

BASIC FINANCIAL STATEMENTS

of the

**BROWN METROPOLITAN
HOUSING AUTHORITY**

for the

Year Ended March 31, 2005



**Auditor of State
Betty Montgomery**

Board of Directors
Brown Metropolitan Housing Authority
200 S. Green Street
Georgetown, Ohio 45121

We have reviewed the Independent Auditor's Report of the Brown Metropolitan Housing Authority, Brown County, prepared by Jones, Cochenour, & Co., for the audit period April 1, 2004 to March 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY
Auditor of State

September 1, 2005

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**BROWN METROPOLITAN HOUSING AUTHORITY
TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 8
Basic Financial Statements:	
Statement of Net Assets	9
Statement of Revenues, Expenses and Changes in Net Assets	10
Statement of Cash Flows	11
Notes to the Basic Financial Statements	12 - 18
Supplemental Data:	
FDS Schedule	19 - 20
Cost Certifications	21
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	22



INDEPENDENT AUDITORS' REPORT

Board of Directors
Brown Metropolitan Housing Authority
Georgetown, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying basic financial statements of Brown Metropolitan Housing Authority, as of and for the year ended March 31, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Brown Metropolitan Housing Authority's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Brown Metropolitan Housing Authority, as of March 31, 2005, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2005 on our consideration of Brown Metropolitan Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing 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 opinions on the basic financial statements of the Authority taken as a whole. The FDS schedule and cost certifications are presented for purposes of additional analysis and are not a required part of the financial statements of the Brown Metropolitan Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Jones, Cochenour & Co." with a stylized flourish at the end.

**Jones, Cochenour & Co.
July 7, 2005**

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended March 31, 2005**

Unaudited

It is a privilege to present for you the financial picture of Brown Metropolitan Housing Authority. The Brown 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 the single enterprise fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's basic financial statements.

FINANCIAL HIGHLIGHTS

- The revenue decreased by \$52,545 (or 17.7%) during 2005, and was \$296,892 and \$244,347 for 2004 and 2005, respectively.
- The total expenses decreased by \$64,849 (18.9%). Total expenses were \$343,901 and \$279,052 for 2004 and 2005, 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 ~ Statement of Net Assets ~ ~ Statement of Revenues, Expenses and Changes in Net Assets ~ ~ Statement of Cash Flows ~ ~ Notes to Financial Statements ~

The new and clearly preferable focus is on the Authority as a single enterprise fund. This new format will 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.

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2005**

Unaudited

BASIC FINANCIAL STATEMENTS

The basic financial statements are designed to be corporate-like in that all business type programs are consolidated into one single enterprise fund for the 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 (as applicable):

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 basic 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.

The Authority's programs that are consolidated into a single enterprise fund are as follows:

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy 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. Funds are allocated by a formula allocation and based on size and age of the authority's units.

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2005**

Unaudited

Housing Choice Voucher Program – 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.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

The following table reflects the condensed Statement of Net Assets compared to prior year.

**TABLE 1
STATEMENT OF NET ASSETS**

	2005	Restated 2004
Current and other assets	\$ 54,005	\$ 48,129
Capital assets	1,365,539	1,409,429
TOTAL ASSETS	1,419,544	1,457,558
Current liabilities	18,223	21,532
Long-term liabilities	-	-
TOTAL LIABILITIES	18,223	21,532
Net Assets:		
Invested in capital assets, net of related debt	1,365,539	1,409,429
Unrestricted	35,782	26,597
TOTAL NET ASSETS	\$ 1,401,321	\$ 1,436,026

MAJOR FACTORS AFFECTING THE STATEMENT OF NET ASSETS

Current assets, capital assets and net assets do not reflect any significant changes in comparing the two years.

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2005**

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.

	2005	Restated 2004
Revenues		
Tenant revenue - rents and other	\$ 28,188	\$ 13,430
Operating subsidies and grants	214,890	223,771
Capital grants	-	57,440
Investment income/other revenues	1,269	2,251
TOTAL REVENUE	244,347	296,892
Expenses		
Administration	81,211	115,600
Utilities	11,116	9,446
Maintenance	23,622	43,629
General	4,049	4,809
Bad debts - tenants	751	-
PILOT	1,614	398
Housing assistance payments	112,799	127,206
Depreciation	43,890	42,813
TOTAL EXPENSES	279,052	343,901
NET (DECREASE)	\$ (34,705)	\$ (47,009)

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

The tenant payment from 2004 to 2005 increased and more tenant revenue was generated. More tenants working as a result of welfare to work act. In 2004 the Authority replaced flooring therefore, utilizing capital grants. Administration and maintenance expenses are down due to (1) maintenance expense was lower than the prior year because we utilized the Capital Funds to “catch up” on maintenance. (2) Administrative fees were down due to staff turnover and (3) We were advised by HUD personnel to reduce our administration cost due to our FASS scores.

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2005**

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of year end, the Authority had \$1,365,539 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease of \$43,890 from the end of last year.

**TABLE 3
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	2005	2004
Land and land rights	\$ 1,049	\$ 1,049
Buildings	1,752,740	1,752,740
Equipment - administrative	16,100	16,100
Equipment - dwellings	19,033	19,033
Accumulated depreciation	(423,383)	(379,493)
TOTAL	\$ 1,365,539	\$ 1,409,429

The following reconciliation summarizes the change in Capital Assets.

**TABLE 4
CHANGE IN CAPITAL ASSETS**

BEGINNING BALANCE		\$ 1,409,429
Depreciation		(43,890)
ENDING BALANCE		\$ 1,365,539

**BROWN METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended March 31, 2005**

Unaudited

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding levels of the Department of Housing and Urban Development were lowered to 89% of the operating budget.
- Inflationary pressure on utility rates, supplies and other costs including gasoline for maintenance personnel.
- Market rates for rental housing rents are extremely high and voucher will only pay cost per unit (\$292) so we have had to lower our payment standards to avoid cutting into our management fees.

IN CONCLUSION

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

Public Housing – With funding decreased to 89% of the operating budget we could suffer financially if we have a large number of vacancies. Also, due to utility de – regulations we are concerned that our utility cost will rise.

Voucher – We are frustrated that in May HUD changed to a per unit basis and made it retroactive to January therefore creating a financial strain.

The recapture of our reserves and the untimeliness of the 04 settlement created serious cash flow problems. This affected our ability to issue vouchers.

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Shelly McCann, Executive Director of the Brown Metropolitan Housing Authority at (937) 378-6041.

Respectfully submitted,

Shelly McCann
Executive Director

**BROWN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE
ENTERPRISE FUND
MARCH 31, 2005**

ASSETS

Cash and cash equivalents	\$	48,889
Accounts receivable - HUD		4,741
Accounts receivable - miscellaneous		375

TOTAL CURRENT ASSETS 54,005

CAPITAL ASSETS

Land		1,049
Other capital assets - net		1,364,490

TOTAL CAPITAL ASSETS 1,365,539

TOTAL ASSETS 1,419,544

LIABILITIES AND EQUITY

Accounts payable		2,036
Accounts payable - other government		10,937
Tenant security deposits		5,250

TOTAL CURRENT LIABILITIES 18,223

TOTAL LIABILITIES 18,223

NET ASSETS

Invested in capital assets - net of related debt		1,365,539
Undesignated net assets		35,782

TOTAL NET ASSETS \$ 1,401,321

See accompanying notes to the basic financial statements

BROWN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended March 31, 2005

OPERATING REVENUES	
HUD operating grants	\$ 214,890
Tenant revenue	<u>28,188</u>
TOTAL OPERATING REVENUE	243,078
 OPERATING EXPENSES	
Housing assistance payments	112,799
Administrative	81,211
Utilities	11,116
Maintenance	23,622
PILOT	1,614
General	4,049
Depreciation	43,890
Bad debts - tenants	<u>751</u>
TOTAL OPERATING EXPENSES	<u>279,052</u>
OPERATING (LOSS)	(35,974)
 NON-OPERATING REVENUE	
Interest income	<u>1,269</u>
CHANGE IN NET ASSETS	(34,705)
Net assets beginning of year	1,438,253
PRIOR PERIOD ADJUSTMENTS	<u>(2,227)</u>
NET ASSETS BEGINNING OF YEAR, RESTATED	<u>1,436,026</u>
NET ASSETS END OF YEAR	<u><u>\$ 1,401,321</u></u>

See accompanying notes to the basic financial statements

BROWN METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended March 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from HUD	\$ 225,419
Cash received from tenants	28,188
Cash payments for housing assistance payments	(112,799)
Cash payments for administrative	<u>(132,046)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,762
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment activity	<u>1,269</u>
INCREASE IN CASH AND CASH EQUIVALENTS	10,031
CASH AND CASH EQUIVALENTS, BEGINNING	<u>38,858</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 48,889</u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating (loss)	\$ (35,974)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	43,890
(Increase) decrease in:	
Receivables HUD - net of allowance	4,959
Accounts receivable - misc.	686
Increase (decrease) in:	
Accounts payable	(15,436)
Accounts payable - other government	10,529
Tenant security deposits	225
Deferred revenue	<u>(117)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 8,762</u>

See accompanying notes to the basic financial statements

**BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Brown 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, 2005.

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 provision 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 is obligated in some manner for the debt of the organizations.

**BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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.

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

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:

**BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- **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.

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.

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 \$1,269. 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 \$50 for the year ended March 31, 2005.

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 \$500. The following are the useful lives used for depreciation purposes:

**BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Buildings	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 classified as due to/due from other programs on the FDS are eliminated.

Accrued Liabilities

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

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.

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.

Capital Grant

This represents grants provided by HUD that The Authority spends on capital assets.

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.

**BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

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 \$48,889, which includes tenant security deposits. The corresponding bank balances totaled \$70,594.

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

Category 1: \$70,594 was covered by federal depository insurance

3. INSURANCE AND 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.

The Authority participates in the State Housing Authorities Risk Pool (SHARP), a public entity risk plan that operates as a common risk management and insurance program for housing authorities. The authority pays insurance premiums directly to SHARP.

The authority continues to carry commercial insurance for other risks of loss. There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

**BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

4. CAPITAL ASSETS

The following is a summary of capital assets:

	<u>Corrected Balance 3/31/2004</u>	<u>Additions / Deletions/ Corrections</u>	<u>Balance 3/31/2005</u>
CAPITAL ASSETS, NOT BEING DEPRECIATED			
Land	\$ 1,049	\$ -	\$ 1,049
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	<u>\$ 1,049</u>	<u>\$ -</u>	<u>\$ 1,049</u>
 CAPITAL ASSETS, BEING DEPRECIATED			
Buildings and improvements	\$ 1,752,740	\$ -	\$ 1,752,740
Furniture and equipment	35,133	-	35,133
Totals at Historical Costs	<u>1,787,873</u>	<u>-</u>	<u>1,787,873</u>
Less: Accumulated Depreciation	<u>(379,493)</u>	<u>(43,890)</u>	<u>(423,383)</u>
TOTAL CAPITAL ASSETS, NET, BEING DEPRECIATED	<u>\$ 1,408,380</u>	<u>\$ (43,890)</u>	<u>\$ 1,364,490</u>

The depreciation expense for the year then ended March 31, 2005 was \$43,890.

5. CONTRACT SERVICES

The authority contracts with:

- Adams Brown Counties Economic Opportunities Inc. to provide financial services for the housing authority. The authority does not have any employees; instead, services are subcontracted from Adams Brown Counties Economic Opportunities Inc..

Adams Brown Counties Economic Opportunities Inc. to provide management and financial reporting services. Compensation shall be based on the amount allowed by HUD for performing these services.

6. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended March 31, 2005, 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 - 20. The schedules are presented in the manner prescribed by Housing and Urban Development.

**BROWN METROPOLITAN HOUSING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS**

7. RECLASSIFICATION AND RESTATEMENT OF BEGINNING EQUITY

	<u>Total</u>	<u>Contributed Capital</u>	<u>Undesignated</u>	<u>Capital Asset Net</u>	<u>Unrestricted Net Assets</u>
Beginning net assets	\$ 1,438,253	\$ 1,554,050	\$ (115,797)	\$ -	\$ -
Equity reclassification	-	(1,554,050)	115,797	1,409,429	28,824
YES HUD settlement	<u>(2,227)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,227)</u>
 Beginning net assets, restated	 1,436,026	 -	 -	 1,409,429	 26,597
 Net decrease	 <u>(34,705)</u>	 <u>-</u>	 <u>-</u>	 <u>(43,890)</u>	 <u>9,185</u>
	 <u>\$ 1,401,321</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,365,539</u>	 <u>\$ 35,782</u>

8. CONTINGENT LIABILITIES

Under the terms of Federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

BROWN METROPOLITAN HOUSING AUTHORITY
PROPRIETARY FUND TYPE
ENTERPRISE FUND
STATEMENT OF NET ASSETS
March 31, 2005

FDS Line Item	Account Description	14.850 Public Housing	14.872 Capital Grant	14.871 Section 8 Voucher	TOTAL
ASSETS					
111	Cash - unrestricted	\$ 10,390	\$ -	\$ -	\$ 10,390
100	Cash - restricted for current liabilities	4,168	-	2,694	6,862
114	Cash - tenant security deposits	6,218			6,218
100	TOTAL CASH	<u>20,776</u>	<u>-</u>	<u>2,694</u>	<u>23,470</u>
122	Accounts receivable - HUD other proj	-	4,741		4,741
126	A/R Tenants - dwelling rents	375	-	-	375
120	TOTAL ACCOUNTS RECEIVABLE	<u>375</u>	<u>4,741</u>	<u>-</u>	<u>5,116</u>
131	Investments - unrestricted	25,419	-	-	25,419
144	Interprogram due from	4,741	-	518	5,259
150	TOTAL CURRENT ASSETS	<u>51,311</u>	<u>4,741</u>	<u>3,212</u>	<u>59,264</u>
161	Land	1,049	-	-	1,049
162	Buildings	1,731,912	20,828	-	1,752,740
163	Furniture and equipment - dwellings	16,100	-	-	16,100
164	Furniture and equipment - admin	18,533	500	-	19,033
167	Construction in progress	-	-	-	-
166	Accumulated depreciation	(422,495)	(888)	-	(423,383)
160	TOTAL FIXED ASSETS, NET	<u>1,345,099</u>	<u>20,440</u>	<u>-</u>	<u>1,365,539</u>
180	TOTAL NON-CURRENT ASSETS	<u>1,345,099</u>	<u>20,440</u>	<u>-</u>	<u>1,365,539</u>
190	TOTAL ASSETS	<u>\$ 1,396,410</u>	<u>\$ 25,181</u>	<u>\$ 3,212</u>	<u>\$ 1,424,803</u>
LIABILITIES					
312	Accounts payable <=90 days	\$ 2,036	\$ -	\$ -	\$ 2,036
331	Accounts payable - HUD PHA	-	-	9,323	9,323
333	Accounts payable - other govt	1,614	-	-	1,614
341	Tenant security deposits	5,250	-	-	5,250
347	Interprogram due to	518	4,741	-	5,259
310	TOTAL CURRENT LIABILITIES	<u>9,418</u>	<u>4,741</u>	<u>9,323</u>	<u>23,482</u>
300	TOTAL LIABILITIES	9,418	4,741	9,323	23,482
508.1	Invested in capital assets	1,345,099	20,440		1,365,539
512.1	Unrestricted net assets	41,893	-	(6,111)	35,782
513	TOTAL EQUITY	<u>1,386,992</u>	<u>20,440</u>	<u>(6,111)</u>	<u>1,401,321</u>
600	TOTAL LIABILITIES AND EQUITY	<u>\$ 1,396,410</u>	<u>\$ 25,181</u>	<u>\$ 3,212</u>	<u>\$ 1,424,803</u>

See independent auditors' report

BROWN METROPOLITAN HOUSING AUTHORITY
PROPRIETARY FUND TYPE
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended March 31, 2005

FDS Line Item No.	Account Description	14.850 Public Housing	14.872 Capital Grant	14.871 Section 8 Voucher	TOTAL
	REVENUE				
703	Net tenant revenue	\$ 24,730	\$ -	\$ -	\$ 24,730
704	Tenant revenue - other	3,458	-	-	3,458
705	TOTAL TENANT REVENUE	<u>28,188</u>	<u>-</u>	<u>-</u>	<u>28,188</u>
706	PHA HUD grants	\$ 68,278	\$ 15,222	\$ 131,390	\$ 214,890
711	Investment income - unrestricted	1,219	-	50	1,269
	TOTAL REVENUE	<u>97,685</u>	<u>15,222</u>	<u>131,440</u>	<u>244,347</u>
	EXPENSES				
912	Auditing fees	4,521	-	1,445	5,966
913	Outside management fees	45,000	5,325	17,196	67,521
916	Other operating - administrative	4,024	3,700	-	7,724
931	Water	10,777	-	-	10,777
938	Other utilities	339	-	-	339
941	Ord maintenance/op - labor	5,860	-	-	5,860
942	Ord maintenance/op - materials	11,742	-	-	11,742
943	Ord maintenance/op - cont costs	61	5,959	-	6,020
961	Insurance premiums	4,005	-	-	4,005
	General expense	44	-	-	44
963	PILOT	1,614	-	-	1,614
964	Bad debts - tenant rents	751	-	-	751
969	TOTAL OPERATING EXPENSES	<u>88,738</u>	<u>14,984</u>	<u>18,641</u>	<u>122,363</u>
970	EXCESS OPERATING REVENUE OVER EXPENSES	8,947	238	112,799	121,984
973	Housing Assistance Payments	-	-	112,799	112,799
974	Depreciation expense	43,298	592	-	43,890
900	TOTAL EXPENSES	<u>132,036</u>	<u>15,576</u>	<u>131,440</u>	<u>279,052</u>
1001	Operating transfers in	238	-	-	238
1002	Operating transfers out	-	238	-	238
1000	EXCESS OF REVENUE OVER EXPENSES	(34,113)	(592)	-	(34,705)
1103	Beginning equity	1,359,372	82,765	(3,884)	1,438,253
1104	Prior period adj/equity transfers	61,733	(61,733)	(2,227)	(2,227)
	ENDING EQUITY	<u>\$ 1,386,992</u>	<u>\$ 20,440</u>	<u>\$ (6,111)</u>	<u>\$ 1,401,321</u>

See independent auditors' report

**BROWN METROPOLITAN HOUSING AUTHORITY
COST CERTIFICATIONS**

Capital Fund Project Number OH16PO81-501-03:

Operations	\$ 3,082
Management improvements	3,082
Administration	3,082
Fees and costs	1,200
Site improvement	4,456
Dwelling structure	15,413
Non-dwelling structure	<u>500</u>
TOTAL EXPENDED	<u>\$ 30,815</u>
TOTAL RECEIVED	<u>\$ 30,815</u>

Capital Fund Project Number OH16PO81-502-03:

Management improvements	\$ 3,081
Dwelling structure	<u>3,427</u>
TOTAL EXPENDED	<u>\$ 6,508</u>
TOTAL RECEIVED	<u>\$ 6,508</u>

1. The actual modernization cost certificates were signed and filed on March 30, 2005.
2. The final costs on the certificate agrees to the Authority's records.



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

Board of Directors
Brown Metropolitan Housing Authority
Georgetown, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the basic financial statements of Brown Metropolitan Housing Authority as of and for the year ended March 31, 2005, and have issued our report thereon dated July 7, 2005. As described in Note 1 of the basic financial statement the authority adopted the provisions of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, as of April 1, 2004. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Brown 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Brown 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*.

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.
July 7, 2005

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**BROWN METROPOLITAN HOUSING AUTHORITY
BROWN 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
SEPTEMBER 20, 2005**