Income - Unrestricted	373
Total Non-Operating Revenues (Expenses)	<u>373</u>
Change in Net Assets	<u>2,272</u>

Net Assets - Beginning of Year As Previously Reported	59,598
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Prior Period Adjustment - Note 8	1,573
Net Assets - Beginning of Year As Restated	<u>61,171</u>
Net Assets - End of Year	<u><u>\$ 63,443</u></u>

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

WILLIAMS METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2004

Cash Flows From Operating Activities:

Cash payments to suppliers for goods and services	\$ (76,829)
Housing assistance payments	(411,297)
HUD operating subsidies and grants	512,125
Other receipts	1,035
Other payments	(5,029)
	20,005
Net Cash Provided (Used) by Operating Activities	20,005

Cash Flows From Non-Capital Financing:

Net Cash Provided (Used) by Non-Capital Financing	-
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Cash Flows From Capital and Related Financing Activities:

Purchase of Fixed Assets	(525)
Net Cash Provided (Used) by Capital and Related Financing Activities	(525)

Cash Flows From Investing Activities:

Net Cash Provided (Used) by Investing Activities	-
Increase (Decrease) in Cash and Cash Equivalents	19,480
Cash and Cash Equivalents - Beginning of Year	51,566
Cash and Cash Equivalents - End of Year	\$ 71,046

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

(Continued)

WILLIAMS METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2004

Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Income (Loss)	\$ 2,272
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	4,912
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Accounts Receivable	(3,022)
Prepaid Expenses	(697)
Increase (decrease) in:	
Accounts Payable	2,681
Accounts Payable – HUD	10,837
Undistributed Credits - Fraud Recovery	3,022
Net Cash Provided (Used) by Operating Activities	<u>\$ 20,005</u>

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

**WILLIAMS METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2004**

NOTE 1 - Summary of Significant Accounting Policies:

A. Organization

The Williams Metropolitan Housing Authority (WMHA) is a political subdivision of the State of Ohio, located in Bryan, 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 WMHA 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, maintaining, operating, improving, extending, and repairing housing facilities.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. This criteria was considered in determining the reporting entity.

B. Basis of Accounting

The Authority has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America. Effective April 1, 2002, the Authority implement GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34, and Statement No. 38, Certain Financial Statement Disclosures. These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. The Authority now follows the business-type activities reporting requirements of GASB Statement No. 34. In accordance with GASB statement No. 34, the accompanying basic financial statements are reported on an Authority-wide basis.

Statement No. 34 requires the following, which collectively make up the Authority's basic financial statements:

Management's Discussion and Analysis

Basic Financial Statements:

Statement of Net Assets

Statement of Revenues, Expenses, and Changes in Net Assets

Statement of Cash Flows

Notes to the Financial Statements

**WILLIAMS METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2004**

NOTE 1 - Summary of Significant Accounting Policies: (continued)

B. Basis of Accounting (continued)

In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the Authority has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Authority will continue to apply all applicable pronouncements of the Governmental Accounting Standards Board.

C. Property and Equipment

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

Useful life of property and equipment is as follows:

Equipment	7 Years
Autos	5 Years

Depreciation is recorded on the straight-line method. Total depreciation expense for the 2004 fiscal year was \$4,912.

D. 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 equivalents.

E. Investments

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

F. 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.

**WILLIAMS METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2004**

NOTE 2 – Deposits and Investments:

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

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

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

Category 1.	\$74,322 was covered by federal depository insurance.
Category 2.	None

The book balance at March 31, 2004, was as follows:

Cash	\$ <u>71,046</u>
Total	\$ <u>71,046</u>

**WILLIAMS METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2004**

NOTE 2 – Deposits and Investments: (continued)

Investments

HUD, State Statute and Board Resolutions authorize the Authority to invest in obligations of U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse purchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of conformation of transfer from the custodian.

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A, includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category B, includes uninsured and unregistered investments for which the securities are held by the counter-party's Trust department or agent in the Authority's name.

Category C, includes uninsured and unregistered investments for which securities are held by the counter-party or its Trust department but not in the Authority's name.

NOTE 3 – Property and Equipment:

A summary of property and equipment at March 31, 2004, by class is as follows:

Furniture, Equipment – Administrative	\$ 26,977
Less Accumulated Depreciation	<u>(21,165)</u>
Net Property and Equipment	<u>\$ 5,812</u>

**WILLIAMS METROPOLITAN HOUSING AUTHORITY
FINDLAY, OHIO**

**NOTES TO FINANCIAL STATEMENTS
March 31, 2004**

NOTE 4 – Administrative Fee:

The Authority receives and “administrative fee” as part of the annual contributions from HUD to cover the costs (including overhead) of administering the Section 8 Housing Assistance Payments (HAP) Programs. The fee is a percentage of a HUD determined based rate for each unit per month under HAP contracts. The rates are as follows:

Vouchers:

Units per month x \$43.34/units – April to December

Units per month x \$40.67/units – January to March

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 – Insurance:

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 coverage and no settlements exceeded insurance coverage, during the past three years.

NOTE 7 – Contingencies:

In the normal course of operations, the Authority may be subject to litigation and claims. At March 31, 2004 the Authority was involved in no matters management believes would have a material effect on the financial statements.

NOTE 8 – Prior Period Adjustment:

Beginning net assets balance has been restated in the amount of \$1,573 as a result of the overstating of accounts payable – HUD.

WILLIAMS METROPOLITAN HOUSING AUTHORITY
Balance Sheet
March 31, 2004

Financial Data Schedule Submitted to U.S. Department of HUD

<u>FDS Line</u> <u>Item No.</u>	<u>Account Description</u>	
ASSETS		
111	Cash and Cash Equivalents	\$ 71,046
100	TOTAL CASH	<u>71,046</u>
128	Accounts Receivable - Fraud Recovery	7,684
120	TOTAL ACCOUNTS RECEIVABLE	<u>7,684</u>
142	Prepaid Expenses	2,973
150	TOTAL CURRENT ASSETS	<u>81,703</u>
164	Furniture, Equipment & Machinery - Administration	26,977
166	Accumulated Depreciation	<u>(21,165)</u>
160	TOTAL FIXED ASSETS, NET	<u>5,812</u>
190	TOTAL ASSETS	<u>\$ 87,515</u>
LIABILITIES		
312	Accounts Payable	\$ 2,751
331	Accounts Payable – HUD	<u>13,637</u>
310	TOTAL CURRENT LIABILITIES	<u>16,388</u>
353	Undistributed Credits - Fraud Recovery	7,684
	TOTAL NON-CURRENT LIABILITIES	<u>7,684</u>
	TOTAL LIABILITIES	<u>24,072</u>
508.1	Invested in Capital Assets, Net of Related Debt	10,199
512	Retained Earnings	<u>53,244</u>
	TOTAL EQUITY	<u>63,443</u>
	TOTAL LIABILITIES AND EQUITY	<u><u>\$ 87,515</u></u>

WILLIAMS METROPOLITAN HOUSING AUTHORITY
Statement of Revenue, Expenses and Changes in Equity
For the Year Ended March 31, 2004

Financial Data Schedule Submitted to U.S. Department of HUD

<u>FDS Line</u> <u>Item No.</u>	<u>Account Description</u>	
Revenue:		
706	HUD PHA Operating Grant	\$ 498,488
711	Investment Income - Unrestricted	373
714	Fraud Recovery	662
700	Total Revenue	<u>499,523</u>
Expenses:		
912	Audit Fees	3,011
913	Outside Management Fees	51,507
916	Other Operating - Administrative	20,573
942	Ordinary Maintenance and Operations - Materials and Other	922
961	Insurance Premiums	5,029
969	Total Operating Expenses	<u>81,042</u>
970	Excess Operating Revenue over Expenses	418,481
Other Expenses		
973	Housing Assistance Payments	411,297
974	Depreciation Expense	4,912
900	Total Expenses	<u>497,251</u>
1000	Excess of Operating Revenue Over Expenses	2,272
1103	Beginning Equity	59,598
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	1,573
	Ending Equity	<u>\$ 63,443</u>

WILLIAMS METROPOLITAN HOUSING AUTHORITY
Additional Information Required by HUD
Year Ended March 31, 2004

Financial Data Schedule Submitted to U.S. Department of HUD

<u>FDS Line</u> <u>Item No.</u>	<u>Account Description</u>		
1113	Maximum Annual Contributions Commitment (Per ACC)	\$	499,560
1115	Contingency Reserve, ACC Program Reserve	\$	24,190
1116	Total Annual Contributions Available	\$	523,750
1120	Unit Months Available		1,932
1121	Number of Unit Months Leased		1,913

WILLIAMS METROPOLITAN HOUSING AUTHORITY
 Schedule of Expenditures of Federal Awards
 For the Year Ended March 31, 2004

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Amount Received</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development				
Direct Program:				
Section 8 Tenant Based Cluster:				
Housing Choice Vouchers	14.871	C-5180	\$498,488	\$498,488

TOTAL FEDERAL FINANCIAL ASSISTANCE				\$498,488
				=====

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



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Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Trustees
Williams Metropolitan Housing Authority
Bryan, Ohio

I have audited the financial statements of Williams Metropolitan Housing Authority as of and for the year ended March 31, 2004, and have issued my report thereon dated August 13, 2004. I conducted my audit in accordance with generally accepted auditing standards 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 Williams Metropolitan Housing Authority's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my audit, I considered Williams Metropolitan Housing Authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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

Kevin L. Penn, Inc.

August 13, 2004



Kevin L.
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Certified Public Accountant
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Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Trustees
Williams Metropolitan Housing Authority
Bryan, Ohio

Compliance

I have audited the compliance of Williams Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2004. Williams Metropolitan Housing Authority'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 Williams Metropolitan Housing Authority's management. My responsibility is to express an opinion on Williams Metropolitan Housing Authority's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 Williams Metropolitan Housing Authority's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Williams Metropolitan Housing Authority's compliance with those requirements.

In my opinion, Williams 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 March 31, 2004.

Internal Control Over Compliance

The management of Williams 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 my audit, I considered Williams 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 my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My 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. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

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

Kevin L. Penn, Inc.

August 13, 2004

Williams Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
March 31, 2004

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Reportable condition(s) identified
not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over financial reporting:

Material weakness(es) identified? No

Reportable condition(s) identified
not considered to be material weaknesses? None Reported

Type of auditor's report issued on compliance
for major program: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section .510(a)? No

Identification of major programs:
14.871 Housing Choice Vouchers

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000 (Type A)

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Williams Metropolitan Housing Authority
Summary Schedule of Prior Audit Findings
Year Ended March 31, 2004

There were no audit findings, during the 2003 fiscal year.



**Auditor of State
Betty Montgomery**

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WILLIAMS METROPOLITAN HOUSING AUTHORITY

WILLIAMS 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
NOVEMBER 9, 2004**