MEIGS
METROPOLITAN HOUSING AUTHORITY

POMEROY, OHIO

SINGLE AUDIT

For the Year Ended September 30, 2004

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS

JLU

Auditor of State
Betty Montgomery

Board of Directors
Meigs Metropolitan Housing Authority
117 E. Memorial Dr.
Pomeroy, OH 45769

We have reviewed the Independent Auditor's Report of the Meigs Metropolitan Housing Authority, Meigs County, prepared by J.L. Uhrig and Associates, Inc., for the audit period October 1, 2003 through September 30, 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 Meigs Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

April 19, 2005

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MEIGS METROPOLITAN HOUSING AUTHORITY
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For the Year Ended September 30, 2004

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS

Independent Auditor's Report

Board of Directors
Meigs Metropolitan Housing Authority
117 East Memorial Drive
Pomeroy, Ohio 45769

We have audited the accompanying basic financial statements of the Meigs Metropolitan Housing Authority (the Authority) as of and for the year ended September 30, 2004. These basic financial statements are the responsibility of the 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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 the Authority as of September 30, 2004, and the results of its operations and changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 9, the Authority has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Managements Discussion and Analysis - for State and Local Governments*, as of September 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 2005 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report when considering the results of our audit.

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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 applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Authority, taken as a whole. The accompanying supplemental information and schedules listed in the table of contents, which include the schedule of federal awards expenditures required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Authority. 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.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

March 28, 2005

As management of the Meigs Metropolitan Housing Authority ("Authority"), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2004. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Financial Highlights

1. The Authority has net assets of $270,327. These net assets result from the difference between total assets of $317,167 and total liabilities of $46,840.
2. Current and other assets of $92,151 primarily consist of non-restricted Cash and Cash Equivalents of $65,631 and Accounts Receivable of $26,520.
3. Current liabilities of $34,159 primarily consist of Accrued Sick Leave and Vacation of $7,897; Mortgage Payable of $6,297; and Undistributed Credits of $19,965.

Basic Financial Statements and Presentation

New Accounting Pronouncements

Effective October 1, 2003, the Authority implemented the provisions of Governmental Accounting Standards Board ("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," and Statement No. 38, "Certain Financial Statement Disclosures." These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements change the Authority's presentation of net assets, change the note disclosures and require the inclusion of management's discussion and analysis.

The financial statements presented by the Authority are the Statement of Net Assets, Statement of Revenues, Expenses and Change in Net Assets and Statement of Cash Flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Authority maintains several programs that are structured as a single enterprise fund with revenues recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid. Capital assets are capitalized and depreciated, except land, over their estimated useful lives.

The *Statement of Net Assets* presents information on all the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases in assets without a corresponding increase to liabilities results in increased net assets, which indicate improved financial condition.

The *Statement of Revenues, Expenses and Change in Net Assets* present information showing how the Authority's net assets changed during the year. This statement summarizes operating revenues and expenses along with nonoperating revenues and expenses. In addition, this statement lists capital grant revenues received from federal, state and local governments.

The *Statement of Cash Flows* allows financial statement users to assess the Authority's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is generally classified into four categories: 1) Cash flows from operating activities, 2) Cash flows from noncapital financing activities, 3) Cash flows from capital and related financing activities, and 4) Cash flows from investing activities.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis of the Authority

Since this is the first year the Authority has prepared financial statements following GASB Statement No. 34, comparisons to 2003 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

Table 1 provides a summary of the Authority's net assets for 2004:

Table 1

Condensed Summary of Net Assets

	2004
Assets:	
Current and Other Assets	$112,116
Capital Assets (net of accumulated depreciation)	205,051
Total Assets	317,167
Liabilities:	
Current Liabilities	34,159
Other Liabilities	12,681
Total Liabilities	46,840
Net Assets:	
Invested in Capital Assets, Net of Related Debt	186,073
Unrestricted	84,254
Total Net Assets	$270,327

The largest portion of the Authority's net assets reflect investment in capital assets consisting of land, buildings and equipment less any related debt used to acquire those assets still outstanding. The Authority uses these capital assets to provide housing services for the residents of Meigs County; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 2

Condensed Summary of Revenues, Expenses and Change in Net Assets

	2004
Operating Revenues (Expenses):	
Operating Revenues	$663,792
Operating Expenses (excluding depreciation)	(644,397)
Depreciation Expenses	(8,506)
Operating Income	10,889
Nonoperating Revenue (Expense):	
Interest Income	594
Interest Expense	(279)
Total Nonoperating Revenue (Expense)	315
Change in Net Assets	11,204
Net Assets, Beginning of Year	259,123
Net Assets, End of Year	$270,327

Financial Operating Activities

The most significant operating expenses for the Authority are Housing Assistance Payments, Portability, Administrative Salaries and Other-Administrative. These expenses account for 94.0% of the total operating expenses. Housing Assistance Payments, which accounts for 72.4% of the total, represents costs associated with providing housing assistance for low-income tenants. Portability, which accounts for 11.4% of the total, represents costs associated providing housing assistance for low-income tenants from other counties. Administrative Salaries, which accounts for 7.8% of the total, represents costs associated with salaried and hourly employees. Other-Administrative, which accounts for 2.4% of the total, represents costs associated miscellaneous administrative functions.

Funding for the most significant operating expenses indicated above is from HUD PHA Grants and Section 8 Income-Portability. These revenues account for 94.5% of the total revenues of $663,792. HUD PHA Grants revenue for 2004 was $544,539, and accounts for 82.0% of the total revenues. Section 8 Income-Portability revenue for 2004 was $82,882, and accounts for 12.5% of the total revenue. Tenant Rental revenue accounts for 2.4% of the total, and Interest Income and Other Revenue make up the remaining 3.1%.

The Authority monitors its sources of revenues very closely for fluctuations.

Capital Assets and Debt Administration

The Authority's investment in capital assets as of September 30, 2004, amounts to $186,073 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and equipment.

Additional information concerning the Authority's capital assets can be found in Note 8 of the notes to the basic financial statements.

As of September 30, 2004, the Authority had $18,978 in mortgages payable with $6,297 due within one year.

Additional information concerning the Authority's long-term obligations can be found in Note 9 of the notes to the basic financial statements.

Economic Factors

The economic outlook for the Authority is uncertain at this time. The slow economy has an impact on low-income households' ability to pay rent. Federal funding is at the discretion of the U.S. Department of Housing and Urban Development and is insufficient to cover operating costs and capital related needs for Public Housing Units. Section 8 administrative fees decreased retroactively to January 1, 2004 by three percent and additional cuts are possible. Locally, we are being impacted by negative employment factors such as stagnant job growth and a sluggish market.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jean Trussell, Executive Director.

MEIGS METROPOLITAN HOUSING AUTHORITY

Statement of Net Assets

September 30, 2004

<u>Assets:</u>	
Current Assets:	
Cash - Unrestricted	$65,631
Accounts Receivable	26,520
Total Current Assets	92,151
Restricted Cash - FSS	19,965
Nondepreciable Capital Assets	24,690
Depreciable Capital Assets	180,361
Total Assets	317,167
<u>Liabilities:</u>	
Current Liabilities:	
Accrued Sick Leave and Vacation	7,897
Mortgages Payable	6,297
Undistributed Credits - FSS	19,965
Total Current Liabilities	34,159
Noncurrent Liabilities:	
Mortgages Payable	12,681
Total Liabilities	46,840
Net Assets:	
Invested in Capital Assets, Net of Related Debt	186,073
Unrestricted	84,254
Total Net Assets	$270,327

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

MEIGS METROPOLITAN HOUSING AUTHORITY

Statement of Revenues, Expenses and Change in Net Assets

For the Year Ended September 30, 2004

Operating Revenues:	
Tenant Rental Revenue	$15,747
HUD PHA Grants	544,539
Section 8 Income - Portability	82,882
Other Revenue	20,624
Total Operating Revenues	663,792
Operating Expenses:	
Administrative Salaries	50,919
Auditing Fees	4,294
Compensated Absences	6,028
Employee Benefits	9,715
Other - Administrative	15,875
Ordinary Maintenance and Operations	5,119
Property Taxes	2,847
Insurance Premiums	2,495
Depreciation	8,506
Housing Assistance Payments	472,759
Housing Assistance Payments - Portability	74,346
Total Operating Expenses	652,903
Operating Income	10,889
Nonoperating Revenue (Expense):	
Interest Income	594
Interest Expense	(279)
Total Nonoperating Revenue(Expense)	315
Change in Net Assets	11,204
Net Assets at Beginning of Year, As Restated	259,123
Net Assets at End of Year	$270,327

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

MEIGS METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows
For the Year Ended September 30, 2004

Cash Flow from Operating Activities:	
Rental Receipts	$637,231
Other Cash Receipts	20,624
Administrative	(30,630)
Salaries and Related Benefits	(64,089)
Operating and Maintenance	(536,876)
Net Cash Flow from Operating Activities	26,260
Cash Flow from Capital and Related Financing Activities:	
Cash Payments for Capital Acquisitions	(2,900)
Cash Payments for Interest	(279)
Cash Payments for Principal	(6,456)
Net Cash Flow from Capital and Related Financing Activities	(9,635)
Cash Flow from Investing Activity:	
Interest Received	594
Net Cash Flow from Investing Activity	594
Net Increase in Cash and Cash Equivalents	17,219
Cash and Cash Equivalents - Beginning of Year	68,377
Cash and Cash Equivalents - End of Year	$85,596
Reconciliation of Operating Income to Net Cash Flow from Operating Activities:	
Operating Income	$10,889
Adjustments to Reconcile Operating Income to Net Cash Flow from Operating Activities:	
Depreciation	8,506
Increase or Decrease in:	
Accounts Receivable	(5,937)
Accrued Sick Leave and Vacation	2,573
Undistributed Credits - FSS	10,229
Net Cash Flow from Operating Activities	$26,260

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

NOTE 1 - DESCRIPTION OF THE AUTHORITY, PROGRAMS AND REPORTING ENTITY

Description of the Authority and Programs

Meigs Metropolitan Housing Authority was created under Section 3735.01 of the Ohio Revised Code. The Authority contracts with the U.S. Department of Housing and Urban Development (HUD) to provide low-income persons with safe and sanitary housing through rent subsidies provided by HUD (Section 8 Housing Assistance). The majority of the Authority's rental income is received from HUD.

A summary of the significant programs administered by the Authority is provided below:

Section 8 Rental Voucher Program - Under the Section 8 Voucher Program, low-income tenants lease housing units directly from private landlords rather than from the Authority. HUD contracts with the Authority, which in turn contracts with the private landlords and makes assistance payments for the difference between the approved contract rent and the actual rent paid by the low-income tenants.

MR/DD Program - This program is used to account for revenues and expenses related to the board of mental health or mental retardation.

Family Self Sufficiency (FSS) Program - This program is designed to help participants achieve economic independence and self-sufficiency.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Authority consists of all funds, departments, boards, and agencies that are not legally separate from the Authority. For the Authority, this includes general operations and the Section 8 program.

Component units are legally separate organizations for which the Authority is financially accountable. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's governing board and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally entitled to or can otherwise access the organization's resources; the Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the issuance of debt, or the levying of taxes. The Authority has no component units or related organizations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The more significant of the Authority's accounting policies are described below.

***NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES* - (Continued)**

Basis of Presentation

The Authority's basic financial statements consist of the statement of net assets, statements of revenue, expenses and change in net assets, and 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 change 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 enterprise fund to report on the financial position and results of operations for its 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.

Revenue Recognition

The Authority adopted GASB Statement No. 33, "*Accounting and Financial Reporting for Nonexchange Transactions*" for the year ended September 30, 2001. Nonexchange transactions are primarily federal government grants. Revenue from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Rent revenue is recognized over the period for which housing has been provided.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of funds deposited in checking accounts and are stated at cost, which approximates market value. Unrestricted cash and cash equivalents represents the funds that are used for the general operations and the Section 8 program. Restricted cash and cash equivalents represent funds deposited for participants in the Family Self Sufficiency (FSS) Program, which is designed to help participants achieve economic independence and self-sufficiency.

For purposes of the statement of cash flows and for presentation on the statement of net assets, cash and cash equivalents include all highly liquid debt instruments with an original maturity of three months or less at the time they are purchased.

Capital Assets

Land, buildings and equipment are recorded at historical cost. Donated land, buildings and equipment are recorded at their fair value on the date donated. The Authority capitalizes all assets with a cost of $500 or more. Depreciation is calculated on a straight-line method using half-year convention over the following useful lives:

Description	Estimated Lives
Buildings	27.5
Equipment	5

Compensated Absences

The Authority reports compensated absences in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences.*

Sick leave benefits are accrued as a liability for employees who are currently eligible to receive termination benefits and those identified as probable of receiving payment in the future. Vacation benefits are accrued as a liability as the benefits are earned by the employees if the employees rights to receive compensation are attributed to services already rendered and it is probable that the Authority will compensate the employees for the benefits through paid time off or some other means. The liability for sick leave and vacation benefits is based on accumulated unused balances and employees' wage rates at fiscal year end. Compensated absences are expensed when earned by the employees.

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 expended directly for the primary activity of the proprietary fund. For the Authority, these expenses are primarily administrative, benefits, maintenance and operations, depreciation, and housing assistance payments.

NOTE 2 - 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 balance 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 by either internal or external restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - CASH AND INVESTMENTS

Legal Requirements

State Statutes require the classification of cash into three categories.

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

Inactive cash is public deposits not required for use within the current five year period of designation of depositories. Inactive funds may only be used to purchase investments which mature or are redeemable within five years from the date of purchase.

Interim cash is public deposits not needed for immediate use but which will be needed before the current depository agreement expires. Interim funds may only be invested or deposited in the following securities:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or the Export-Import Bank of Washington;
3. Repurchase agreements in the securities enumerated above;
4. Interim deposits in eligible institutions applying for interim funds;
5. Bonds and other obligations of the State of Ohio; and
6. The State Treasurer's investment pool.

NOTE 3 - <u>CASH AND INVESTMENTS</u> - (Continued)

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.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*.

<u>Deposits:</u> GASB has established three (3) risk categories for deposits to give an indication of the level of risk assumed by the Authority at fiscal year end. Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its agent in the Authority's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 includes uncollateralized deposits. This includes any deposits that are collateralized with securities held by the pledging financial institution or its trust department or agent but not in the Authority's name.

At fiscal year end, the carrying amount of the Authority's deposits was $85,596 and the bank balance was $80,799 The entire bank balance of $80,799 was covered by FDIC.

<u>Investments:</u> GASB has also established three (3) risk categories for investments to give an indication of the level of risk assumed by the Authority at fiscal year end. Category 1 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 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Authority's name.

The Authority held no investments at fiscal year end.

NOTE 4 - DEFINED BENEFIT PENSION PLANS

The employees of the Authority are covered by the Ohio Public Employees Retirement System (OPERS), who administers three separate pension plans. The Traditional Pension Plan is a cost-sharing multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The Combined Plan is 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 and disability benefits, annual cost-of-living adjustments and death benefits to plan members of the Traditional and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The OPERS issues a stand-alone financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The contribution requirements of the plan members and the commission are established and may be amended by the Public Employees Retirement Board. The 2004 contribution rate for employees was 8.5% of qualifying gross wages. The 2004 contribution rate for local government employers was 13.55% of covered payroll. Of the employer contribution rate, 8.55% was the portion used to fund retirement and disability benefits. The portion of the Authority's contributions that was used to fund retirement and disability benefits for the years ended September 30, 2004, 2003 and 2002 was $4,870, $4,334 and $3,595, respectively, which was equal to the required contributions for each year. All required contributions were made prior to each of those fiscal year ends.

NOTE 5 - POSTEMPLOYMENT BENEFITS

In addition to the pension benefit obligation described above, the OPERS provides postemployment health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. 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 postemployment benefit as described in *GASB Statement No. 12*. Other postemployment benefits are advance-funded on an actuarially determined basis. A portion of each employer's contribution to the OPERS is set aside for the funding of postemployment health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2004 contribution rate for local government employers was 13.55% of covered payroll. Of the employer contribution rate, 5.0% was the portion that was used to fund health care. The portion of the Authority's contributions that was used to fund other postemployment benefits for the year ended September 30, 2004 amounted to $2,848.

The Ohio Revised Code provides statutory authority for public employers to fund postemployment health care through their contributions to the OPERS. Other postemployment benefits are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

NOTE 5 - <u>POSTEMPLOYMENT BENEFITS</u> – (Continued)

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices Plan will be offered to all persons newly hired in an OPERS covered-position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The plan will also offer a spending account feature, enabling the benefit recipient to apply his or her allowance toward specific medical expenses, much like a Medical Spending Account.

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of this date, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

NOTE 6 - <u>COMPENSATED ABSENCES</u>

Sick leave and vacation policies are established by the Housing Authority Board of Directors. All permanent employees earn 4.6 hours sick leave for each 80 hours of service, 3.1 hours vacation time for each 80 hours of service for employees with 1 - 7 years service; and 4.6 hours vacation time for each 80 hours worked for employees with 8 - 14 years service. The Executive Director receives 4.6 hours vacation time for every 80 hours of service. Unused sick leave may be accumulated up to 240 hours and is paid to employees at the time of retirement. All permanent employees earn vacation hours based on length of service. Unused vacation leave will be paid to the employees at the time of separation. As of September 30, 2004, $7,897 was accrued for unused sick leave and vacation.

NOTE 7 - <u>RISK MANAGEMENT</u>

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets. The Authority currently has a $5,735 liability insurance policy provided by the Ohio Casualty Insurance Company for business personal property insurance. The policy carries a $250 deductible. The Authority also owns 6 single family dwellings that are covered by either the Ohio Casualty Insurance Company or Auto-Owners Insurance in the amount of $318,925. Each dwelling's coverage includes fire, personal liability and other special form perils with a $250 deductible for perils. There have been no insurance settlements that have exceeded insurance coverage in any of the past three years. The Authority has not increased any of its coverage from the prior year.

The Authority pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 8 - CAPITAL ASSETS

	Balance at 12/31/03	Additions	Deletions	Balance at 12/31/04
Nondepreciable Capital Assets:				
Land	$24,690	$0	$0	$24,690
Depreciable Capital Assets:				
Buildings	218,005	0	0	218,005
Equipment	1,930	2,900	0	4,830
Total Depreciable Capital Assets	219,935	2,900	0	222,835
Total Capital Assets	244,625	2,900	0	247,525
Accumulated Depreciation:				
Buildings	(33,035)	(7,927)	0	(40,962)
Equipment	(933)	(579)	0	(1,512)
Total Accumulated Depreciation	(33,968)	(8,506)	0	(42,474)
Total Capital Assets	$210,657	($5,606)	$0	$205,051

NOTE 9 - LONG-TERM OBLIGATIONS

Changes in the long-term obligations of the Authority during the 2004 fiscal year were as follows:

	Issue Date	Interest Rate	Principal Outstanding at October 1, 2003	Additions	Deductions	Principal Outstanding at September 30, 2004	Amount Due In One Year
Business-Type Activities:							
Riverview Mortgage	2002	6.0%	$11,179	$0	$2,836	$8,343	$2,916
Seventh Street Mortgage	2002	6.0%	14,255	0	3,622	10,633	3,381
Total Business-Type Activities Long-Term Obligations			$25,434	$0	$6,458	$18,978	$6,297

Riverview Mortgage – In June 2002, the Authority purchased two houses in Middleport, Ohio for a combined total of $14,375. This mortgage was issued for a five year period with final maturity during fiscal year 2007.

Seventh Street Mortgage – In October 2002, the Authority purchased a house on Seventh Street in the Village of Syracuse, Ohio for $17,000. This mortgage was issued for a five year period with final maturity during fiscal year 2008.

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire debt at September 30, 2004, are as follows:

Year Ending September 30	Riverview Mortgage	Seventh Street Mortgage
2005	$3,342	$3,952
2006	3,342	3,952
2007	2,465	3,952
2008	0	281
Total Principal & Interest	9,149	12,137
Less: Interest	806	1,504
Total Principal	$8,343	$10,633

NOTE 10 – CHANGES IN ACCOUNTING PRINCIPLES, AND RESTATEMENT OF PRIOR YEAR'S NET ASSETS

Changes in Accounting Principles

For fiscal year 2004, the Authority has implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. At September 30, 2003, there was no effect on fund balance as a result of implementing GASB Statement Nos. 37 and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the Authority's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type.

The government-wide financial statements present the Authority's programs as Business-Type activities. The beginning net asset amount for governmental programs reflects the change in fund balance for proprietary funds at September 30, 2003, caused by the conversion to the accrual basis of accounting.

Restatement of Prior Year's Net Assets

The Authority restated its net assets at September 30, 2003. The Authority had not recorded capital assets or the debt associated with those assets in previous years. As a result, the Authority determined that net assets were understated as noted below.

Net Assets at September 30, 2003	$73,900
Adjustment Due to Capital Assets	210,657
Adjustments Due to Long-Term Obligations	(25,434)
Net Assets at September 30, 2003, Restated	$259,123

MEIGS METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets
September 30, 2004

	Section 8 Rental Voucher Program	***Other Enterprise Activity***	***Total***
Assets:			
Current Assets:			
Cash - Unrestricted	$64,569	$1,062	$65,631
Accounts Receivable	26,520	0	26,520
Total Current Assets	91,089	1,062	92,151
Restricted Cash - FSS	19,965	0	19,965
Nondepreciable Capital Assets	0	24,690	24,690
Depreciable Capital Assets	3,318	177,043	180,361
Total Assets	114,372	202,795	317,167
Liabilities:			
Current Liabilities:			
Accrued Sick Leave and Vacation	7,897	0	7,897
Mortgages Payable	0	6,297	6,297
Undistributed Credits - FSS	19,965	0	19,965
Total Current Liabilities	27,862	6,297	34,159
Noncurrent Liabilities:			
Mortgages Payable	0	12,681	12,681
Total Liabilities	27,862	18,978	46,840
Net Assets:			
Invested in Capital Assets, Net of Related Debt	997	185,076	186,073
Unrestricted	84,254	0	84,254
Total Net Assets	$85,251	$185,076	$270,327

MEIGS METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses and Change in Net Assets
For the Year Ended September 30, 2004

	Section 8 Rental Voucher Program	Other Enterprise Activity	Total
Operating Revenues:			
Tenant Rental Revenue	$0	$15,747	$15,747
HUD PHA Grants	544,539	0	544,539
Section 8 Income - Portability	82,882	0	82,882
Other Revenue	20,624	0	20,624
Total Operating Revenues	648,045	15,747	663,792
Operating Expenses:			
Administrative Salaries	50,919	0	50,919
Auditing Fees	4,294	0	4,294
Compensated Absences	6,028	0	6,028
Employee Benefits	9,715	0	9,715
Other - Administrative	13,955	1,920	15,875
Ordinary Maintenance and Operations	825	4,294	5,119
Property Taxes	0	2,847	2,847
Insurance Premiums	785	1,710	2,495
Depreciation	579	7,927	8,506
Housing Assistance Payments	472,759	0	472,759
Housing Assistance Payments - Portability	74,346	0	74,346
Total Operating Expenses	634,205	18,698	652,903
Operating Income	13,840	(2,951)	10,889
Nonoperating Revenue (Expense):			
Interest Income	594	0	594
Interest Expense	0	(279)	(279)
Total Nonoperating Revenue (Expense)	0	(279)	315
Change in Net Assets	13,840	(3,230)	11,204
Net Assets at Beginning of Year	72,316	186,807	259,123
Net Assets at End of Year	$86,156	$183,577	$270,327

MEIGS METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows
For the Year Ended September 30, 2004

	Business-Type Activities		
	Section 8 Rental Voucher Program	***Other Enterprise Activity***	***Total***
Cash Flow from Operating Activities:			
Rental Receipts	$621,484	$15,747	$637,231
Other Cash Receipts	20,624	0	20,624
Administrative	(19,859)	(10,771)	(30,630)
Salaries and Related Benefits	(64,089)	0	(64,089)
Operating and Maintenance	(536,876)	0	(536,876)
Net Cash Flow from Operating Activities	21,284	4,976	26,260
Cash Flow from Capital and Related Financing Activities:			
Cash Payments for Capital Acquisitions	(2,900)	0	(2,900)
Cash Payments for Interest	0	(279)	(279)
Cash Payments for Principal	0	(6,456)	(6,456)
Net Cash Flow from Capital and Related Financing Activities	(2,900)	(6,735)	(9,635)
Cash Flow from Investing Activity:			
Interest Received	594	0	594
Net Cash Flow from Investing Activity	594	0	594
Net Increase (Decrease) in Cash and Cash Equivalents	18,978	(1,759)	17,219
Cash and Cash Equivalents - Beginning of Year	65,796	2,581	68,377
Cash and Cash Equivalents - End of Year	$84,774	$822	$85,596
Reconciliation of Operating Income (Loss) to Net Cash Flow from Operating Activities:			
Operating Income (Loss)	$13,840	($2,951)	$10,889
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flow from Operating Activities:			
Depreciation	579	7,927	8,506
Increase or Decrease in:			
Accounts Receivable	(5,937)	0	(5,937)
Accrued Sick Leave and Vacation	2,573	0	2,573
Undistributed Credits - FSS	10,229	0	10,229
Net Cash Flow from Operating Activities	$21,284	$4,976	$26,260

MEIGS METROPOLITAN HOUSING AUTHORITY
Summary of Activities
For the Year Ended September 30, 2004

	Units
Section 8 Gross Number of Units	1,500
Section 8 Number of Units Leased	1,506

MEIGS METROPOLITAN HOUSING AUTHORITY
Schedule of Federal Awards Expenditures
For the Year Ended September 30, 2004

Federal Grantor / Pass Through Grantor / Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development			
Direct from Federal Government:			
Section 8 Rental Voucher Program - Contract C-5110	---	14.871	$529,083
Total U.S. Department of Housing and Urban Development			529,083
Total Federal Financial Assistance			$529,083

Note 1 - Significant Accounting Policies

The Authority prepares its Schedule of Federal Awards Expenditures on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS

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
Meigs Metropolitan Housing Authority
117 East Memorial Drive
Pomeroy, Ohio 45769

We have audited the financial statements of the Meigs Metropolitan Housing Authority (the Authority), as of and for the year ended September 30, 2004 and have issued our report thereon dated March 28, 2005. 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 of America.

Compliance

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

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority’s internal control over financial reporting in order to determining 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 the 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.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

March 28, 2005

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
Meigs Metropolitan Housing Authority
117 East Memorial Drive
Pomeroy, Ohio 45769

Compliance

We have audited the compliance of Meigs Metropolitan Housing Authority (the 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 its major federal program for the year ended September 30, 2004. The Authority's major federal program is 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 its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the 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 the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2004.

Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

March 28, 2005

A. SUMMARY OF AUDITOR'S RESULTS

1.	***Type of Financial Statement Opinion***	Unqualified
2.	***Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?***	No
3.	***Were there any other reportable internal control weaknesses reported at the financial statement level (GAGAS)?***	No
4.	***Was there any material noncompliance reported at the financial statement level (GAGAS)?***	No
5.	***Were there any material internal control weaknesses reported for major federal programs?***	No
6.	***Were there any other reportable internal control weaknesses reported for major federal programs?***	No
7.	***Type of Major Program Compliance Opinion***	Unqualified
8.	***Are there any reportable findings under § .510?***	No
9.	***Major Program (list):***	Section 8 Rental Voucher Program CFDA #14.871
10.	***Dollar Threshold: Type A/B Programs***	Type A: >$300,000 Type B: All Other Programs
11.	***Low Risk Auditee?***	No

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

There were no findings related to the financial statements required to be reported in accordance with GAGAS.

C. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs for federal awards.

Auditor of State
Betty Montgomery

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MEIGS METROPOLITAN HOUSING AUTHORITY

MEIGS 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
MAY 5, 2005