

**MONROE METROPOLITAN HOUSING AUTHORITY
WOODSFIELD, OHIO**

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2004



**Auditor of State
Betty Montgomery**

Board of Directors
Monroe Metropolitan Housing Authority
1100 Maple Court
Cambridge, Ohio 43725

We have reviewed the Independent Auditor's Report of the Monroe Metropolitan Housing Authority, Monroe County, prepared by James G. Zupka, C.P.A., Inc., for the audit period July 1, 2003 to June 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 Monroe Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

February 1, 2005

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MONROE METROPOLITAN HOUSING AUTHORITY
WOODSFIELD, OHIO
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2004

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Statement of Net Assets	11
Statement of Revenues, Expenses and Changes in Net Assets	12
Statement of Cash Flows	13
Notes to the Basic Financial Statements	14-19
Supplemental Financial Data:	
Statement of Net Assets	20
Statement of Revenues, Expenses and Changes in Net Assets	21
Schedule of Expenditures of Federal Awards	22
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23-24
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	25-26
Schedule of Findings and Questioned Costs	27-28

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Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Monroe Metropolitan Housing Authority
Woodsfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying basic financial statements of the Monroe Metropolitan Housing Authority as of and for the year ended June 30, 2004, 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 Monroe 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 basic 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 Monroe Metropolitan Housing Authority as of June 30, 2004, 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 Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statement - and Management's Discussion and Analysis - For State and Local Governments*, as of July 1, 2003. This results in a change to the Authority's format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 23, 2004 on our consideration of the Monroe 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 supplementary Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Monroe Metropolitan Housing Authority. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as whole.

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

September 23, 2004

MONROE METROPOLITAN HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2004

(Unaudited)

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

Management's Discussion and Analysis

The Monroe 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 (it's ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

This Management Discussion and Analysis is new, and will now be presented at the front of each year's financial statements.

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 11).

Financial Highlights

- The Authority's total assets decreased by \$26,395 (or 29 percent) during 2004. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Total assets were \$63,513 and \$89,908 for 2004 and 2003 respectively.
- The business-type activities revenue decreased by \$25,134 (or 4 percent) during 2004, and were \$606,247 and \$631,395 for 2004 and 2003 respectively.
- The total expenses of all Authority programs decreased by \$25,065 (or 4 percent). Total expenses were \$606,330 and \$631,395 for 2004 and 2004 respectively.

MONROE METROPOLITAN HOUSING AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2004
(Unaudited)**

Using This Annual Report

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

MD&A
**- Management Discussion
and Analysis (new) -**

Basic Financial Statements
**- Authority-Wide Financial Statements
(new) - pgs 11 - 13**
**- Notes to Financial Statements
(Expanded/Restructured) - pgs 14 - 19**

**Other Required Supplementary
Information**
**- Required Supplementary Information
pgs 20 - 21
(Other than MD&A)
(Expanded)**

The primary focus of the Authority's financial statement (summarized fund-type information) has been discarded. The new and clearly preferable focus is on both the Authority as a whole (Authority-wide) and the major individual funds. Both perspectives (Authority-wide and Major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

MONROE METROPOLITAN HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) FOR THE YEAR ENDED JUNE 30, 2004 (Unaudited)

Authority-Wide Financial Statements

The Authority-wide financial statements (see pages 11 - 13) 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 income.

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.

MONROE METROPOLITAN HOUSING AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2004
(Unaudited)**

Fund Financial Statements

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

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

The Authority's Funds

Business Type Funds

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

Authority-Wide Statement

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

Table 1 - Statement of Net Assets

	2004	2003
Current and Other Assets	\$ 63,513	\$ 89,908
Capital Assets	<u>0</u>	<u>0</u>
Total Assets	<u>63,513</u>	<u>89,908</u>
Other Liabilities	23,969	56,905
Long-Term Liabilities	<u>29,356</u>	<u>22,820</u>
Total Liabilities	<u>53,325</u>	<u>79,725</u>
Net Assets	<u>\$ 10,188</u>	<u>10,183</u>
Total Net Assets	<u>\$ 10,188</u>	<u>\$ 10,183</u>

MONROE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2004
(Unaudited)

Authority-Wide Statement (Continued)

Statement of Net Assets (Continued)

For more detailed information see page 11 for the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

Although total assets were reduced by \$26,395, liabilities were reduced by \$26,400. Current assets were reduced by \$26,395, current liabilities were reduced by \$32,936. Current assets (primarily cash) were used to extinguish liabilities.

Table 2 presents details on the change in Unrestricted Net Assets

Table 2 - Change of Unrestricted Net Assets

	Millions of <u>Dollars</u>
Unrestricted Net Assets June 30, 2003	\$ 10,183
Results of Operations	77
Adjustments:	
HUD Adjustments for Administrative Fee Earned for Fiscal Year Ended June 30, 2003	<u>(72)</u>
Unrestricted Net Assets June 30, 2004	<u>\$ 10,188</u>

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

MONROE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2004
(Unaudited)

Major Factors Affecting the Statements 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 Revenues, Expenses and Changes in Net Assets

	<u>2004</u>	<u>2003</u>
Revenues		
HUD PHA Operating Grant	\$ 606,247	\$ 631,395
Investment Income	<u>160</u>	<u>146</u>
Total Revenues	<u>606,407</u>	<u>631,541</u>
Expenses		
Administration	91,007	94,244
Housing Assistance Payments	<u>515,323</u>	<u>537,151</u>
Total Expenses	<u>606,330</u>	<u>631,395</u>
Prior Period Adjustment	<u>(72)</u>	<u>(1,951)</u>
Net Increase (Decrease)	<u>\$ 5</u>	<u>\$ (1,805)</u>

Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Assets

HUD PHA Operating Grants decreased by \$25,148. This decrease was primarily due to less unit months leased and a decrease in the administrative fees earned. HUD reduced the administrative fees earned for each unit month leased from \$42.17 to \$39.57.

Total expenses decreased by \$25,065. This decrease was due to less unit months leased resulting in a decrease in Housing Assistance Payments.

The Authority currently has no capital assets or debt that it is responsible for.

MONROE METROPOLITAN HOUSING AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2004
(Unaudited)**

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 affect 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, Monroe Metropolitan Housing Authority, P.O. Box 1388, Cambridge, Ohio 43725.

Respectfully Submitted,

Jolinda Baranich
Executive Director

BASIC FINANCIAL STATEMENTS

**MONROE METROPOLITAN HOUSING AUTHORITY
WOODSFIELD, OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2004**

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 31,055
Tenant Accounts Receivable	<u>3,102</u>
Total Current Assets	<u>34,157</u>

Restricted Assets

Cash and Cash Equivalents - Restricted:	
FSS Escrow	<u>29,356</u>
Total Restricted Assets	<u>29,356</u>

TOTAL ASSETS	\$ 63,513
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LIABILITIES AND EQUITY

Current Liabilities

Accounts Payable	\$ 21,359
Accounts Payable - HUD PHA Programs	<u>2,610</u>
Total Current Liabilities	<u>23,969</u>

Noncurrent Liabilities

FSS Program Liability	<u>29,356</u>
Total Noncurrent Liabilities	<u>29,356</u>

TOTAL LIABILITIES	<u>53,325</u>
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Net Assets

Unrestricted Net Assets	<u>10,188</u>
Total Net Assets	<u>\$ 10,188</u>

See accompanying notes to the basic financial statements.

**MONROE METROPOLITAN HOUSING AUTHORITY
WOODSFIELD, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004**

<u>Operating Revenues</u>	
HUD Grants	\$ 606,247
Total Operating Revenues	<u>606,247</u>
<u>Operating Expenses</u>	
Housing Assistance Payments	515,323
Outside Management Fees	86,750
Audit Fees	<u>4,257</u>
Total Operating Expenses before Depreciation	<u>606,330</u>
Operating Income (Loss)	<u>(83)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest Income	<u>160</u>
Total Non-Operating Revenues (Expenses)	<u>160</u>
Change in Net Assets	77
Total Net Assets - Beginning of Year	10,183
Prior Period Adjustment	<u>(72)</u>
Total Net Assets - End of Year	<u><u>\$ 10,188</u></u>

See accompanying notes to the basic financial statements.

**MONROE METROPOLITAN HOUSING AUTHORITY
WOODSFIELD, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004**

Cash Flows from Operating Activities

Cash Received from HUD	\$ 619,312
Cash Received from Tenants	169
Cash Received for FSS Program	6,464
Cash Payments for Housing Assistance	(515,323)
Cash Payments for Administrative Expenses	<u>(126,553)</u>
Net Cash Provided by Operating Activities	<u>(15,931)</u>

Cash Flows from Investing Activities

Interest Received	<u>160</u>
Net Cash Provided by Investing Activities	<u>160</u>

Net (Decrease) in Cash and Cash Equivalents	(15,771)
Cash and Cash Equivalents, Beginning	<u>76,182</u>

Cash and Cash Equivalents, Ending	\$ 60,411
	=====

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating Income	\$ (83)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase (Decrease) in:	
Accounts Receivable - HUD	10,455
Tenant Accounts Receivable	169
(Increase) Decrease in:	
Accounts Payable	(32,936)
FSS Program Liability	<u>6,464</u>

Net Cash Provided by Operating Activities	\$ (15,931)
	=====

See accompanying notes to the basic financial statements.

MONROE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

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

Organization and Reporting Entity

The Monroe 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.

MONROE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(CONTINUED)

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.

MONROE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(CONTINUED)

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

Changes in Accounting Principles

Effective July 1, 2003, 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.

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.

MONROE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(CONTINUED)

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). |

MONROE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(CONTINUED)

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

Deposits (Continued)

The carrying amount of the Authority's deposits was \$60,411 at June 30, 2004. The corresponding bank balances were \$60,631.

The entire amount of \$60,631 was covered by federal depository insurance.

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 June 30, 2004.

NOTE 3: **RESTRICTED ASSETS**

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

Family Self Sufficiency (FSS) Program Escrow	\$ 29,356
	=====

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

MONROE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(CONTINUED)

NOTE 4: **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-five (35) Ohio housing authorities, of which Monroe is one. Settled claims have not exceeded the Authority's insurance in any of the past three years.

NOTE 5: **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 6: **MANAGEMENT AGREEMENT**

The Monroe Metropolitan Housing Authority (the Authority) entered into a housing management agreement with the Cambridge Metropolitan Housing Authority (Cambridge) on August 27, 1990. Pursuant to the agreement Cambridge 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 Cambridge the monthly earned administrative fees as determinable by the Department of Housing and Urban Development. Total administrative fees earned for the fiscal year ended June 30, 2004 were \$86,750 which included Hard-to-House fees earned of \$2,175.

MONROE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET ASSETS
JUNE 30, 2004

Line Item No.	Account Description	Housing Choice Vouchers
ASSETS		
Current Assets:		
111	Cash - Unrestricted	\$31,055
113	Cash - Other Restricted	\$29,356
100	Total Cash	\$60,411
126	Accounts Receivable - Tenants - Dwelling Rents	\$4,408
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(\$1,306)
120	Total Receivables, net of allowances for doubtful accounts	\$3,102
150	Total Current Assets	\$63,513
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0
180	Total Non-Current Assets	\$0
190	Total Assets	\$63,513
LIABILITIES AND NET ASSETS		
Current Liabilities:		
312	Accounts Payable <= 90 Days	\$21,359
331	Accounts Payable - HUD PHA Programs	\$2,610
310	Total Current Liabilities	\$23,969
Noncurrent Liabilities:		
353	Noncurrent Liabilities - Other	\$29,356
350	Total Noncurrent Liabilities	\$29,356
300	Total Liabilities	\$53,325
508	Total Contributed Capital	\$0
511	Total Reserved Fund Balance	\$0
512	Unrestricted Net Assets	\$10,188
513	Total Net Assets	\$10,188
600	Total Liabilities and Net Assets	\$63,513

**MONROE METROPOLITAN HOUSING AUTHORITY
 FINANCIAL DATA SCHEDULE
 STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2004**

Line Item No.	Account Description	Housing Choice Vouchers
REVENUE		
706	HUD PHA Operating Grants	\$606,247
711	Investment Income - Unrestricted	\$160
700	Total Revenue	\$606,407
EXPENSES		
912	Auditing Fees	\$4,257
913	Outside Management Fees	\$86,750
969	Total Operating Expenses	\$91,007
970	Excess Operating Revenue over Operating Expenses	\$515,400
973	Housing Assistance Payments	\$515,323
900	Total Expenses	\$606,330
1010	Total Other Financing Sources (Uses)	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$77
1102	Debt Principal Payments - Enterprise Funds	\$0
1103	Beginning Net Assets	\$10,183
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	(\$72)
1113	Maximum Annual Contributions Commitment (Per ACC)	\$574,865
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0
1115	Contingency Reserve, ACC Program Reserve	\$50,336
1116	Total Annual Contributions Available	\$625,201
1120	Unit Months Available	2,148
1121	Number of Unit Months Leased	2,080

MONROE METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
Direct Programs:		
<u>Section 8 Programs</u>		
Section 8 Tenant Based Program:		
Section 8 Housing Choice Voucher Program	14.871	\$ 606,247 _____
Total Federal Assistance		\$ 606,247 =====

NOTE: This schedule is prepared on the accrual basis of accounting.

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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
Monroe Metropolitan Housing Authority
Woodsfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the basic financial statements of the Monroe Metropolitan Housing Authority as of and for the year ended June 30, 2004, and have issued our report thereon dated September 23, 2004. The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2003. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monroe Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

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

September 23, 2004

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**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
Monroe Metropolitan Housing Authority
Woodsfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Monroe Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended June 30, 2004. Monroe Metropolitan Housing 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 Monroe Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Monroe Metropolitan Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 with the types of compliance requirements referred to above that could have a direct material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Monroe Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Monroe Metropolitan Housing Authority's compliance with those requirements.

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

Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the Board of Directors, management, Auditor of State, and Federal Awarding Agencies and is not intended to be used by anyone other than these specified parties.

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

September 23, 2004

MONROE METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & .505
 JUNE 30, 2004

1. **SUMMARY OF AUDITOR'S RESULTS**

2004(i)	Type of Financial Statement Opinion	Unqualified
2004(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2004(ii)	Were there any other reportable control weakness conditions reported at the financial statements level (GAGAS)?	No
2004(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2004(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2004(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2004(v)	Type of Major Program's Compliance Opinion	Unqualified
2004(vi)	Are there any reportable findings under .510?	No
2004(vii)	Major Programs (list):	Section 8 Housing Choice Voucher CFDA #14.871
2004(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: > all others
2004(ix)	Low Risk Auditee?	Yes

MONROE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2004
(CONTINUED)

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

None.

3. **FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



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Betty Montgomery**

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**MONROE METROPOLITAN HOUSING AUTHORITY
MONROE 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
FEBRUARY 10, 2005**