BASIC FINANCIAL STATEMENTS

of the

Delaware Metropolitan Housing Authority

September 30, 2004

Auditor of State
Betty Montgomery

Board of Directors
Delaware Metropolitan Housing Authority
222 Curtis St.
Delaware, Ohio 43015

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, 2003 to September 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 10, 2005

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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 basic financial statements of Delaware Metropolitan Housing Authority, Delaware County, Ohio (the Authority) as of and for the year ended September 30, 2004, as listed in the table of contents. 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 Standard*s issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2004 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 Standard*s, we have also issued a report dated February 3, 2005 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, 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.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
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Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Authority taken as a whole. The accompanying Schedule of Federal Awards Expenditures as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and the Supplementary Financial Data Schedules, as required by the U.S. Department of Housing and Urban Development, are presented for the purpose of additional analysis and are not a required part of the financial statements. Such schedules have been subjected to auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
February 3, 2005

The Delaware 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 fiscal year challenges), and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 12).

FINANCIAL HIGHLIGHTS

- During fiscal year 2004, the Authority's net assets increased by $9,809 (or 7.85%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were $124,904 and $134,713 for fiscal year 2003 and fiscal year 2004, respectively.

- The revenue decreased by $35,559 (or 1.47%) during fiscal year 2004, and was $2,418,420 and $2,382,861 for fiscal year 2003 and fiscal year 2004, respectively.

- The total expenses of the Authority decreased by $58,812 (or 2.42%). Total expenses were $2,431,864 and $2,373,052 for fiscal year 2003 and fiscal year 2004, respectively.

USING THIS ANNUAL REPORT

The following is a graphic outlining the three major sections of the report.

MD&A

~ Management Discussion
and Analysis ~

Basic Financial Statements

~ Fund Financial Statement – pgs 12-14 ~
~ Notes to Financial Statements – pgs 15-21 ~

Other Required Supplementary Information

~ Required Supplementary Information - none~
(other than MD&A)

The primary focus of the Authority's financial statement 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.

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:

<u>Housing Choice Voucher Program</u> – 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.

<u>Other Programs</u> - In addition to the major programs listed above, the Authority also maintains the following programs. The only other program the Authority is involved with is listed below:

> 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

	2004	2003
Current and Other Assets	$ 297,357	$ 213,725
Capital Assets	24,084	6,040
Total Assets	321,441	219,765
Other Liabilities	70,890	89,562
Non-Current Liabilities	115,838	5,299
Total Liabilities	186,728	94,861
Net Assets:		
Invested in Capital Assets, Net of Related Debt	24,084	6,040
Unrestricted	110,629	118,864
Total Net Assets	$134,713	$124,904

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

Major Factors Affecting the Statement of Net Assets

Current assets increased by $83,632 in fiscal year 2004, while total liabilities increased by $91,867. $110,796 of cash is restricted for Family Self-Sufficiency program participants (see Note 5 for further details regarding the FSS program). In addition, HUD and other Governmental Payables totaled $65,404 at September 30, 2004, which indicates the Authority received more monies for housing assistance payments than it paid out; as a result the excess monies will be paid back to HUD. In fiscal year 2003, FSS restricted cash and related liability was $10,784 and the HUD Payable was $6,189.

The December 15, 2003 purchase of the Gateway computer system for $5,869 and the August 17, 2004 purchase of a 2005 Camry for $17,704 were the significant acquisitions made during the year. For more detail, see “Capital Assets and Debt Administration” below.

TABLE 2

CHANGE OF UNRESTRICTED NET ASSETS

Unrestricted Net Assets September 30, 2003		$ 118,864
Results of Operations	$ 9,809	
Adjustments:		
Depreciation (1)	5,529	
Adjusted Results from Operations		15,338
Capital Expenditures		(23,573)
Unrestricted Net Assets September 30, 2004		$ 110,629

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

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.

	2004	2003
Revenues		
HUD PHA Operating Grants	$2,374,275	$2,404,368
Investment Income	685	979
Service Income	7,762	12,973
Fraud Recovery	139	100
Total Revenue	2,382,861	2,418,420
Expenses		
Administrative	273,012	273,459
Maintenance	7,308	5,668
General	7,600	52,244
Housing Assistance Payments	2,079,603	2,095,098
Depreciation	5,529	5,395
Total Expenses	2,373,052	2,431,864
Net (Decrease) Increase	$ 9,809	$ (13,444)

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

HUD PHA Grants decreased due to HUD's funding decreases for both HAP expenditures and Administrative fees and a slight decrease in unit months leased.

Last fiscal year, a total of 5,249 unit months were leased, which represents a 99.87% leasing rate. This fiscal year, 5,133 unit months were leased, which is a 116 unit month decrease, or a 97.66% leasing rate.

General expenses decreased due to no expenditures for the Community Housing Improvement Program with the City of Delaware.

Most other expenses increased moderately due to inflation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2004, the Authority had $24,084 invested in capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation).

TABLE 4

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

	Business-Type Activities	
	2004	2003
Equipment – Administrative	$62,538	$38,966
Accumulated Depreciation	(38,454)	(32,926)
Total	$24,084	$ 6,040

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

	Business-Type Activities
Beginning Balance	$ 6,040
Additions	23,573
Depreciation	(5,529)
Ending Balance	$ 24,084

Major additions for fiscal year 2004 were:

Gateway Computer System	$ 5,869
2005 Camry	17,704
Total	$ 23,573

Debt Outstanding

As of September 30, 2004, 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, 2004

Assets		
Current Assets		
Cash and Cash Equivalents	$	167,905
Restricted Cash - Family Self-Sufficiency		110,796
Accounts Receivable - Fraud Recovery		1,641
Accounts Receivable - Other		2,999
Prepaid Expenses		14,016
Total Current Assets		297,357
Non-Current Assets		
Furniture and Equipment		62,538
Accumulated Depreciation		(38,454)
Total Non-Current Assets		24,084
Total Assets	$	321,441
Liabilities		
Current Liabilities		
Accounts Payable	$	2,360
Accounts Payable - HUD		65,404
Accrued Wages and Payroll Taxes		1,574
Accrued Compensated Absences		1,552
Total Current Liabilities		70,890
Non-Current liabilities		
Accrued Compensated Absences		3,400
Family Self-Sufficiency Deposits		110,796
Other Non-Current Liabilities		1,642
Total Non-Current Liabilities		115,838
Total Liabilities		186,728
Net Assets		
Invested in Capital Assets, Net of Related Debt		24,084
Unrestricted		110,629
Total Net Assets	$	134,713

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, 2004

Operating Revenues		
HUD Grants		$ 2,374,275
Other Income		7,901
Total Operating Revenue		2,382,176
Operating Expenses		
Housing Assistance Payments	$ 2,079,603	
Administrative Salaries	91,066	
Employee Benefits	47,257	
Other Administrative	134,689	
Material and Labor - Maintenance	7,308	
Depreciation	5,529	
General	7,600	
Total Operating Expenses		2,373,052
Operating Income		9,124
Non-Operating Revenues		
Interest		685
Change in Net Assets		9,809
Net Assets at October 1, 2003		124,904
Net Assets at September 1, 2004		$ 134,713

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, 2004

Cash flows from operating activities	
Cash received from HUD	$ 2,439,679
Cash received from other sources	277
Cash payments to employees for services	(139,075)
Cash payments for goods and services - HUD	(2,079,603)
Cash payments for goods and services	(126,620)
Net cash provided by operating activities	94,658
Cash flows from capital and related financial activities	
Acquisition of assets	(23,573)
Net cash used in captail and related financing activities	(23,573)
Cash flows from investing activities	
Receipt of interest	685
Net cash used in investing activities	685
Net change in cash and cash equivalents	71,770
Cash and cash equivalents at October 1, 2003	206,931
Cash and cash equivalents at September 30, 2004	$ 278,701
Cash flows from operating activity	
Operating Income	$ 9,124
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation Expense	5,529
Changes in assets and liabilties	
Accounts Receivable	(933)
Prepaid Expenses	(10,929)
Accounts Payable	47,900
Accrued Wages and Payroll Taxes	114
Accrued Compensated Absences	(1,552)
Other Liabilities	45,405
Net Cash Provided by Operating Activities	$ 94,658

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

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 39, *Determining Whether Organizations are Component Units,* 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.

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. As of September 30, 2004, the project has been completed and no further projects exist.

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, 2004, 31 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.

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 after 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:

	Years
Furniture – dwelling	7
Furniture – non-dwelling	7
Equipment – dwelling	5
Equipment – non-dwelling	7
Computer hardware	3
Computer software	3
Vehicles	5

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.

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, 2004 are as follows:

Demand deposits:

Bank balance - Checking	$ 135,294	Bank balance - Savings	$ 153,109
Items-in-transit	(9,727)	Items-in-transit	-
Carrying balance	$ 125,567	Carrying balance	$ 153,109

Of the year-end cash balance, $100,000 of the checking account balance and $100,000 of the savings was covered by federal depository insurance, $25 was maintained in petty cash funds and the remaining balance of $78,676 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 2004, 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.

4. FIXED ASSETS

The following is a summary of fixed assets at September 30, 2004:

Vehicles	$ 35,855
Furniture and Equipment	26,683
Accumulated Depreciation	(38,454)
Net Fixed Assets	$ 24,084

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 2002, 2003 and 2004 were $10,389, $8,337, and $7,741, respectively, which were equal to the required contributions for each year. In fiscal year 2004, the Authority resolved to pick up the employees' share of PERS that totaled $7,741.

7. POSTRETIREMENT EMPLOYEE BENEFITS

PERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit, and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available under PERS. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB). A portion of each employer's PERS contribution is set aside for the funding of postretirement health care. The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to PERS. The number of active contributing participants was 368,996 as of December 31, 2003.

As required by state statute, a portion of each employer's contribution to PERS is used for the funding of the postemployment health care. Based on the employer's contribution of 13.55% of covered payroll; 5.00% was used to fund health care for the year. Employer contributions are advance-funded on an actuarially determined basis and are determined by state statue.

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actual 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 to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2002 was 8 percent.

7. POSTRETIREMENT EMPLOYEE BENEFITS - CONTINUED

PERS (assuming the number of active employees remains constant) assumes an annual increase of 4.00% compounded annually for the base portion of an individual's pay increase. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.3%.

As of December 31, 2002, the audited estimated net assets available for future OPEB payments were $10.0 billion. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were $18.7 billion and $8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under PERS after January 1, 2004, 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.

The benefit recipients will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, 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 30th 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, 2004

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers Program	14.239 Home Program	Total
	Current Assets			
	Cash			
111	Cash - Unrestricted	$ 167,905	$ -	$ 167,905
113	Cash - Other Restricted	110,796	-	110,796
100	Total Cash	278,701	-	278,701
	Accounts Receivable			
125	Accounts receivable - Miscellaneous	2,999	-	2,999
128	Fraud Recovery	1,641	-	1,641
120	Total Accounts Receivable	4,640	-	4,640
	Investments and Other Assets			
142	Prepaid Expenses and Other Assets	14,016	-	14,016
	Total Investments and Other Assets	14,016	-	14,016
150	Total Current Assets	297,357	-	297,357
	Non-Current Assets			
	Fixed Assets			
164	Furniture and Equipment - Administration	62,538	-	62,538
166	Accumulated Depreciation	(38,454)	-	(38,454)
160	Total Fixed Assets, net of accumulated depreciation	24,084	-	24,084
180	Total Non-Current Assets	24,084	-	24,084
190	Total Assets	$ 321,441	$ -	$ 321,441

Delaware Metropolitan Housing Authority
Statement of Net Assets
FDS Schedule Submitted to HUD
September 30, 2004

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers Program	14.239 Home Program	Total
	Current Liabilities			
312	Accounts Payable	$ 2,360	$ -	$ 2,360
321	Accrued Wages and Payroll Taxes	1,574	-	1,574
322	Accrued Compensated Absences	1,552	-	1,552
331	Accounts Payable - HUD	65,404	-	65,404
310	Total Current Liabilities	70,890	-	70,890
354	Accrued Compensated Absences	3,400	-	3,400
353	Noncurrent Liabilities - Other	112,438	-	112,438
350	Total Non-Current Liabilities	115,838	-	115,838
300	Total Liabilities	186,728	-	186,728
	Net Assets			
508.1	Invested in Capital Assets	24,084	-	24,084
512.1	Unrestricted Net Assets	110,629	-	110,629
	Total Net Assets	134,713	-	134,713
600	Total Liabilities and Net Assets	$ 321,441	$ -	$ 321,441

Delaware Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Net Assets
FDS Schedule Submitted to HUD
Year ended September 30, 2004

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers Program	14.239 Home Program	Total
	Revenue			
706	HUD Grants	$ 2,332,164	$ 42,111	$ 2,374,275
711	Investment Income - Unrestricted	685	-	685
714	Fraud Recovery	139	-	139
715	Other Revenue	-	7,762	7,762
	Total Revenue	2,332,988	49,873	2,382,861
	Expenses			
911	Administrative Salaries	83,581	7,485	91,066
912	Auditing Fees	6,072	-	6,072
914	Compensated Absences	(1,552)	-	(1,552)
915	Employee Benefit Contribution - Administrative	44,798	4,011	48,809
916	Other Operating - Administrative	128,326	291	128,617
942	Ordinary Maintenance and Operation - Materials and Other	7,308	-	7,308
961	Insurance Premiums	7,134	-	7,134
962	Other General	466	-	466
	Total Operating Expenses	276,133	11,787	287,920
970	Excess Operating Revenue Over Operating Expenses	2,056,855	38,086	2,094,941
	Other Expenses			
973	Housing Assistance Payments	2,041,517	38,086	2,079,603
974	Depreciation	5,529	-	5,529
	Total Other Expenses	2,047,046	38,086	2,085,132
900	Total Expenses	2,323,179	49,873	2,373,052
1000	Excess of Revenues over Expenses	9,809	-	9,809
1103	Net Assets at Beginning of Year	124,904	-	124,904
	Net Assets at End of Year	$ 134,713	$ -	$ 134,713

Delaware Metropolitan Housing Authority
Schedule of Federal Awards Expenditures
Year Ended September 30, 2004

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Expenditures For The Year Ended
U.S. Department of Housing and Urban Development		
Housing Choice Vouchers	14.871	$ 2,323,179
Passed through the City of Delaware		
Home Program	14.239	49,873
Total Federal Award Expenditures		$ 2,373,052

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, 2004

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, 2004 and have issued our report thereon dated February 3, 2005.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 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 an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 or other matters that are required to be reported under *Government Auditing Standards*.

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, Shannon & Snow, Inc.

Newark, Ohio
February 3, 2005

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, 2004. 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2004.

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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, Shannon & Snow, Inc.

Newark, Ohio
February 3, 2005

Delaware Metropolitan Housing Authority

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505

September 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS

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

Auditor of State
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 24, 2005