

**NOBLE METROPOLITAN HOUSING AUTHORITY  
CAMBRIDGE, OHIO**

**BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2005**





**Auditor of State  
Betty Montgomery**

Board of Commissioners  
Noble Metropolitan Housing Authority  
1100 Maple Court  
P.O. Box 1388  
Cambridge, OH 43725

We have reviewed the *Independent Auditor's Report* of the Noble Metropolitan Housing Authority, Noble County, prepared by James G. Zupka, C.P.A., Inc., for the audit period April 1, 2004 through March 31, 2005. 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 Noble Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

December 19, 2005

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NOBLE METROPOLITAN HOUSING AUTHORITY  
CAMBRIDGE, OHIO  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005

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**JAMES G. ZUPKA, C.P.A., INC.**  
*Certified Public Accountants*  
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Garfield Hts., Ohio 44125

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Ohio Society of Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Noble Metropolitan Housing Authority  
Cambridge, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited the accompanying basic financial statements of the Noble Metropolitan Housing Authority as of and for the year ended March 31, 2005, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the Noble Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Noble Metropolitan Housing Authority as of March 31, 2005, and the changes in net assets and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Authority adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statement - and Management's Discussion and Analysis - For State and Local Governments*, as of April 1, 2004. This results in a change to the Authority's format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 30, 2005 on our consideration of the Noble Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The supplemental Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Noble Metropolitan Housing 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.

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

August 30, 2005

# NOBLE METROPOLITAN HOUSING AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MARCH 31, 2005 (Unaudited)

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Throughout this document, references to “we”, “our”, “Authority” or “us” refer to the Noble Metropolitan Housing Authority.

### **Management's Discussion and Analysis**

The Noble Metropolitan Housing Authority's (the Authority) Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual 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 13).

### ***FINANCIAL HIGHLIGHTS***

- The Authority's total net assets increased by \$12,354 (or 1 percent) during the fiscal year ended 2005. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$1,178,929 and \$1,166,575 for 2005 and 2004 respectively.
- The business-type activities revenue increased by \$4,707 (or 2 percent) during the fiscal year ended 2005, and were \$470,262 and \$465,555 for 2005 and 2004 respectively.
- The total expenses of all Authority programs decreased by \$29,587 (or 7 percent). Total expenses were \$453,537 and \$483,124 for fiscal year ended 2005 and 2004 respectively.

**NOBLE METROPOLITAN HOUSING AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2005  
(Unaudited)**

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***USING THIS ANNUAL REPORT***

The report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary Information".

**MD&A**

**- Management Discussion  
and Analysis (new) -**

**Basic Financial Statements**

**- Authority-Wide Financial Statements  
(new) - pgs 13 - 15**

**-Notes to Financial Statements  
(Expanded/Restructured) - pgs 16 - 23**

**Other Required Supplementary  
Information**

**- Required Supplementary Information  
pgs 24 - 25  
(Other than MD&A)  
(Expanded)**

The primary focus of the Agency's financial statements is on both the Agency as a whole (Agency-wide) and the major individual funds. Both perspectives (Agency-wide and Major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Agency to Agency) and enhance the Agency's accountability.

# NOBLE METROPOLITAN HOUSING AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MARCH 31, 2005 (Unaudited)

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### AUTHORITY-WIDE FINANCIAL STATEMENTS

The Authority-wide financial statements (see pages 13 - 15 ) 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, equals "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

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

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

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

**Unrestricted Net Assets:** Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

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

# NOBLE METROPOLITAN HOUSING AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED MARCH 31, 2005 (Unaudited)

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### AUTHORITY-WIDE FINANCIAL STATEMENTS (Continued)

#### Fund Financial Statements

The Agency 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. The Authority has the Public Housing Operating Fund, Capital Fund, Housing Choice Voucher Program, Mod Rehab Fund, and a Business Activity Fund. The financial statements reflect the transactions for these programs.

#### *THE AUTHORITY'S FUNDS*

##### Business Type Funds

Conventional Public Housing - Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30 percent of household income. The Conventional Public Housing Program also includes the Capital Funds Program, which is the primary funding source for physical and management improvements to the Authority's properties.

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 percent of household income.

**NOBLE METROPOLITAN HOUSING AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED MARCH 31, 2005**  
**(Unaudited)**

***AUTHORITY-WIDE FINANCIAL STATEMENT*** (Continued)

**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**

	2005	2004
Current and Other Assets	\$ 330,306	\$ 237,910
Capital Assets	925,886	971,432
<b>Total Assets</b>	<b>\$ 1,256,192</b>	<b>\$ 1,209,342</b>
Current Liabilities	\$ 73,809	\$ 30,705
Long-Term Liabilities	3,454	12,062
<b>Total Liabilities</b>	<b>77,263</b>	<b>42,767</b>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	925,886	971,432
Unrestricted	253,043	195,143
<b>Total Net Assets</b>	<b>1,178,929</b>	<b>1,166,575</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,256,192</b>	<b>\$ 1,209,342</b>

For more detailed information see page 13 for the Statement of Net Assets.

**Major Factors Affecting the Statements of Net Assets**

The increase in current assets of \$93,715 was due mainly to the collection of accounts receivables and excess operating revenue over operating expenses for current year operation.

NOBLE METROPOLITAN HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2005  
(Unaudited)

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*AUTHORITY-WIDE FINANCIAL STATEMENTS* (Continued)

Major Factors Affecting the Statements of Net Assets (Continued)

Table 2 presents details on the change in Unrestricted Net Assets

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

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Beginning Balance - March 31, 2004	\$ 195,143
Results of Operation	16,725
Prior Period Adjustment	(740)
Adjustments:	
Current Year Depreciation Expense	44,355
Capital Expenditures	<u>(2,440)</u>
Ending Balance - March 31, 2005	<u>\$ 253,043</u>

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

NOBLE METROPOLITAN HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2005

(Unaudited)

*AUTHORITY-WIDE FINANCIAL STATEMENTS* (Continued)

**Major Factors Affecting the Statement of Net Assets** (Continued)

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

**Table 3 - Statement of Revenue, Expenses & Changes in Net Assets**

	<u>2005</u>	<u>2004</u>
<b><u>Revenues</u></b>		
Operating Subsidies	\$ 416,361	\$ 431,550
Capital Grants	2,440	0
Tenant Revenue	39,231	34,034
Investment Income	1,425	1,394
Gain (Loss) on Disposition of Assets	0	(1,423)
Other Revenues	<u>10,805</u>	<u>0</u>
<b>Total Revenues</b>	<u>470,262</u>	<u>465,555</u>
<b><u>Expenses</u></b>		
Administrative	71,500	94,556
Tenant Services	45	380
Utilities	11,802	10,117
Ordinary Maintenance and Operations	49,078	30,974
Insurance	3,148	2,402
Payments in lieu of Taxes	2,849	2,275
Housing Assistance Payments	270,760	289,311
Depreciation	<u>44,355</u>	<u>53,109</u>
<b>Total Expenses</b>	<u>453,537</u>	<u>483,124</u>
<b>Net Increases (Decreases)</b>	<u>\$ 16,725</u>	<u>\$ (17,569)</u>

**NOBLE METROPOLITAN HOUSING AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2005  
(Unaudited)**

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

HUD PHA Operating Grants decreased by \$15, 189 (or 4 percent). This decrease was primarily due to unit months leased. In March 2004 fiscal year, the PHA unit months leased was 1,411; for the fiscal year ending March 2005, the unit months leased was 1,375. The decrease of 36 unit months resulted in the PHA decrease in HUD Operating Subsidy received.

Total Tenant Revenue increased by \$5,197 (or 16 percent). This increase was primarily due to increased tenant rents.

Other revenue increased \$10, 805 which can be attributed to FSS Escrow account forfeitures in the Housing Choice Voucher Program.

The total operating expenses remained relatively unchanged with a decrease of \$2,282 (or 2 percent).

The Housing Assistance Payments decreased by \$18,551 (or 7 percent). This decrease was due to the decrease in unit months leased.

***CAPITAL ASSETS***

As of year end, the Authority had \$925,886 invested in a variety of capital assets as reflected in the following schedule, net of accumulated depreciation. This represents a net decrease (current purchases less depreciation) of \$45,546 (or 5 percent) from the end of last year.

**NOBLE METROPOLITAN HOUSING AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2005  
(Unaudited)**

***CAPITAL ASSETS*** (Continued)

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

	2005	2004
Land and Land Rights	\$ 84,000	\$ 84,000
Buildings	1,188,778	1,188,778
Equipment	145,417	136,206
Leasehold Improvements	24,076	20,776
Construction in Progress	2,440	12,511
Accumulated Depreciation	(518,825)	(470,839)
<b>Total</b>	<b>\$ 925,886</b>	<b>\$ 971,432</b>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 22 of the notes.

**Table 5 - Changes in Capital Assets**

Beginning Balance - March 31, 2004	\$ 971,432
Current Year Additions	2,440
Current Year Depreciation Expense	(44,355)
Prior Period Adjustment - Depreciation CF01 Assets	(3,631)
<b>Ending Balance - March 31, 2005</b>	<b>\$ 925,886</b>
Current Year Additions are Summarized as follows:	
- Brick Enclosed Mail Box Area	\$ 2,440
<b>Total 2005 Additions</b>	<b>\$ 2,440</b>

***DEBT***

**Debt Outstanding**

As of year-end, the Authority had no debt outstanding.

**NOBLE METROPOLITAN HOUSING AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED MARCH 31, 2005  
(Unaudited)**

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***ECONOMIC FACTORS***

Significant economic factors affecting the Authority are as follows:

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

***FINANCIAL CONTACT***

The individual to be contacted regarding this report is Jolinda Baranich, Executive Director, Noble Metropolitan Housing Authority, P.O. Box 1388, Cambridge, Ohio 43725.

**NOBLE METROPOLITAN HOUSING AUTHORITY  
CAMBRIDGE, OHIO  
STATEMENT OF NET ASSETS  
MARCH 31, 2005**

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**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 288,703
Investments	27,839
Accounts Receivable	<u>3,429</u>
<b>Total Current Assets</b>	<b><u>319,971</u></b>

**Restricted Assets**

Investments - Tenant Security Deposits	5,914
Cash and Cash Equivalents - FSS Escrow	3,528
Cash and Cash Equivalents - Tenant Council	<u>893</u>
<b>Total Restricted Assets</b>	<b><u>10,335</u></b>

Capital Assets - Net of Accumulated Depreciation	<u>925,886</u>
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<b>TOTAL ASSETS</b>	<b><u>\$1,256,192</u></b>
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**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$ 12,931
Accounts Payable - Other Governments	54,913
Tenant Security Deposits	5,546
Deferred Revenue	<u>419</u>
<b>Total Current Liabilities</b>	<b><u>73,809</u></b>

**Noncurrent Liabilities**

FSS Program Liability	<u>3,454</u>
<b>Total Noncurrent Liabilities</b>	<b><u>3,454</u></b>

<b>TOTAL LIABILITIES</b>	<b><u>77,263</u></b>
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**Net Assets**

Invested in Capital Assets	925,886
Unrestricted Net Assets	<u>253,043</u>

<b>TOTAL NET ASSETS</b>	<b><u>\$1,178,929</u></b>
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See accompanying notes to the basic financial statements.

**NOBLE METROPOLITAN HOUSING AUTHORITY  
CAMBRIDGE, OHIO  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2005**

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**Operating Revenues**

Net Tenant Revenue	\$ 39,231
HUD Operating Grants	<u>416,361</u>
<b>Total Operating Revenues</b>	<u>455,592</u>

**Operating Expenses**

Housing Assistance Payments	270,760
Administrative	71,500
Tenant Services	45
Utilities	11,802
Maintenance	49,078
General	<u>5,997</u>
<b>Total Operating Expenses before Depreciation</b>	<u>409,182</u>

<b>Income Before Depreciation</b>	46,410
Depreciation	<u>44,355</u>

<b>Operating Income</b>	<u>2,055</u>
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**Non-Operating Revenues (Expenses)**

Capital Grants	2,440
Interest Income	1,425
Other Non-Operating Revenue	<u>10,805</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>14,670</u>

Change in Net Assets	16,725
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Total Net Assets - Beginning of Year	1,166,575
Prior Period Adjustment	<u>(4,371)</u>
<b>Total Net Assets - End of Year</b>	<u><u>\$1,178,929</u></u>

See accompanying notes to the basic financial statements.

**NOBLE METROPOLITAN HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2005**

<b><u>Cash Flows from Operating Activities</u></b>	
Cash Received from HUD	\$ 495,221
Cash Received from Tenants	39,041
Cash Payments for Housing Assistance	(270,760)
Cash Payments for Administrative Expenses	(80,213)
Cash Payments to FSS Escrow	(8,608)
Cash Payments for Other Expenses	<u>(66,922)</u>
<b>Net Cash Used by Operating Activities</b>	<b><u>107,759</u></b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
Acquisition of Capital Assets	(2,440)
Capital Grants Received	2,440
Other Non-Operating Revenues Received	<u>10,805</u>
<b>Net Cash Provided by Capital and Other Related Financing Activities</b>	<b><u>10,805</u></b>
<b><u>Cash Flows from Investing Activities</u></b>	
Interest Received	<u>1,425</u>
<b>Net Cash Provided by Investing Activities</b>	<b><u>1,425</u></b>
Net Increase in Cash and Cash Equivalents	119,989
Cash and Cash Equivalents, Beginning	<u>206,888</u>
<b>Cash and Cash Equivalents, Ending</b>	<b><u><u>\$ 326,877</u></u></b>
<b><u>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</u></b>	
Net Operating Loss	\$ 2,055
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	44,355
(Increase) Decrease in:	
Accounts Receivable - HUD	26,796
Tenant Accounts Receivable	57
Increase (Decrease in):	
Accounts Payable	(8,713)
Accounts Payable - HUD	52,064
Tenant Security Deposits	(267)
FSS Program Liability	(8,608)
Deferred Revenue (HUD Subsidy)	<u>20</u>
<b>Net Cash Used by Operating Activities</b>	<b><u><u>\$ 107,759</u></u></b>

See accompanying notes to the basic financial statements.

**NOBLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2005**

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

**Organization and Reporting Entity**

The Noble Metropolitan Housing Authority (the Authority) was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing, and administration of a low-rent housing program. An Annual Contributions Contract (ACC) was signed by the Authority and the U. S. 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 a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity.

**Basis of Presentation**

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

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 to apply the provisions of Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989 that do not conflict with GASB pronouncements. The Authority will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

**NOBLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2005**  
**(CONTINUED)**

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

**Basis of Presentation** (Continued)

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

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

Enterprise fund reporting focuses on the determination of the 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 and Basis of Accounting**

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

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

**NOBLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2005**  
**(CONTINUED)**

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

**Changes in Accounting Principles**

Effective April 1, 2004, the Authority adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Disclosures*. GASB Statement No. 34 establishes financial reporting standards for all state and local governments and related entities. GASB Statement No. 34 primarily relates to presentation and disclosure requirements. The impact of this accounting change was related to the format of the financial statements, presentation of net assets, the inclusion of Management's Discussion and Analysis, additional disclosures for capital assets, and the preparation of the statement of cash flows on the direct method.

GASB Statement No. 38 requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of GASB Statement No. 34. GASB Statement No. 38 did not have an impact on the presentation of the notes to the financial statements.

**Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOBLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2005**  
**(CONTINUED)**

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

**Cash and Cash Equivalents**

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

**Investments**

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

**Capital Assets**

Capital assets are 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. Depreciation is computed on the straight line method based on the following estimated useful lives:

Buildings	40 years
Building Improvements	15 years
Land Improvements	15 years
Furniture & Equipment	5-7 years
Vehicles	5 years

**Capitalization of Interest**

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

**NOBLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2005**  
**(CONTINUED)**

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NOTE 2: **DEPOSITS AND INVESTMENTS**

**Cash**

State statutes classify monies held by the Authority into three categories.

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

Governmental Accounting Standards Board Statement No. 3 (GASB No. 3) has established custodial credit risk categories for deposits and investments as follows:

**Deposits**

- Category 1 Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.
- Category 3 Uncollateralized as defined by the GASB (securities pledged with the pledging financial institution's trust department or agent, but not in the Authority's name).

**NOBLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2005**  
**(CONTINUED)**

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

**Deposits** (Continued)

The carrying amount of the Authority's deposits was \$326,877 at March 31, 2005. The corresponding bank balances were \$327,936.

The amount of \$155,053 was covered by federal depository insurance while the remaining amount was covered by pooled collateral.

Book balances by program at March 31, 2005 were as follows:

	<u>Cash</u>	<u>Unrestricted Investments</u>	<u>Restricted Assets</u>			<u>Total</u>
			<u>Tenant Security Deposits</u>	<u>FSS Program</u>	<u>Tenant Council</u>	
			Public Housing	\$ 202,248	\$ 27,839	
Section 8	86,455	0	0	3,528	0	89,983
Subtotal	<u>\$ 288,703</u>	<u>\$ 27,839</u>	<u>\$ 5,914</u>	<u>\$ 3,528</u>	<u>\$ 893</u>	<u>\$ 326,877</u>
Public Housing Petty Cash						0
<b>Total</b>						<u>\$ 326,877</u>

**Investments**

HUD, State Statute, and Board resolutions authorize the Authority to invest in obligations of the U. S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, 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 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority did not have any investments at March 31, 2005 other than certificates of deposit.

**NOBLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2005**  
**(CONTINUED)**

NOTE 3: **RESTRICTED ASSETS**

The Authority's assets restricted as to purpose are as follows:

Tenant Security Deposits	\$ 5,914
Family Self Sufficiency (FSS) Program Escrow**	3,528
Tenant Council	<u>893</u>
Total Restricted Assets	<u>\$ 10,335</u>

\*\*The FSS Program is designed to promote employment and increase savings among families receiving Section 8 vouchers or living in public housing.

NOTE 4: **CAPITAL ASSETS**

	<u>3/31/04</u> <u>Balance</u>	<u>Transfers</u>	<u>Additions</u>	<u>3/31/05</u> <u>Balance</u>
Land	\$ 84,000	\$ 0	\$ 0	\$ 84,000
Construction in Progress	<u>12,511</u>	<u>(12,511)</u>	<u>2,440</u>	<u>2,440</u>
<b>Total Capital Assets not Being Depreciated</b>	<u>96,511</u>	<u>(12,511)</u>	<u>2,440</u>	<u>86,440</u>
<b><u>Capital Assets Being Depreciated</u></b>				
Buildings and Building Improvements	1,188,778	0	0	1,188,778
Leasehold Improvements	20,776	3,300	0	24,076
Furniture, Equipment and Machinery	<u>136,206</u>	<u>9,211</u>	<u>0</u>	<u>145,417</u>
<b>Total Capital Assets Being Depreciated</b>	<u>1,345,760</u>	<u>12,511</u>	<u>0</u>	<u>1,358,271</u>
Accumulated Depreciation	(470,839)	(3,631)	(44,355)	(518,825)
Depreciable Assets, Net	<u>874,921</u>	<u>8,880</u>	<u>(44,355)</u>	<u>839,446</u>
<b>Total Capital Assets, Net</b>	<u>\$ 971,432</u>	<u>\$ (3,631)</u>	<u>\$ (41,915)</u>	<u>\$ 925,886</u>

**NOBLE METROPOLITAN HOUSING AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2005**  
**(CONTINUED)**

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NOTE 5: **RISK MANAGEMENT**

The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public officials liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance risk pool comprised of thirty-six (36) Ohio housing authorities, of which Noble is one. Settled claims have not exceeded the Authority's insurance in any of the past three years.

NOTE 6: **CONTINGENCIES**

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

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

NOTE 7: **MANAGEMENT AGREEMENT**

The Noble Metropolitan Housing Authority (the Authority) entered into a housing management agreement with the Cambridge Metropolitan Housing Authority (CMHA) on March 30, 1987. Pursuant to the agreement CMHA provides all management services to the Authority in order that the Authority shall comply with all applicable laws of the State of Ohio and of the United States Government, and with the terms of all contracts which the Authority has executed or may, from time to time, execute with HUD. As compensation for these services, the Authority transfers to CMHA the monthly administrative fees allocated to Noble based on approved budgets. Total management fees for the fiscal year ended March 31, 2005 were \$38,998.

NOTE 8: **PRIOR PERIOD ADJUSTMENT**

The prior period adjustment consists of \$3,631 relating to depreciation of capital assets from the 2004 fiscal year. An additional adjustment of \$740 was a result of HUD reducing the 2004 subsidy that was set-up as an accounts receivable in the March 31, 2004 financial statements.

**NOBLE METROPOLITAN HOUSING AUTHORITY**  
**SUPPLEMENTAL FINANCIAL DATA SCHEDULE**  
**STATEMENT OF NET ASSETS**  
**MARCH 31, 2005**

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
<b>ASSETS</b>					
<b>Current Assets:</b>					
111	Cash - Unrestricted	\$202,248	\$86,455	\$0	\$288,703
113	Cash - Other Restricted	\$893	\$3,528	\$0	\$4,421
114	Cash - Tenant Security Deposits	\$5,914	\$0	\$0	\$5,914
100	Total Cash	\$209,055	\$89,983	\$0	\$299,038
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$3,429	\$3,429
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$0	\$3,429	\$3,429
131	Investments - Unrestricted	\$27,839	\$0	\$0	\$27,839
144	Interprogram Due From	\$3,119	\$0	\$0	\$3,119
150	Total Current Assets	\$240,013	\$89,983	\$3,429	\$333,425
<b>Noncurrent Assets:</b>					
161	Land	\$84,000	\$0	\$0	\$84,000
162	Buildings	\$1,188,778	\$0	\$0	\$1,188,778
164	Furniture, Equipment & Machinery - Administration	\$145,417	\$0	\$0	\$145,417
165	Leasehold Improvements	\$24,076	\$0	\$0	\$24,076
166	Accumulated Depreciation	(\$518,825)	\$0	\$0	(\$518,825)
167	Construction In Progress	\$0	\$0	\$2,440	\$2,440
160	Total Fixed Assets, Net of Accumulated Depreciation	\$923,446	\$0	\$2,440	\$925,886
180	Total Non-Current Assets	\$923,446	\$0	\$2,440	\$925,886
190	Total Assets	\$1,163,459	\$89,983	\$5,869	\$1,259,311
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current Liabilities:</b>					
312	Accounts Payable <= 90 Days	\$4,211	\$8,410	\$310	\$12,931
331	Accounts Payable - HUD PHA Programs	\$0	\$52,064	\$0	\$52,064
333	Accounts Payable - Other Government	\$2,849	\$0	\$0	\$2,849
341	Tenant Security Deposits	\$5,546	\$0	\$0	\$5,546
342	Deferred Revenues	\$419	\$0	\$0	\$419
347	Interprogram Due To	\$0	\$0	\$3,119	\$3,119
310	Total Current Liabilities	\$13,025	\$60,474	\$3,429	\$76,928
<b>Noncurrent Liabilities:</b>					
353	Noncurrent Liabilities - Other	\$0	\$3,454	\$0	\$3,454
350	Total Noncurrent Liabilities	\$0	\$3,454	\$0	\$3,454
300	Total Liabilities	\$13,025	\$63,928	\$3,429	\$80,382
<b>NET ASSETS</b>					
508	Total Contributed Capital	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$923,446	\$0	\$2,440	\$925,886
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$226,988	\$26,055	\$0	\$253,043
513	Total Net Assets	\$1,150,434	\$26,055	\$2,440	\$1,178,929
600	Total Liabilities and Net Assets	\$1,163,459	\$89,983	\$5,869	\$1,259,311

**NOBLE METROPOLITAN HOUSING AUTHORITY  
SUPPLEMENTAL FINANCIAL DATA SCHEDULE  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
MARCH 31, 2005**

Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
<b>REVENUES</b>					
703	Net Tenant Rental Revenue	\$38,834	\$0	\$0	\$38,834
704	Tenant Revenue - Other	\$397	\$0	\$0	\$397
705	Total Tenant Revenue	\$39,231	\$0	\$0	\$39,231
706	HUD PHA Operating Grants	\$76,388	\$312,865	\$27,108	\$416,361
706.1	Capital Grants	\$0	\$0	\$2,440	\$2,440
711	Investment Income - Unrestricted	\$1,251	\$174	\$0	\$1,425
715	Other Revenue	\$546	\$10,259	\$0	\$10,805
700	Total Revenue	\$117,416	\$323,298	\$29,548	\$470,262
<b>EXPENSES</b>					
912	Auditing Fees	\$2,868	\$3,107	\$0	\$5,975
913	Outside Management Fees	\$0	\$38,998	\$0	\$38,998
916	Other Operating - Administrative	\$22,349	\$0	\$4,178	\$26,527
924	Tenant Services - Other	\$45	\$0	\$0	\$45
931	Water	\$7,832	\$0	\$0	\$7,832
932	Electricity	\$2,639	\$0	\$0	\$2,639
933	Gas	\$1,331	\$0	\$0	\$1,331
942	Ordinary Maintenance and Operations - Materials and Other	\$2,026	\$0	\$21,884	\$23,910
943	Ordinary Maintenance and Operations - Contract Costs	\$24,122	\$0	\$1,046	\$25,168
961	Insurance Premiums	\$3,148	\$0	\$0	\$3,148
963	Payments in Lieu of Taxes	\$2,849	\$0	\$0	\$2,849
969	Total Operating Expenses	\$69,209	\$42,105	\$27,108	\$138,422
970	Excess Operating Revenue over Operating Expenses	\$48,207	\$281,193	\$2,440	\$331,840
973	Housing Assistance Payments	\$0	\$270,760	\$0	\$270,760
974	Depreciation Expense	\$44,355	\$0	\$0	\$44,355
900	Total Expenses	\$113,564	\$312,865	\$27,108	\$453,537
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$3,852	\$10,433	\$2,440	\$16,725
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$1,137,703	\$16,361	\$12,511	\$1,166,575
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$8,879	(\$739)	(\$12,511)	(\$4,371)
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$312,865	\$0	\$312,865
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$28,678	\$0	\$28,678
1116	Total Annual Contributions Available	\$0	\$341,543	\$0	\$341,543
1120	Unit Months Available	331	1,104	0	1,435
1121	Number of Unit Months Leased	328	1,047	0	1,375

**JAMES G. ZUPKA, C.P.A., INC.**  
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*Garfield Hts., Ohio 44125*

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Ohio Society of Certified Public Accountants

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

Board of Directors  
Noble Metropolitan Housing Authority  
Cambridge, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited the basic financial statements of the Noble Metropolitan Housing Authority (the Authority) as of and for the year ended March 31, 2005, and have issued our report thereon dated August 30, 2005. The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2004. This results in a change to the Authority's method of accounting for certain nonexchange revenues and a change in the format and content of the basic financial statements. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Noble Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

### **Compliance and Other Matters**

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

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

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

August 30, 2005



**Auditor of State  
Betty Montgomery**

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**NOBLE METROPOLITAN HOUSING AUTHORITY**

**NOBLE 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  
DECEMBER 30, 2005**