

Preble Metropolitan Housing Authority
General Purpose Financial Statements
For the Year Ended March 31, 2004



**Auditor of State
Betty Montgomery**

Board of Directors
Preble Metropolitan Housing Authority
719 South Main Street
Dayton, Ohio 45402

We have reviewed the Independent Auditor's Report of the Preble Metropolitan Housing Authority, Preble County, prepared by Salvatore Consiglio, CPA, 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 Preble Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

November 5, 2004

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PREBLE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED MARCH 31, 2004

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Balance Sheet - Proprietary Fund Type – Enterprise Fund	3
Statement of Revenues, Expenses and Change in Fund Equity - Proprietary Fund Type - Enterprise Fund	4
Statement of Cash Flows - Proprietary Fund Type – Enterprise Fund	5
Notes to the General Purpose Financial Statements	6-10
Supplemental Data:	
Combining Balance Sheet - (FDS Schedule Format)	11-12
Combining Statement of Revenues, Expenses and Changes in Retained Earnings - (FDS Schedule Format)	13–14
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	15-16
Schedule of Prior Audit Findings	17



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Independent Auditors' Report

Board of Directors
Preble Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying Financial Statements of Preble Metropolitan Housing Authority, Ohio, as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Preble Metropolitan Housing Authority, Ohio, and management. My responsibility is to express an opinion on these Financial Statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing standards*, issued by the Comptroller General of the United States. Those standards require that 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 for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Preble Metropolitan Housing Authority, Ohio, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 21, 2004 on my consideration of Preble Metropolitan Housing Authority, Ohio'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 financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Preble Metropolitan Housing Authority, Ohio. The combining financial data schedule ("FDS") is presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the Financial Statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.



Salvatore Consiglio, CPA, Inc.

September 21, 2004

Preble Metropolitan Housing Authority
Balance Sheet
Proprietary Fund Type
Enterprise Fund
March 31, 2004

ASSETS

Cash and Cash Equivalents	<u>\$36,279</u>
Total Current Assets	36,279
Fixed Assets - net of accumulated depreciation	<u>0</u>
TOTAL ASSETS	<u><u>\$36,279</u></u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES:	
Accounts Payable	\$5,291
Accounts Payable HUD	<u>20,023</u>
Total Current Liabilities	<u>25,314</u>
NONCURRENT LIABILITIES:	
Other Long-term Liabilities – FSS Escrow	<u>8,825</u>
Total Noncurrent Liabilities	<u>8,825</u>
TOTAL LIABILITIES	<u>34,139</u>
FUND EQUITY:	
Retained Earnings – Unreserved	<u>2,140</u>
TOTAL FUND EQUITY	<u>2,140</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$36,279</u></u>

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

Preble Metropolitan Housing Authority
Statement of Revenue, Expenses and Change in Fund Equity
Proprietary Fund Type
Enterprise Fund
For the Year Ended March 31, 2004

<u>REVENUE</u>	
Grant Revenue	\$181,352
Investment Income – Unrestricted	<u>161</u>
TOTAL REVENUE	<u>181,513</u>
<u>EXPENSES</u>	
Administrative Expenses	39,497
Housing Assistance Expenses	<u>151,882</u>
TOTAL EXPENSES	<u>191,379</u>
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER)	
TOTAL EXPENSES	(9,866)
Beginning Fund Equity	11,933
Prior Period Adjustments	<u>73</u>
ENDING FUND EQUITY	<u><u>\$2,140</u></u>

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

Preble Metropolitan Housing Authority
 Combined Statement of Cash Flows
 Proprietary Fund Type – Enterprise Fund
 For the Year Ended March 31, 2004

Cash Flows from Operating Activities:

Cash received from grantor	\$201,375
Cash paid to suppliers and employees	(47,835)
Cash paid for Housing Assistance	(151,882)
Interest received	161
	161

Net cash provided by operating activities **1,819**

Net Increase (Decrease) in Cash 1,819

Cash and cash equivalents – Beginning of Year 34,460

Cash and cash equivalents – End of Year **\$36,279**

Reconciliation of Net Income to Cash Provided by Operating Activities:

Net Operating Income/(Loss) (\$9,866)

Adjustments to Reconcile Net Income to Net Cash

Prior Period Adjustment made by HUD for Admin Fee Earned 73

(Increases) Decrease in Prepaid Expenses 615

Increases (Decreases) Accounts Payable 1,198

Increases (Decreases) Accounts Payable - HUD 5,398

Increases (Decreases) in FSS Escrow Payable 4,401

Net cash provided by operating activities **\$1,819**

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

PREBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Preble Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

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

The accompanying Financial Statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

PREBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government a) is entitled to the organization's resources; b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the HUD 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.

Proprietary Fund Types

Proprietary funds are used to account for the Authority's ongoing activities, which are similar to those found in the private sector. The following is the proprietary fund type:

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the

PREBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fixed Assets

Fixed assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized.

Cash and Cash Equivalents

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

Budgetary Accounting

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

Estimates

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

NOTE 2: CASH AND INVESTMENTS

Deposits – The PHA deposits are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

PREBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

Category 1 – Insured or collateralized with securities held by the PHA or by its agent in the PHA’s name.

Category 2 – Collateralized with securities held by the pledging financial institution’s trust department or agent in the PHA’s name.

Category 3 – Uncollateralized.

HUD Handbook 7475.1 Chapter 4, Section 1 authorizes the PHA to make investments in:

Deposits, categorized by level of risk, are:

DESCRIPTION	BANK BALANCE	CATEGORY			CARRYING AMOUNT
		1	2	3	
Cash and Cash Equivalents	\$37,673	\$37,673	\$ -0-	\$ -0-	\$36,279
Total Deposits	\$37,673	\$37,673	\$ -0-	\$ -0-	\$36,279

The entire bank balance was covered by federal depository insurance. The authority has no investments.

NOTE 3: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending March 31, 2004 the Authority contracted with Cincinnati Insurance Company for liability and property coverage of \$1,000,000.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

PREBLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004
(CONTINUED)

NOTE 4: FIXED ASSETS

The following is a summary:

Land	\$0
Buildings	0
Furniture, Machinery and Equipment	295
	295
Total Fixed Assets	295
Accumulated Depreciation	(295)
	\$0
Net Fixed Assets	\$0

The following is a summary of changes:

	<u>Balance</u> <u>03/31/03</u>	<u>Additions</u>	<u>Deletion</u>	<u>Balance</u> <u>03/31/04</u>
Land	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Buildings	-0-	-0-	-0-	-0-
Furnt, Mach. and Equip. - Administrative	295	-0-	-0-	295
	\$ 295	\$ -0-	\$ -0-	\$ 295
Total Fixed Assets	\$ 295	\$ -0-	\$ -0-	\$ 295

The depreciation expense For the Year Ended March 31, 2004 was \$0.

NOTE 5: MANAGEMENT CONTRACT / RELATED PARTY TRANSACTION

The Authority Contract with the Supportive Council of Preventative Effort (SCOPE), a non-profit corporation, for the management and operations of its Federal Section 8 Housing Assistance Program. The Authority does not have any employees instead services are subcontracted from SCOPE.

Preble Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
March 31, 2004

FDS Line Item No.	Account Description	Housing Choice Voucher Program	Total
ASSETS:			
CURRENT ASSETS:			
Cash:			
111	Cash – unrestricted	\$27,454	\$27,454
115	Cash – restricted for payment of current liability	8,825	8,825
100	Total cash	<u>36,279</u>	<u>36,279</u>
150	TOTAL CURRENT ASSETS	<u>36,279</u>	<u>36,279</u>
NONCURRENT ASSETS:			
Fixed assets:			
163	Furniture, equipment & machinery – Dwellings	295	295
166	Accumulated depreciation	(295)	(295)
160	Total fixed assets, net of accumulated depreciation	<u>0</u>	<u>0</u>
180	TOTAL NONCURRENT ASSETS	<u>0</u>	<u>0</u>
190	TOTAL ASSETS	<u>\$36,279</u>	<u>\$36,279</u>
LIABILITIES AND EQUITY:			
LIABILITIES			
CURRENT LIABILITIES			
312	Accounts payable < 90 days	\$5,291	\$5,291
331	Accounts payable – HUD PHA Programs	20,023	20,023
310	Total Current Liabilities	<u>25,314</u>	<u>25,314</u>
353	Noncurrent Liabilities – Other	<u>8,825</u>	<u>8,825</u>
350	Total Noncurrent Liabilities	<u>8,825</u>	<u>8,825</u>
300	TOTAL LIABILITIES	<u>34,139</u>	<u>34,139</u>

Preble Metropolitan Housing Authority
 Combining Balance Sheet
 FDS Schedule Submitted To REAC
 Proprietary Fund Type – Enterprise Fund
 March 31, 2004

FDS Line Item No.	Account Description	Housing Choice Voucher Program	Total
	EQUITY:		
512	Undesignated fund balance/retained earnings	2,140	2,140
513	TOTAL EQUITY	2,140	2,140
600	TOTAL LIABILITIES AND EQUITY	\$36,279	\$36,279

Preble Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
Year Ended March 31, 2004

FDS Line Item No.	Account Description	Housing Choice Voucher Program	Total
REVENUE:			
706	HUD PHA operating grants	\$181,352	\$181,352
711	Investment income – unrestricted	161	161
700	TOTAL REVENUE	<u>181,513</u>	<u>181,513</u>
EXPENSES:			
Administrative:			
912	Auditing fees	2,407	2,407
913	Outside Management Fees	36,216	36,216
961	Insurance Premiums	874	874
969	TOTAL OPERATING EXPENSES	<u>39,497</u>	<u>39,497</u>
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	<u>142,016</u>	<u>142,016</u>
973	Housing assistance payments	151,882	151,882
900	TOTAL EXPENSES	<u>191,379</u>	<u>191,379</u>
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) EXPENSES	(9,866)	(9,866)
1103	Beginning equity	11,933	11,933
1104	Prior period adjustments and equity transfers	73	73
	ENDING RETAINED EARNINGS	<u><u>\$2,140</u></u>	<u><u>\$2,140</u></u>

Preble Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
Year Ended March 31, 2004

FDS Line Item No.	Account Description	Housing Choice Voucher Program	Total
MEMO ACCOUNT INFORMATION:			
1113	Maximum annual contributions commitment (per ACC)	\$156,416	\$156,416
1114	Prorata maximum annual contributions applicable to a Period of less than Twelve Months	26,370	26,370
1115	Contingency reserve, ACC program reserve	30,722	30,722
1116	Total annual contributions available	<u>\$213,508</u>	<u>\$213,508</u>
1120	Unit months available	628	628
1121	Number of unit months leased	624	624



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**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
Preble Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the Financial Statements of the Preble Metropolitan Housing Authority, Ohio, as of and for the year ended March 31, 2004, and have issued my report thereon dated September 21, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Preble Metropolitan Housing Authority, Ohio'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 Preble Metropolitan Housing Authority, Ohio'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 component does not reduce to a relatively low level the risk those misstatements in amounts that would be material in relation the financial statements being auditing 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. However, I noted certain immaterial instances of internal control that I have reported to management of Preble Metropolitan Housing Authority, Ohio, in a separate letter dated September 21, 2004.

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



Salvatore Consiglio, CPA, Inc.

September 21, 2004

Preble Metropolitan Housing Authority
Schedule of Prior Audit Findings
March 31, 2004

The audit report for the fiscal year ended March 31, 2003 contained no audit findings.



**Auditor of State
Betty Montgomery**

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PREBLE METROPOLITAN HOUSING AUTHORITY

PREBLE 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 18, 2004**