BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

of the

BELMONT METROPOLITAN HOUSING AUTHORITY

for the

Year Ended March 31, 2004

Auditor of State
Betty Montgomery

Board of Directors
Belmont Metropolitan Housing Authority
100 South 3rd Street
Martins Ferry, Ohio 43935-1457

We have reviewed the Independent Auditor's Report of the Belmont Metropolitan Housing Authority, Belmont County, prepared by Jones, Cochenour & Co., for the audit period April 1, 2003 through March 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Belmont Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 26, 2004

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BELMONT METROPOLITAN HOUSING AUTHORITY
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Jones, Cochenour & Co.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Belmont Metropolitan Housing Authority
Martins Ferry, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the accompanying basic financial statements of Belmont Metropolitan Housing Authority, as of and for the year ended March 31, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Belmont 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 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 Belmont Metropolitan Housing Authority, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary funds activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 26, 2004 on our consideration of Belmont 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 data listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements of the Belmont 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 a whole.

Jones, Cochenour & Co.

Jones, Cochenour & Co.
June 26, 2004

125 West Mulberry Street · Lancaster, Ohio 43130 · (740) 653-9581 · Columbus: (614) 837-2921 · Fax: (740) 653-0983

Unaudited

It is a privilege to present for you the financial picture of Belmont Metropolitan Housing Authority. The Belmont 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.

FINANCIAL HIGHLIGHTS

- **Net assets were $16.9 million and $17.0 million for 2003 and 2004, respectively. The Authority-wide statements reflect an increase in total net assets of $49,000 during 2004.**
- **The business-type activity revenue decreased by $261,620 (or 6%) during 2004, and was $5.1 million and $4.8 million for 2003 and 2004 respectively. There was an approximate 2% decrease in tenant revenue and an approximate 7% decrease in subsidy and other income accounts contributing to the reduction in revenue.**
- **The total expenses of all Authority programs increased by only $13,705 (less than 1%). Total expenses were $4.73 million and $4.74 million for 2003 and 2004, respectively.**

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

MD&A **~ Management Discussion and Analysis ~**
Basic Financial Statements **~ Authority-wide Financial Statements ~** **~ Fund Financial Statement ~** **~ Notes to Financial Statements ~**
Other Required Supplementary Information **~ Required Supplementary Information (other than MD&A) ~**

The 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.

Unaudited

Authority-Wide Financial Statements

The Authority-wide financial statements are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

These statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equal "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed 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". This account resembles the old operating reserves account.**

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.

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.

The Department of Housing and Urban Development requires the funds be maintained by the Authority.

Business Type Funds:

Conventional Public Housing (PH) – 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 to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income.

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on size and age of your units.

Housing Choice Voucher Program (HCVP) – Under the Housing Choice Voucher Program, the Authority subsidizes

rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

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 (in millions of dollars)	2003 (in millions of dollars)
Current and Other Assets	$ 2.1	$ 2.0
Capital Assets	15.3	15.4
Total Assets	17.4	17.4
Other Liabilities	.3	.4
Long-Term Liabilities	.1	.1
Total Liabilities	.4	.5
Net Assets:		
Invested in Capital Assets, Net of Related Debt	15.3	15.5
Unrestricted	1.7	1.4
Total Net Assets	$17.0	$16.9

For more detailed information see the Statement of Net Assets.

<u>Major Factors Affecting the Statement of Net Assets</u>

Current assets were increased by $.1 million while liabilities decreased by $.1 million.

Capital assets decreased by less than $.1 million, from $15.4 million to $15.3 million. The unrestricted net assets, the account that resembles the old operating reserves, increased by $186,185.

While it was a very stable year the Authority's unrestricted net assets increased, indicating a positive change in the financial well being of the Authority.

Unaudited

TABLE 2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

	2004 (millions of dollars)	2003 (millions of dollars)
Revenues		
Tenant Revenue – Rents and Other	$ 1.3	$ 1.3
Operating Subsidies and Grants	2.4	2.5
Capital Grants	1.0	1.2
Investment Income	0.1	0.1
Total Revenue	4.8	5.1
Expenses		
Administrative	.7	.7
Utilities	.7	.7
Maintenance	1.2	1.2
General	.1	.1
Housing Assistance Payments	.9	.9
Depreciation	1.1	1.1
Total Expenses	4.7	4.7
Net Increase	$ 0.1	$ 0.4

Major Factors Affecting The Statement Of Revenue, Expenses And Changes In Net Assets

There really were not any major factors affecting this statement. Tenant revenue and operating subsidies and grants decreased modestly and the Capital Funds also decreased very modestly. Expenses remained stable and depreciation increased only very slightly.

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had $32.8 million invested in a variety of capital assets as reflected in the following schedule, which represents an increase of $1 million in construction in progress from the end of last year.

TABLE 3

CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	Business-type Activities	
	2004	2003
Land and land rights	$ 1,446,016	$ 1,446,016
Buildings	28,494,999	28,494,999
Equipment – Administrative	345,609	345,609
Accumulated Depreciation	(17,527,437)	(16,385,275)
Construction In Progress	2,537,311	1,535,370
Total	$15,296,498	$15,436,719

Debt Administration

The Authority's only debt is listed in the current liabilities in the form of accounts payable and in long–term liability in the form of compensated absences. The Authority has no other debts.

Unaudited

The following reconciliation summarizes the change in Capital Assets.

TABLE 4

CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance	$15,436,719
Additions-Operations	-0-
Additions-CFP	1,001,941
Depreciation	(1,142,162)
Ending Balance	$15,296,498

This year's major additions are:

Business – Type Activities

Capital improvements (CFP) completed on variety of the Authority's Public Housing complexes	$1,001,941

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, 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

IN CONCLUSION

Belmont Metropolitan Housing Authority takes great pride in its financial management and is pleased to report on the sound financial condition of the Authority.

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Jody Geese, Executive Director of the Belmont Metropolitan Housing Authority at (740) 633-5085.

Respectfully submitted,

Jody Robinson Geese
Executive Director

BELMONT METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
March 31, 2004

ASSETS		
Cash and cash equivalents	$	831,470
Investments		1,053,874
Receivables - net of allowance		71,967
Inventories - net of allowance		39,505
Due to other programs		791
Prepaid expenses		59,816
TOTAL CURRENT ASSETS		2,057,423
CAPITAL ASSETS		
Land and construction in progress		3,983,327
Other capital assets - net		11,313,171
TOTAL CAPITAL ASSETS		15,296,498
TOTAL ASSETS		17,353,921
LIABILITIES		
Accounts payable		32,325
Accounts payable - other government		51,326
Accrued wages and payroll taxes		65,831
Accrued compensated absences - current		50,557
Tenant security deposits		109,326
Due from other programs		791
Deferred revenue		7,406
TOTAL CURRENT LIABILITIES		317,562
Accrued compensated absences - noncurrent		101,152
TOTAL LIABILITIES		418,714
NET ASSETS		
Invested in capital assets - net of related debt		15,296,498
Unrestricted net assets		1,638,709
TOTAL NET ASSETS	$	16,935,207

See accompanying notes to the basic financial statements

BELMONT METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended March 31, 2004

OPERATING REVENUES		
Tenant revenue	$	1,284,421
HUD operating grants		2,477,270
Other operating revenues		11,923
TOTAL OPERATING REVENUES		3,773,614
OPERATING EXPENSES		
Administrative		646,066
Utilities		707,666
Maintenance		1,150,751
Depreciation		1,142,162
PILOT		50,190
Insurance		90,576
Bad debts		12,804
Housing assistance payments		939,665
TOTAL OPERATING EXPENSES		4,739,880
OPERATING LOSS		(966,266)
NON-OPERATING REVENUE		
Interest income		13,324
HUD CAPITAL GRANTS		1,001,941
CHANGE IN NET ASSETS		48,999
Net Assets Beginning of Year		16,886,208
NET ASSETS END OF YEAR	$	16,935,207

See accompanying notes to the basic financial statements

BELMONT METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended March 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from tenants	$	1,301,889
Cash received from HUD		2,515,312
Cash payments for housing assistance payments		(939,665)
Cash payments for administrative		(815,122)
Cash payments for other operating expenses		(1,858,648)
Cash payments to HUD and other governments		(51,557)
Cash payment for administrative fee reserve		(50,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES		102,209
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES		
Capital grants received		1,001,941
Acquisition of capital assets		(1,001,941)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment activity		5,469
INCREASE IN CASH AND CASH EQUIVALENTS		107,678
CASH AND CASH EQUIVALENTS, BEGINNING		723,792
CASH AND CASH EQUIVALENTS, ENDING	$	831,470
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED FOR) OPERATING ACTIVITIES		
Operating (loss)	$	(966,266)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation		1,142,162
(Increase) decrease in:		
Receivables - net of allowance		(5,366)
Due from other programs		51,178
Inventories - net of allowance		(4,118)
Prepaid expenses		(16,588)
Increase (decrease) in:		
Accounts payable		(44,254)
Accrued wages and payroll taxes		8,390
Accrued compensated absences		(10,473)
Due to other programs		(51,178)
Accounts payable - other government		(231)
Tenant security deposits		4,472
Deferred revenue		(5,519)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	102,209

See accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Belmont Metropolitan Housing Authority (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. The Authority also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after November 30, 1989, to its business-type activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the Authority's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

- **The financial statements include:**
  - **A Management Discussion and Analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operations.**

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Authority elected to implement the provisions of the Statement for the year ended March 31, 2002.

Reporting Entity

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

Basis of Presentation

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

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

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of 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 flow needs of its enterprise activity.

Enterprise Fund

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the Section 8 and public housing programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The following are the various programs which are included in the single enterprise fund:

Conventional Public Housing (PH) – 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 to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income.

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on the size and age of the units.

Housing Choice Voucher Program (HCVP) – Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an ACC with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

Accounting and Reporting for Nonexchange Transactions

The Authority adopted GASB 33 effective for the year ended March 31, 2002. Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of nonexchange transactions as follows:

- **Derived tax revenues: result from assessments imposed on exchange transactions (i.e., income taxes, sales taxes and other assessments on earnings or consumption).**
- **Imposed nonexchange revenues: result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (i.e. property taxes and fines).**
- **Government-mandated nonexchange transactions: occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (i.e., federal programs that state or local governments are mandated to perform).**
- **Voluntary nonexchange transactions: result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).**

PHA grants and subsidies will be defined as a government-mandated or voluntary nonexchange transactions.

GASB 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

- **Time requirements specify (a) the period when resources are required to be used or when use may begin (for example, operating or capital grants for a specific period) or (b) that the resources are required to be maintained intact in perpetuity or until a specified date or event has occurred (for example, permanent endowments, term endowments, and similar agreements). Time requirements affect the timing of recognition of nonexchange transactions.**
- **Purpose restrictions specify the purpose for which resources are required to be used. (i.e. capital grants used for the purchase of capital assets). Purpose restrictions do not affect when a nonexchange transaction is recognized. However, PHAs that receive resources with purpose restrictions should report resulting net assets, equity, or fund balance as restricted.**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The PHA will recognize assets (liabilities) when all applicable eligibility requirements are met or resources received whichever is first. Eligibility requirements established by the provider may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies.

The PHA will recognize revenues (expenses) when all applicable eligibility requirements are met. For transactions that have a time requirement for the beginning of the following period, PHAs should record resources received prior to that period as deferred revenue and the provider of those resources would record an advance.

The PHA receives government-mandated or voluntary nonexchange transactions, which do not specify time requirements. Upon award, the entire subsidy should be recognized as a receivable and revenue in the period when applicable eligibility requirements have been met.

Deferred Revenue
Deferred revenue arises when revenues are received before revenue recognition criteria have been satisfied.

Prepaid expenses
Payments made to vendors for services that will benefit periods beyond March 31, 2004, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

Investments
Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2004 for both programs totaled $13,324. The interest income earned on the general fund investments in the Section 8 Program is required to be returned to HUD, and this amount was $80 for the year ended March 31, 2004.

Capital Assets
Fixed assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The Authority's capitalization policy is $2,000. The following are the useful lives used for depreciation purposes:

Buildings – residential	27.5
Buildings – non residential	40
Building improvements	15
Furniture – dwelling	7
Furniture – non-dwelling	7
Equipment – dwelling	5
Equipment – non-dwelling	7
Autos and trucks	5
Computer hardware	3
Computer software	3
Leasehold improvements	15

Due From/To Other Programs
On the basic financial statements, receivables and payables resulting from the short-term interprogram loans are classified as due to/due from other programs.

Accrued Liabilities
All payables and accrued liabilities are reported in the basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets
Net assets represent the difference between assets and liabilities. Net assets invested in capital assets – net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use either by internal or external restrictions.

Operating Revenues and Expenses
Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are tenant revenues, operating grants from HUD and other miscellaneous revenue.

Operating expenses are those expenses that are expended directly for the primary activity of the proprietary fund. For the Authority, these expenses are administrative, utilities, maintenance, PILOT, insurance, depreciation, bad debt and housing assistance payments.

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

Compensated Absences
The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1) The employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee, 2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a liability.

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

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

Receivables – net of allowance
Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for doubtful accounts was $3,599 at March 31, 2004.

Inventories
Inventories are stated at cost. The allowance for obsolete inventory was $4,400 at March 31, 2004.

2. CASH AND INVESTMENTS

Cash

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

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

Inactive deposits are public deposits that the Authority has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) by eligible securities pledged by the financial institution as security for repayment, but surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

Deposits: The carrying amount of the Authority's deposits totaled $831,470, which includes $300 petty cash and tenant security deposits. The corresponding bank balances totaled $921,104.

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

Category 1:	**$100,000 was covered by federal depository insurance**
Category 2:	**$821,104 was covered by specific collateral pledged by the financial institution in the name of the Authority.**

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 fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest 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 principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose or 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 specific 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 had investments of mutual funds in the amount of $1,053,874 at March 31, 2004.

2. CASH AND INVESTMENTS - CONTINUED

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's Trust department or agent in the Authority's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its Trust department but not in the Authority's name. The investments of the Authority are classified as Category A.

3. NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

The accompanying schedule of federal awards expenditures is a summary of the activity of the Authority's federal award programs. The schedule has been prepared on the accrual basis of accounting.

4. RISK MANAGEMENT

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. There was no significant reduction in coverage and no settlements exceeded insurance coverage during the past three years.

5. CAPITAL ASSETS

The following is a summary of capital assets:

	Balance 3/31/2003	Additions / Deletions	Balance 3/31/2004
CAPITAL ASSETS, NOT BEING DEPRECIATED			
Land	$ 1,446,016	$ -	$ 1,446,016
Construction in Progress	1,535,370	1,001,941	2,537,311
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	$ 2,981,386	$ 1,001,941	$ 3,983,327
CAPITAL ASSETS, BEING DEPRECIATED			
Buildings and Improvements	$ 28,494,999	$ -	$ 28,494,999
Furniture and equipment	345,609	-	345,609
Totals at Historical Costs	28,840,608	-	28,840,608
Less: Accumulated Depreciation	(16,385,275)	(1,142,162)	(17,527,437)
TOTAL CAPITAL ASSETS, NET, BEING DEPRECIATED	$ 12,455,333	$ (1,142,162)	$ 11,313,171

The depreciation expense for the year then ended March 31, 2004 was $1,142,162.

6. DEFINED BENEFIT PENSION PLANS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

a. **The Traditional Pension Plan (TP) – cost-sharing multiple-employer defined benefit pension plan.**
b. **The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year.) Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.**
c. **The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed plan.**

OPERS provides basic retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by statement statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtaining by writing to the Public Employee Retirement system, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revise Code provides statutory authority for member and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members are required to contribute 8.5 percent of their annual covered payroll to fund pension obligations and the Authority was required to contribute 13.55 percent of covered payroll during 2003. The Authority's required contributions, including the pick up portion for certain employees for the years ended March 31, 2004, 2003 and 2002 were $125,773, $98,126 and $126,309, respectively. All required payments of contributions have been made through March 31, 2004.

7. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) - a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post retirement health benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age and services retirees must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by the Ohio Revised Code. The 2003 employer contribution rate was 13.55 percent of covered payroll, and 5.0 percent was used to fund health care for the year.

The assumptions and calculations below were based on the System's latest actuarial review performed as of December 31, 2002.

An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfounded actuarial accrued liability. All investments are carried as market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2002 was 8.00 percent. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4.00% annually.

7. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM - CONTINUED

OPEBs are advance-funded on an actuarially determined basis. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The Authority's contributions for 2004 that were used to fund post-employment benefits were $45,278. The actuarial value of the Retirement System's net assets available for OPED at December 31, 2002 were $10 billion. The actuarially accrued liability and the unfounded actuarial accrued liability, based on the actuarial cost method used were $18.7 billion and $8.7 billion, respectively

8. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended March 31, 2004, the Authority electronically submitted an unaudited version of the balance sheet, statement of revenues, expenses and changes in net asset and other data to HUD as required on the GAAP basis. The FDS schedules are on pages 19 - 21. The schedules are presented in the manner prescribed by Housing and Urban Development.

9. NET ASSETS

		Total	Invested in Capital Assets - Net of Debt	Unrestricted Net Assets	Restricted Net Assets
Net assets, beginning of year		$ 16,886,208	$ 15,436,719	$ 1,409,489	$ 40,000
Transfer of equity		-	-	40,000	(40,000)
Capital asset additions	*	1,001,941	1,001,941	-	-
Depreciation expense	*	(1,142,162)	(1,142,162)	-	-
Current year income	*	189,220	-	189,220	-
Net assets, end of year		$ 16,935,207	$ 15,296,498	$ 1,638,709	$ -

*Change in net assets, $48,999.

BELMONT METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
March 31, 2004

FDS Line Item No.	Account Description	14.850 Low Rent Public Housing	14.871 Sect. 8 Hsg Choice VO	14.872 Capital Fund Grant	TOTAL
	ASSETS				
111	Cash - unrestricted	$ 601,263	$ 71,424	$ -	$ 672,687
113	Cash - other restricted	-	43,035	-	43,035
114	Cash - tenant security deposits	109,326	-	-	109,326
115	Cash - restricted for current liabilities	-	6,422	-	6,422
	TOTAL CASH	710,589	120,881	-	831,470
122	Accounts receivable - HUD other proj	-	-	18,485	18,485
125	Accounts receivable - Miscellaneous	-	50,000	-	50,000
126	A/R tenants - dwelling rents	7,081	-	-	7,081
126.1	Allowance for doubtful accts	(3,599)	-	-	(3,599)
120	TOTAL ACCOUNTS RECEIVABLE	3,482	50,000	18,485	71,967
131	Investments - unrestricted	921,102	-	-	921,102
132	Investments restricted for payment of current liabilities	132,772	-	-	132,772
142	Prepaid expenses and other assets	59,816	-	-	59,816
143	Inventories	43,905	-	-	43,905
143.1	Allowance for obsolete inventory	(4,400)	-	-	(4,400)
144	Interprogram due from	791	-	-	791
150	TOTAL CURRENT ASSETS	1,868,057	170,881	18,485	2,057,423
161	Land	1,446,016	-	-	1,446,016
162	Buildings	28,358,036	-	-	28,358,036
164	Furniture and equipment - admin	345,609	-	-	345,609
165	Leasehold improvements	136,963	-	-	136,963
166	Accumulated depreciation	(17,527,437)	-	-	(17,527,437)
167	Construction in progress	-	-	2,537,311	2,537,311
160	TOTAL FIXED ASSETS, NET	12,759,187	-	2,537,311	15,296,498
180	TOTAL NON-CURRENT ASSETS	12,759,187	-	2,537,311	15,296,498
190	TOTAL ASSETS	$ 14,627,244	$ 170,881	$ 2,555,796	$ 17,353,921

See independent auditors' report

BELMONT METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
March 31, 2004

FDS Line Item No.	Account Description	14.850 Low Rent Public Housing	14.871 Sect. 8 Hsg Choice VO	14.872 Capital Fund Grant	TOTAL
	LIABILITIES				
312	Accounts payable <=90 days	$ 13,840	$ -	$ 18,485	$ 32,325
321	Accrued wages/payroll taxes	61,336	4,495	-	65,831
322	Accrued compensated absences	46,374	4,183	-	50,557
331	Accounts payable - HUD PHA programs	-	1,136	-	1,136
333	Accounts payable - other govt	50,190	-	-	50,190
341	Tenant security deposits	109,326	-	-	109,326
342	Deferred Revenues	7,406	-	-	7,406
347	Interprogram due to	-	791	-	791
310	TOTAL CURRENT LIABILITIES	288,472	10,605	18,485	317,562
354	Compensated absences, long term	92,847	8,305	-	101,152
350	TOTAL NONCURRENT LIABILITIES	92,847	8,305	-	101,152
300	TOTAL LIABILITIES	381,319	18,910	18,485	418,714
513	TOTAL EQUITY	14,245,925	151,971	2,537,311	16,935,207
600	TOTAL LIABILITIES AND EQUITY	$ 14,627,244	$ 170,881	$ 2,555,796	$ 17,353,921

See independent auditors' report

BELMONT METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN EQUITY
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
YEAR ENDED MARCH 31, 2004

FDS Line Item No.	Account Description	14.850 Low Rent Public Housing	14.871 Sect. 8 Hsg Choice VO	14.872 Capital Fund Grant	TOTAL
	REVENUE				
703	Net tenant revenue	$ 1,266,957	$ -	$ -	$ 1,266,957
704	Tenant revenue - other	17,464	-	-	$ 17,464
705	TOTAL TENANT REVENUE	1,284,421	-	-	1,284,421
706	PHA HUD grants	$ 1,083,591	$ 1,086,180	$ 307,499	$ 2,477,270
706.1	Capital contributions	-	-	1,001,941	$ 1,001,941
711	Investment income - unrestricted	12,210	1,114	-	$ 13,324
715	Other revenue	11,923	-	-	$ 11,923
	TOTAL REVENUE	2,392,145	1,087,294	1,309,440	$ 4,788,879
	EXPENSES				
911	Administrative salaries	280,426	107,130	-	387,556
912	Auditing fees	4,845	1,939	-	6,784
914	Compensated absences	(10,126)	(347)	-	(10,473)
915	Employee benefit contribution - admin	121,758	30,790	-	152,548
916	Other operating - administrative	97,703	11,948	-	109,651
931	Water	239,410	-	-	239,410
932	Electricity	220,542	-	-	220,542
933	Gas	68,708	-	-	68,708
935	Utility labor	29,665	-	-	29,665
938	Other utilities	149,341	-	-	149,341
941	Ord maintenance/op - labor	458,820	-	66,512	525,332
942	Ord maintenance/op - materials	105,631	-	-	105,631
943	Ord maintenance/op - cont costs	150,675	-	170,454	321,129
945	Emp benefit contrib - ord main	198,659	-	-	198,659
961	Insurance premiums	90,576	-	-	90,576
963	PILOT	50,190	-	-	50,190
964	Bad debts - tenant rents	12,804	-	-	12,804
969	TOTAL OPERATING EXPENSES	2,269,627	151,460	236,966	2,658,053
970	EXCESS OPERATING REVENUE OVER EXPENSES	122,518	935,834	1,072,474	2,130,826
973	Housing Assistance Payments	-	939,665	-	939,665
974	Depreciation expense	1,142,162	-	-	1,142,162
900	TOTAL EXPENSES	3,411,789	1,091,125	236,966	4,739,880
1001	Operating transfer in/out	70,533	-	(70,533)	-
1000	EXCESS OF REVENUE OVER EXPENSES	(949,111)	(3,831)	1,001,941	48,999
1103	Beginning equity	15,195,036	155,802	1,535,370	16,886,208
	ENDING EQUITY	$ 14,245,925	$ 151,971	$ 2,537,311	$ 16,935,207

See independent auditors' report

BELMONT METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
March 31, 2004

		FEDERAL CFDA NUMBER	FUNDS EXPENDED
FROM U.S. DEPARTMENT OF HUD			
DIRECT PROGRAMS			
PHA Owned Housing:			
Public and Indian Housing		14.850a	$ 1,083,591
Public Housing Capital Fund		14.872	1,309,440
Housing Assistance Payments:			
Annual Contribution -			
Section 8 Housing Choice Vouchers		14.871	1,086,180
	Total - All Programs		$ 3,479,211

See independent auditors' report

BELMONT METROPOLITAN HOUSING AUTHORITY
COST CERTIFICATIONS
March 31, 2004

	OH16P02050101	OH16P02050100
Operations	$ 70,533	$ -
Management improvements	100,000	101,871
Administration	65,207	63,308
Fees and costs	68,650	65,437
Site improvement	78,748	131,900
Dwelling structures	771,269	765,467
Dwelling equipment	46,021	10,310
Nondwelling equipment	17,659	55,642
TOTAL EXPENDITURES	$ 1,218,087	$ 1,193,935
TOTAL RECEIVED	$ 1,218,087	$ 1,193,935

1. The actual modernization cost certificate (HUD form 53001) was submitted 10/16/03 and 6/11/03 for 501-01 and 501-00, respectively.

2. All costs have been expended and no liabilities exist at March 31, 2004.

3. The funds were received as of March 31, 2004.

Jones, Cochenour & Co.
Certified Public Accountants

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
Belmont Metropolitan Housing Authority
Martins Ferry, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the basic financial statements of Belmont Metropolitan Housing Authority as of and for the year ended March 31, 2004, and have issued our report thereon dated June 26, 2004. 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 Belmont 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 Belmont 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 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 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.

Jones, Cochenour & Co.

Jones, Cochenour & Co.
June 26, 2004

Jones, Cochenour & Co.
Certified Public Accountants

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
Belmont Metropolitan Housing Authority
Martins Ferry, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

Compliance
We have audited the compliance of Belmont Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that is applicable to its major federal program for the year ended March 31, 2004. Belmont Metropolitan Housing Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Belmont Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Belmont 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; 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 and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Belmont 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 Belmont Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Belmont Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2004.

Internal Control Over Compliance
The management of Belmont 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 Belmont 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.

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

This report is intended 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.

Jones, Cochenour & Co.

Jones, Cochenour & Co.
June 26, 2004

Summary of Auditors' Results and Schedule of Findings
OMB Circular A-133 § .505

Belmont Metropolitan Housing Authority
March 31, 2004

1. SUMMARY OF AUDITORS' RESULTS

Type of Financial Statement Opinion	**Unqualified**
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	**No**
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	**No**
Was there any reported material non-compliance at the financial statement level (GAGAS)?	**No**
Were there any material internal control weakness conditions reported for major federal programs?	**No**
Were there any other reportable internal control weakness conditions reported for major federal programs?	**No**
Type of Major Programs' Compliance Opinion	**Unqualified**
Are there any reportable findings under § .510?	**No**
Major Programs (list):	**Section 8 Voucher Program CFDA #14.871**
Dollar Threshold: Type A/B Programs	**$300,000**
Low Risk Auditee?	**Yes**

Summary of Auditors' Results and Schedule of Findings
OMB Circular A-133 § .505 - Continued

Belmont Metropolitan Housing Authority
March 31, 2004

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings or questioned costs for the year ended March 31, 2004.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended March 31, 2004.

Auditor of State
Betty Montgomery

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BELMONT METROPOLITAN HOUSING AUTHORITY

BELMONT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 16, 2004