

**BASIC FINANCIAL STATEMENTS**  
**of the**  
**Delaware Metropolitan Housing Authority**  
**September 30, 2003**





**Auditor of State  
Betty Montgomery**

Board of Directors  
Delaware Metropolitan Housing Authority

We have reviewed the Independent Auditor's Report of the Delaware Metropolitan Housing Authority, Delaware County, prepared by Wilson, Shannon & Snow, Inc. for the audit period October 1, 2002 through September 30, 2003. 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 Delaware Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

February 26, 2004

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DELAWARE METROPOLITAN HOUSING AUTHORITY  
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Board of Directors  
Delaware Metropolitan Housing Authority  
222 Curtis Street  
Delaware, Ohio 43015

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Delaware Metropolitan Housing Authority, Delaware County, Ohio (the Authority) as of and for the year ended September 30, 2003. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these 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.

As described in Note 1 to the basic financial statements, the Authority implemented Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis* and GASB Statement No. 37, *Basic Financial Statements for State and Local Governments* for the year ended September 30, 2003.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2003 and the changes in financial position and the cash flows 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 January 21, 2004 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**

Ten West Locust Street

Newark, Ohio 43055

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

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental financial data schedules accompanying the financial statements are not necessary for fair presentation of the financial position, results of operations and cash flows of the Authority in conformity with accounting principles generally accepted in the United States of America. The supplemental schedules listed in the table of contents are presented only for purposes of additional analysis and are not a required part of the financial statements. Such schedules have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects, in relation to the financial statements taken as a whole.

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 financial statements and, in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole.

*Wilson, Sherman & Snow, Inc.*

Newark, Ohio  
January 21, 2004



Delaware Metropolitan Housing Authority  
Management's Discussion and Analysis  
September 30, 2003

The Delaware Metropolitan Housing Authority's (the Authority's) 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 fiscal 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 12).

## **FINANCIAL HIGHLIGHTS**

- During fiscal year 2003, the Authority's net assets decreased by \$73,444 (or 37.03%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net Assets were \$198,348 and \$124,904 for fiscal year 2002 and fiscal year 2003, respectively.
- The revenue decreased by \$86,732 (or 3.46%) during fiscal year 2003, and was \$2,505,152 and \$2,418,420 for fiscal year 2002 and fiscal year 2003, respectively.
- The total expenses of the Authority decreased by \$6,302 (or less than 1%). Total expenses were \$2,438,166 and \$2,431,864 for fiscal year 2002 and fiscal year 2003, respectively.

## **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**

~ Fund Financial Statement (refocused) – pgs 12-14 ~  
~ Notes to Financial Statements (expanded/restructured) – pgs 15-21 ~

### **Other Required Supplementary Information**

~ Required Supplementary Information - none~  
(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.

## **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, equals “Net Assets”, formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as “Current” (convertible into cash within one year), and “Non-current”.

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

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

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

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

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the “Change in Net Assets”, which is similar to Net Income or Loss.

Finally, 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.

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. Although the Authority does maintain different funds, each fund is used for the same enterprise activity. As a result, all financial activity of the Authority is presented at the entity-wide level.

## **The Authority's Funds**

The Authority's financial statements include all programs that are considered to be within its administrative control. The Authority generally maintains separate accounting records for each grant program or annual contribution contract, as required by HUD. A list of more significant programs is as follows:

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% of adjusted household income.

Other Non-major Programs - In addition to the major programs listed above, the Authority also maintains the following non-major programs. Non-major programs are defined as funds that have assets, liabilities, revenues, or expenses of at least 5% or more of the Authority's total assets, liabilities, revenues or expenses

State/Local Activities – represents non-HUD resources developed from a variety of activities.

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## AUTHORITY-WIDE STATEMENT

### Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities of the Authority using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. The following table reflects the condensed Statement of Net Assts compared to the prior year. The Authority is engaged only in Business-Type Activities.

**TABLE 1**

### STATEMENT OF NET ASSETS

	<u>2003</u>	<u>2002</u>
Current and Other Assets	\$ 213,725	\$ 278,907
Capital Assets	<u>6,040</u>	<u>11,435</u>
Total Assets	<u>219,765</u>	<u>290,342</u>
Other Liabilities	89,562	90,433
Non-Current Liabilities	<u>5,299</u>	<u>1,561</u>
Total Liabilities	94,861	91,994
Net Assets:		
Invested in Capital Assets, Net of Related Debt	6,040	11,435
Unrestricted	<u>118,864</u>	<u>186,913</u>
Total Net Assets	<u>\$124,904</u>	<u>\$198,348</u>

For more detailed information see page 12 for the Statement of Net Assets.

### Major Factors Affecting the Statement of Net Assets

Current assets decreased by \$65,182 in fiscal year 2003, while liabilities increased by \$2,867. Current assets decreased due to a \$60,000 cash donation that was returned to the Delaware Housing Development Association. In fiscal year 2002, this \$60,000 donation was held in the Authority's Equity balance; therefore in fiscal year 2003 when the donation was returned Equity decreased.

**TABLE 2**  
**CHANGE OF UNRESTRICTED NET ASSETS**

Unrestricted Net Assets September 30, 2002		\$ 186,913
Results of Operations	\$(13,444)	
Adjustments:		
Depreciation (1)	5,395	
Donation returned (2)	<u>(60,000)</u>	
Adjusted Results from Operations		<u>(68,049)</u>
Unrestricted Net Assets September 30, 2003		\$ <u>118,864</u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets

(2) Delaware Housing Development Association cash donation was returned for the purpose of furthering housing opportunities for people of Delaware County.

While the result 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.

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**TABLE 3**

**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.

	<u>2003</u>	<u>2002</u>
Revenues		
HUD PHA Operating Grants	\$2,404,368	\$2,502,733
Investment Income	979	2,419
Service Income	12,973	-
Fraud Recovery	<u>100</u>	<u>-</u>
Total Revenue	2,418,420	2,505,152
Expenses		
Administrative	273,459	235,037
Maintenance	5,668	8,801
General	52,244	3,771
Housing Assistance Payments	2,095,098	2,185,677
Depreciation	<u>5,395</u>	<u>4,880</u>
Total Expenses	<u>2,431,864</u>	<u>2,438,166</u>
Net (Decrease) Increase	\$ <u>(13,444)</u>	\$ <u>66,986</u>

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

HUD PHA Grants decreased due to 531 Housing Choice Vouchers being over leased in fiscal year 2002. The leasing rate for fiscal year 2002 was 110% compared to fiscal year 2003 which was 99.87%. Maximum unit months for both fiscal years were 5,256. In fiscal year 2003, HUD stated a penalty would be assessed for over leasing. However, the Tenant Based Rental Assistance (“TBRA”) – Home program had an increase in activity going from total expenditures in 2002 of \$37,961 to \$54,144 in 2003.

The increase in Administrative Expenses is a result of the staffing changes from the previous year and the rise in the cost of health insurance. The increase in staff was needed due to the addition of new units.

Housing Assistance Payments decreased due to the reduction of units leased noted above. Most other expenses increased moderately due to inflation.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2003, the Authority had \$6,040 invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation).

**TABLE 4**

**CAPITAL ASSETS AT YEAR-END  
(NET OF DEPRECIATION)**

	Business-Type Activities	
	<u>2003</u>	<u>2002</u>
Equipment – Administrative	\$38,966	\$38,966
Accumulated Depreciation	<u>(32,926)</u>	<u>(27,531)</u>
Total	\$ <u>6,040</u>	\$ <u>11,435</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 19 of the notes.

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**TABLE 5**

**CHANGE IN CAPITAL ASSETS**

	<u>Business-Type Activities</u>
Beginning Balance	\$ 11,435
Depreciation	(5,395)
Ending Balance	\$ <u>6,040</u>

There were no additions or disposals during the fiscal year.

**Debt Outstanding**

As of September 30, 2003, the Authority has no outstanding debt.

**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, recession and employment trends, which can affect resident incomes and therefore the amount of housing assistance.
- Inflationary pressure on utility rates, supplies and other costs.

**FINANCIAL CONTACT**

The individual to be contacted regarding this report is Marsha K. Inscho, Finance Manager for the Delaware Metropolitan Housing Authority, at (419) 526-1622. Specific requests may be submitted to the Authority at P.O. Box 1292, Delaware, OH 43015.

**Delaware Metropolitan Housing Authority**  
**Statement of Net Assets**  
**September 30, 2003**

**Assets**

Current Assets

Cash and Cash Equivalents	\$	141,680
Restricted Cash - Family Self-Sufficiency		65,251
Accounts Receivable - Fraud Recovery		1,782
Accounts Receivable - Other		1,925
Prepaid Expenses		3,087
		213,725
Total Current Assets		213,725

Non-Current Assets

Furniture and Equipment		38,966
Accumulated Depreciation		(32,926)
		6,040
Total Non-Current Assets		6,040

Total Assets	\$	219,765
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**Liabilities**

Current Liabilities

Accounts Payable	\$	1,855
Accounts Payable - HUD		18,009
Accrued Wages and Payroll Taxes		1,460
Accrued Compensated Absences		6,504
		27,828
Total Current Liabilities		27,828

Non-Current liabilities

Family Self-Sufficiency Deposits		65,251
Other Non-Current Liabilities		1,782
		67,033
Total Non-Current Liabilities		67,033

Total Liabilities		94,861
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**Net Assets**

Invested in Capital Assets, Net of Related Debt		6,040
Unrestricted		118,864
		124,904
Total Net Assets	\$	124,904

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

**Delaware Metropolitan Housing Authority**  
**Statement of Revenues, Expenses**  
**and Changes in Net Assets**  
**Year Ended September 30, 2003**

**Operating Revenues**

HUD Grants	\$ 2,404,368
Other Income	<u>13,073</u>
 Total Operating Revenue	 2,417,441

**Operating Expenses**

Housing Assistance Payments	\$ 2,095,098	
Administrative Salaries	98,077	
Employee Benefits	53,619	
Other Administrative	121,763	
Material and Labor - Maintenance	5,668	
Depreciation	5,395	
General	<u>52,244</u>	
 Total Operating Expenses		 <u>2,431,864</u>
 Operating Deficit		 (14,423)

**Non-Operating Revenues**

Interest	<u>979</u>
 Change in Net Assets	 (13,444)
 Net Assets at October 1, 2002	 198,348
 Transfer of Assets	 <u>(60,000)</u>
 Net Assets at September 1, 2003	 <u><u>\$ 124,904</u></u>

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

**Delaware Metropolitan Housing Authority**  
**Statement of Cash Flows**  
**Year Ended September 30, 2003**

Cash flows from operating activities

Cash received from HUD	\$ 2,422,377
Cash received from other sources	200
Cash payments to employees for services	(148,709)
Cash payments for goods and services - HUD	(2,095,098)
Cash payments for goods and services	<u>(185,344)</u>
Net cash used in operating activities	(6,574)

Cash flows from investing activities

Receipt of interest	979
Return of donation	<u>(60,000)</u>
Net cash used in investing activities	(59,021)
Net change in cash and cash equivalents	(65,595)
Cash and cash equivalents at October 1, 2002	<u>272,526</u>
Cash and cash equivalents at September 30, 2003	<u><u>\$ 206,931</u></u>

Cash flows from operating activity

Operating Deficit	\$ (14,423)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation Expense	5,395
Changes in assets and liabilities	
Accounts Receivable	632
Prepaid Expenses	(1,045)
Accounts Payable	1,729
Accrued Wages and Payroll Taxes	(322)
Accrued Compensated Absences	2,987
Other Liabilities	<u>(1,527)</u>
Net Cash Used in Operating Activities	<u><u>\$ (6,574)</u></u>

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

**Delaware Metropolitan Housing Authority**  
**Notes to the Financial Statements**  
**September 30, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Summary of Significant Accounting Policies

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

Reporting Entity

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate. The accompanying basic financial statements comply with the provisions of GASB Statement 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

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

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

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

**Delaware Metropolitan Housing Authority**  
**Notes to the Financial Statements - Continued**  
**September 30, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Excluded Entity

The following entity is excluded from the Reporting Entity; however, the entity does conduct activities for the benefit of the Authority.

**Delaware Housing Development Association** - This organization was formed as an instrumentality of the Authority to assist in the development and financing of housing projects. The Board of the Association is legally separate from the Delaware Metropolitan Housing Authority and is independently elected.

The Delaware Housing Development Association was formed as a result of a Development Agreement that was created in October of 1996. The parties to this agreement are listed below:

1. Delaware Metropolitan Housing Authority - Servicer
2. Partnership Equities, Inc. - Developer
3. Wallick Properties, Inc. - Property Manager
4. Hidden Ridge Limited Partnership - An Ohio Limited Partnership

The responsibility of the Delaware Metropolitan Housing Authority was to make application to the State of Ohio, Ohio Department of Development pursuant to their Energy, Home Investment Partnership, and Section 403 planning grant programs, and the Ohio Housing Finance Agency for their compensating balance and interim development loan programs in order to obtain grants or deferred loans for the development of the Project. The Hidden Ridge Limited Partnership is comprised of 60 units and is occupied by households whose income at the time of initial occupancy is at or below 50% of the area median income. The Delaware Housing Authority received \$60,000 for the performance of their duties as outlined in the Development Agreement. In fiscal year 2003, this \$60,000 was donated back to the Delaware Housing Development Association for the purpose of futhering housing opportunities for people of Delaware County.

The Delaware Metropolitan Housing Authority leases office space from the Hidden Ridge Limited Partnership for \$1 per year. The terms of the lease are described in footnote 8. In addition, as of September 30, 2003, 25 of the 60 units were occupied by individuals that participate in the Housing Choice Voucher Program that is administered by the Delaware Metropolitan Housing Authority.

Fund Accounting

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

**Delaware Metropolitan Housing Authority  
Notes to the Financial Statements - Continued  
September 30, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Proprietary Fund Types:*

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

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

The Authority accounts for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Measurement Focus/Basis of Accounting

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

Fixed Assets

Fixed assets are stated at cost and depreciation is computed using the straight line method over the 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 following are the useful lives used for depreciation purposes:

	<u>Years</u>
Furniture – dwelling	7
Furniture – non-dwelling	7
Equipment – dwelling	5
Equipment – non-dwelling	7
Computer hardware	3
Computer software	3
Vehicles	5

**Delaware Metropolitan Housing Authority**  
**Notes to the Financial Statements - Continued**  
**September 30, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid investments 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 fund 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.

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 reported as restricted when there are limitations imposed on their use either through the enabling legislature adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulation of other governments.

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.



**Delaware Metropolitan Housing Authority  
Notes to the Financial Statements - Continued  
September 30, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

New Accounting Pronouncements

The Authority implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments: Omnibus* for the current period. The implementation of these standards had no impact on beginning Net Assets.

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

Cash and cash equivalents included in the Authority's cash position at September 30, 2003 are as follows:

Demand deposits:

Bank balance - Checking	\$ 122,804	Bank balance - Savings	\$ 96,461
Items-in-transit	<u>(12,359)</u>	Items-in-transit	<u>      -</u>
Carrying balance	<u>\$ 110,445</u>	Carrying balance	<u>\$ 96,461</u>

Of the year-end cash balance, \$100,000 of the checking account balance and \$96,461 of the savings was covered by federal depository insurance, \$25 was maintained in petty cash funds and the remaining balance of \$23,804 was covered by pledged securities held by third-party trustees maintaining collateral for all public funds on deposit.

**3. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year 2003, the Authority contracted with KMU Insurance for public officials and employment practices liability; and Rinehart-Walter-Danner & Associates for general insurance, property, crime, electronic equipment, and automobile insurance.

Public officials liability and employment practices liability insurance each carries a \$1,000 deductible. Property and electronic equipment insurance each carries a \$250 deductible. Crime insurance carries a \$100 deductible.

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

**Delaware Metropolitan Housing Authority**  
**Notes to the Financial Statements - Continued**  
**September 30, 2003**

**4. FIXED ASSETS**

The following is a summary of fixed assets at September 30, 2003:

Vehicles	\$ 18,152
Furniture and Equipment	20,814
Accumulated Depreciation	<u>(32,926)</u>
Net Fixed Assets	\$ <u>6,040</u>

**5. FSS ESCROW PAYABLE**

The Authority is involved in the Family Self-Sufficiency program through the Housing Choice Vouchers Program. Each month contributions are deposited into the Authority's savings account on behalf of the program participants. Participants are limited to a five year contract at which time, they either meet their program goals and may withdraw their money earned from the savings account, or they fail to meet their goals and forfeit their money. If a forfeiture occurs the money earned is used by the Authority to reinvest into the Voucher Program.

**6. DEFINED BENEFIT PENSION PLANS – PUBLIC EMPLOYEES RETIREMENT SYSTEM**

All employees participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple employer public employee retirement system administered by the Public Employee Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained 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-PERS (7377).

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the Authority was required to contribute 13.55 percent through September 30. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Authority's required contributions to PERS for the years ended 2001, 2002 and 2003 were \$11,284, \$10,389, and \$8,337 respectively, which were equal to the required contributions for each year. In fiscal year 2003, the Authority resolved to pick up the employees' share of PERS that totaled \$8,337.

**7. POSTRETIREMENT EMPLOYEE BENEFITS**

Ohio Public Employees Retirement System provides postemployment health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment 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 retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated

**Delaware Metropolitan Housing Authority**  
**Notes to the Financial Statements - Continued**  
**September 30, 2003**

**7. POSTRETIREMENT EMPLOYEE BENEFITS - CONTINUED**

into two divisions, law enforcement and public safety, with separate employer contribution rates and benefits. The 2002 employer contribution rate for state employers was 13.31% of covered payroll of which 5.00% was the portion used to fund health care for the year. For local government employer units the rate was 13.55% of covered payroll and 5.00% was the portion used to fund health care for the year. For both the public safety and law enforcement divisions the 2002 employer rate was 16.70% and 5.00% was used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2001. 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 unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.00%. 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.

OPEBS are advance-funded on an actuarially determined basis. The number of active contributing participants was 402,041. \$11.6 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2001. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its contributing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This in contrast to the ten-year "cliff" eligibility standard for the present Plan. The benefit recipient will be free to select the option that best fits their needs. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expense, much like a Medical Spending Account.

**8. LEASES**

The Delaware Metropolitan Housing Authority leases office space under a long-term lease that expires on the 30<sup>th</sup> day of April 2008. The Authority pays the lessor, the Hidden Ridge Limited Partnership, \$1 per year for the office space.

**Delaware Metropolitan Housing Authority**  
**Statement of Net Assets**  
**FDS Schedule Submitted to HUD**  
**September 30, 2003**

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers Program	14.239 Home Program	Total
	Current Assets			
	Cash			
111	Cash - Unrestricted	\$ 141,680	\$ -	\$ 141,680
113	Cash - Restricted	65,251	-	65,251
100	Total Cash	<u>206,931</u>	<u>-</u>	<u>206,931</u>
	Accounts Receivable			
125	Accounts receivable - Miscellaneous	1,925	-	1,925
128	Fraud Recovery	1,782	-	1,782
120	Total Accounts Receivable	<u>3,707</u>	<u>-</u>	<u>3,707</u>
	Investments and Other Assets			
142	Prepaid Expenses and Other Assets	3,087	-	3,087
	Total Investments and Other Assets	<u>3,087</u>	<u>-</u>	<u>3,087</u>
150	Total Current Assets	<u>213,725</u>	<u>-</u>	<u>213,725</u>
	Non-Current Assets			
	Fixed Assets			
164	Furniture and Equipment - Administration	38,966	-	38,966
166	Accumulated Depreciation	(32,926)	-	(32,926)
160	Total Fixed Assets, net of accumulated depreciation	<u>6,040</u>	<u>-</u>	<u>6,040</u>
180	Total Non-Current Assets	<u>6,040</u>	<u>-</u>	<u>6,040</u>
190	Total Assets	<u>\$ 219,765</u>	<u>\$ -</u>	<u>\$ 219,765</u>

**Delaware Metropolitan Housing Authority**  
**Statement of Net Assets**  
**FDS Schedule Submitted to HUD**  
**September 30, 2003**

<b>FDS Line Item No.</b>	<b>Account Description</b>	<b>14.871 Housing Choice Vouchers Program</b>	<b>14.239 Home Program</b>	<b>Total</b>
	Current Liabilities			
312	Accounts Payable	\$ 1,855	\$ -	\$ 1,855
321	Accrued Wages and Payroll Taxes	1,460	-	1,460
322	Accrued Compensated Absences	6,504	-	6,504
331	Accounts Payable - HUD	18,009	-	18,009
310	Total Current Liabilities	<u>27,828</u>	<u>-</u>	<u>27,828</u>
353	Non-Current Liabilities - Other	67,033	-	67,033
350	Total Non-Current Liabilities	<u>67,033</u>	<u>-</u>	<u>67,033</u>
300	Total Liabilities	<u>94,861</u>	<u>-</u>	<u>94,861</u>
	Net Assets			
508.1	Invested in Capital Assets	6,040	-	6,040
512.1	Unrestricted Net Assets	118,864	-	118,864
	Total Net Assets	<u>124,904</u>	<u>-</u>	<u>124,904</u>
600	Total Liabilities and Net Assets	<u>\$ 219,765</u>	<u>\$ -</u>	<u>\$ 219,765</u>

**Delaware Metropolitan Housing Authority**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**FDS Schedule Submitted to HUD**  
**Year ended September 30, 2003**

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers Program	14.239 Home Program	Total
Revenue				
706	HUD Grants	\$ 2,363,197	\$ 41,171	\$ 2,404,368
711	Investment Income - Unrestricted	979	-	979
714	Fraud Recovery	100	-	100
715	Other Revenue	-	12,973	12,973
	Total Revenue	<u>2,364,276</u>	<u>54,144</u>	<u>2,418,420</u>
Expenses				
911	Administrative Salaries	87,021	11,056	98,077
912	Auditing Fees	5,543	-	5,543
914	Compensated Absences	2,987	-	2,987
915	Employee Benefit Contribution - Administrative	44,924	5,708	50,632
916	Other Operating - Administrative	115,811	409	116,220
942	Ordinary Maintenance and Operation - Materials and Other	5,668	-	5,668
961	Insurance Premiums	4,873	-	4,873
962	Other General	47,371	-	47,371
	Total Operating Expenses	<u>314,198</u>	<u>17,173</u>	<u>331,371</u>
970	Excess Operating Revenue Over Operating Expenses	<u>2,050,078</u>	<u>36,971</u>	<u>2,087,049</u>
Other Expenses				
973	Housing Assistance Payments	2,058,127	36,971	2,095,098
974	Depreciation	5,395	-	5,395
	Total Other Expenses	<u>2,063,522</u>	<u>36,971</u>	<u>2,100,493</u>
900	Total Expenses	<u>2,377,720</u>	<u>54,144</u>	<u>2,431,864</u>
1000	Excess of Revenues over Expenses	(13,444)	-	(13,444)
1103	Net Assets at Beginning of Year	<u>198,348</u>	<u>-</u>	<u>198,348</u>
	Transfer of Assets	<u>(60,000)</u>	<u>-</u>	<u>(60,000)</u>
	Net Assets at End of Year	<u>\$ 124,904</u>	<u>\$ -</u>	<u>\$ 124,904</u>

**Delaware Metropolitan Housing Authority  
Schedule of Federal Awards Expenditures  
Year Ended September 30, 2003**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures For The Year Ended</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Housing Choice Vouchers	14.871	\$ 2,377,720
Passed through the City of Delaware		
Home Program	14.239	<u>54,144</u>
Total Federal Award Expenditures		<u><u>\$ 2,431,864</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**Delaware Metropolitan Housing Authority**  
**Notes to the Schedule of Federal Awards Expenditures**  
**September 30, 2003**

1. 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.





## **Report On Compliance And On Internal Control Required By Government Auditing Standards**

Board of Directors  
Delaware Metropolitan Housing Authority  
222 Curtis Street  
Delaware, Ohio 43302

We have audited the financial statements of Delaware Metropolitan Housing Authority, Delaware County, Ohio (the Authority) as of and for the year ended September 30, 2003 and have issued our report thereon dated January 21, 2004 wherein we noted the Authority adopted GASB Statement No. 34 and GASB Statement No. 37. 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 Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

*Wilson, Shannon & Snow, Inc.*

**CERTIFIED PUBLIC ACCOUNTANTS**  
Ten West Locust Street  
Newark, Ohio 43055  
(740) 345-6611  
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This report is intended solely for the information and use of the board of directors, management, Auditor of State and federal awarding and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
January 21, 2004



**Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133**

Board of Directors  
Delaware Metropolitan Housing Authority  
222 Curtis Street  
Delaware, Ohio 43302

**Compliance**

We have audited the compliance of Delaware Metropolitan Housing Authority, Delaware County, Ohio (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2003. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2003.

*Wilson, Shannon & Snow, Inc.*

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## **Internal Control Over Compliance**

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

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 and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
January 21, 2004

**Delaware Metropolitan Housing Authority**

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505

September 30, 2003

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Housing Choice Vouchers/14.871
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None were noted

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

None were noted



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Betty Montgomery**

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**DELAWARE METROPOLITAN HOUSING AUTHORITY**

**DELAWARE 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  
MARCH 11, 2004**