BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

of the

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY

for the

Year Ended September 30, 2004

Auditor of State
Betty Montgomery

Board of Commissioners
Springfield Metropolitan Housing Authority

We have reviewed the Independent Auditor's Report of the Springfield Metropolitan Housing Authority, Clark County, prepared by Jones, Cochenour & Co. for the audit period October 1, 2003 through 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 Springfield Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

April 11, 2005

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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

INDEPENDENT AUDITORS' REPORT

Board of Directors
Springfield Metropolitan Housing Authority
Springfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the accompanying basic financial statements of Springfield Metropolitan Housing Authority, as of and for the year ended September 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Springfield Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Springfield Metropolitan Housing Authority, as of September 30, 2004, and the results of its operations and the cash flows of its proprietary fund 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 August 1, 2003. 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 a report dated February 10, 2005 on our consideration of Springfield Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The supplemental data listed in the table of contents, which includes the FDS Schedule, is presented for purposes of additional analysis and are not a required part of the financial statements of the Springfield Metropolitan Housing Authority. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Jones, Cochenour & Co.

Jones, Cochenour & Co.
February 10, 2005

125 West Mulberry Street · Lancaster, Ohio 43130 · (740) 653-9581 · Columbus: (614) 837-2921 · Fax: (740) 653-0983
4876 Cemetery Road · Hilliard, Ohio 43026 · (614) 876-6993 · Fax: (614) 876-6899

As management of the Springfield Metropolitan Housing Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2004. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

The year ended September 30, 2004 is the first year the Authority has implemented Government Accounting Standards Board (GASB) Statement number 34. Accordingly, a comparative analysis of current and prior year balances is not presented, which will be presented in subsequent years.

Overview of the Financial Statements

The Authority's financial statements consist of two parts – Management Discussion and Analysis (this section) and the basic financial statements. The basic financial statements include the Authority-wide financial statements and notes to the financial statements.

The Authority-wide financial statements provide information about the Authority's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the Authority-wide statements.

The Authority-wide statements report information about the Authority as a whole using accounting methods similar to those used by private sector business.

The *Statement of Net Assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Net assets are reported in three broad categories (as applicable):

> **<u>Net Assets, Invested in Capital Assets, Net of Related Debt:</u> This component of net assets consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.**
>
> **<u>Restricted Net Assets:</u> This component of net assets consists of restricted assets which constraints are placed on asset by grantors, contributors, laws, regulations, etc.**
>
> **<u>Unrestricted Net Assets:</u> 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 *Statement of Revenues, Expenses and Changes in Net Assets* include all of the revenues and expenses of the Authority regardless of when the cash is received or paid.

The *Statement of Cash Flows* discloses net cash provided by or used for operating activities, investing activities and capital and related financing activities.

The Authority administers several programs that are consolidated into a single proprietary type-enterprise fund.

Significant programs consist of the following:

> **<u>Public and Indian Housing</u> - Under the conventional Public Housing Program, the Authority rents units it owns to low-income households. This program is operated under an Annual Contribution 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 percent of adjusted gross household income.**

<u>Section 8 Choice Voucher Program</u> - Under the Section 8 Voucher Program, low-income tenants lease housing units directly from private landlords rather than from the Authority. Through Annual Contribution Contracts with HUD, the Authority receives funding to subsidize the rent of low-income families in the private market. The Authority earns a fixed percentage administrative fee from HUD to cover the program's operating costs.

<u>Section 8 New Construction Program</u> – Provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe and sanitary housing for very low income families at rents they can afford. Housing assistance payments are used to make up the difference between the approved rent due to the owner for the dwelling unit and the occupant family's required contribution towards rent. Assisted families must pay the highest of 30 percent of their monthly adjusted family income, 10 percent of gross family income, or the portion of welfare assistance designated for housing toward rent. This program is inactive, i.e., no new projects are being approved.

<u>Capital Fund Program (CFP)</u> – The Capital Fund Program provides funding to improve the physical conditions and upgrade management of operations to ensure that properties continue to be available to service low-income families. CFP funding is based on a formula allocation that takes into consideration the size and age of the Authority's housing stock. This program replaced the Comprehensive Grant Program in the fiscal year 2000.

<u>Public Housing Drug Elimination Program (PHDEP)</u> - The PHDEP provides funds for public housing authorities and tribally designated housing entities to develop and finance drug and drug related crime elimination efforts in their developments. Funds may be used for enhancing security within the developments, making physical improvements to improve security or developing and implementing prevention, intervention and treatment programs to help curtail the use of drugs in public housing.

Financial Highlights

During the fiscal year ending September 30, 2004:

- **Total assets increased by $62,658. Specifically, cash balance of the Authority increased approximately $439,000, accounts receivables, inventory and prepaid expenses increased approximately $135,000. The Authority had capital additions of approximately $540,000 and the current year increase in accumulated depreciation was approximately $1,052,000.**
- **Total liabilities increased by $746,111 primarily due to increase in unearned revenues for the capital grants which increased approximately $937,000 offset by net decrease in other payables by approximately $191,000.**
- **Total revenues increased $418,797, primarily due to increase in Section 8 housing choice vouchers revenues related to the additional 200 vouchers approved by HUD starting in fiscal year 2004.**
- **Total expenses increased by $1,437,637. Housing assistance payments increased approximately $622,000; maintenance increased approximately $442,000 and administrative expenses increased approximately $209,000.**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements for its various programs. The Authority reports its overall financial position and activities in proprietary fund type - enterprise fund.

Notes to the Financial Statements

The notes to the basic financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements. Notes to the basic financial statements can be found on pages 10 through 19 of this report.

Unaudited

Financial Analysis of the Authority

Statement of Net Assets

The following table represents a condensed statement of net assets.

Assets	
Current and Other Assets	$ 2,384,405
Capital Assets	12,921,901
Total assets	$ 15,306,306
Liabilities	
Current liabilities	$ 1,403,686
Long-term liabilities	131,274
Total liabilities	1,534,960
Net Assets	
Invested in capital assets, net of related debt	12,785,723
Unrestricted	985,623
Total net assets	13,771,346
Total liabilities and net assets	$ 15,306,306

Approximately 93 percent of the Authority's net assets reflects its investments in capital assets. The Authority uses these capital assets (land, building, furniture and equipment) to provide housing services to residents and are not readily available for future spending. The unrestricted net assets of the Authority are available for future use to provide program services.

Unaudited

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets present the operating results of the Authority, as well as the non-operating revenues and expenses. Condensed information from the Authority's statements of revenue, expenses and changes in net assets follows:

Revenues	
Tenant rental income	$ 1,247,557
Operating subsidy and grants	1,691,755
Subsidy for housing assistance payment	5,478,141
Capital grants	1,215,372
Other income	321,414
Total revenues	9,954,239
Expenses	
Administrative	1,468,527
Tenant services	376,631
Utilities	721,954
Maintenance	1,701,906
Protective services	81,284
General	351,831
Bad debts	95,242
Housing assistance payment	4,819,048
Total expenses before depreciation	9,616,423
Change in net assets before depreciation	337,816
Depreciation	(1,051,516)
Change in net assets	$ (713,700)

Capital Assets

As of September 30, 2004, the Authority's capital assets were $12,785,723 (capital assets net of accumulated depreciation) as reflected in the following schedule.

Land		$ 2,016,682
Buildings		25,145,908
Furniture, equipment and machinery		692,073
Accumulated Depreciation		(15,068,940)
	TOTAL	$ 12,785,723

Unaudited

The following reconciliation summarizes the changes in capital assets:

	Balance 9/30/03	Additions		Balance 9/30/2004
CAPITAL ASSETS, NOT BEING DEPRECIATED				
Land	$ 2,014,807	$ 1,875		$ 2,016,682
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	2,014,807	1,875	-	2,016,682
CAPITAL ASSETS, BEING DEPRECIATED				
Buildings	24,733,818	412,090		25,145,908
Furniture and equipment - administrative	565,861	126,212		692,073
Less: Accumulated Depreciation	(14,017,424)	(1,051,516)		(15,068,940)
TOTAL CAPITAL ASSETS, NET BEING DEPRECIATED	$ 13,297,062	$ (511,339)		$ 12,785,723

Economic Factors

Significant economic factors affecting the Authority are as follows:

- ✓ **Federal funding is at the discretion of the U.S. Department of Housing and Urban Development (HUD). HUD has changed funding for Section 8 Housing Choice Vouchers for fiscal year 2005 that will result in lower overall revenues.**

- ✓ **The slow economy has as impact on low-income households' ability to pay rent.**

- ✓ **Projected increase in health insurance, property insurance and utility rates will affect the cost of operating the programs.**

Contact Information

Questions concerning any of the information provided in this report, or requests for additional information should be addressed to: Ms. Barbara Stewart, Executive Director, Springfield Metropolitan Housing Authority, 437 East John Street, Springfield, Ohio 45505, or call (937) 325-7331, extension 203.

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE
ENTERPRISE FUND
September 30, 2004

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 1,796,630
Accounts receivable, net	
Tenants, net of allowance for doubtful accounts	50,430
HUD	252,381
Other receivables	74,705
Inventory, net of allowance	135,636
Prepaid expenses	74,623
TOTAL CURRENT ASSETS	2,384,405
NON-CURRENT ASSETS	
Restricted cash and cash equivalents	136,178
Land	2,016,682
Other capital assets - net	10,769,041
TOTAL NON-CURRENT ASSETS	12,921,901
TOTAL ASSETS	15,306,306
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	
Trade	269,581
HUD	18,517
Accrued wages and benefits	87,830
Accrued compensated absences	5,872
Tenant security deposits	84,342
Unearned revenues	937,544
TOTAL CURRENT LIABILITIES	1,403,686
LONG-TERM LIABILITIES	
Accrued compensated absences, non-current portion	91,998
Other long-term liabilities	39,276
TOTAL LONG-TERM LIABILITIES	131,274
TOTAL LIABILITIES	1,534,960
NET ASSETS	
Invested in capital assets, net of related debt	12,785,723
Unrestricted net assets	985,623
TOTAL NET ASSETS	$ 13,771,346

See accompanying notes to the basic financial statement

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND TYPE
ENTERPRISE FUND
Year Ended September 30, 2004

OPERATING REVENUE	
Tenant rent	$ 1,234,823
Other tenant revenue	12,734
Total tenant revenue	1,247,557
Program operating grants	7,977,697
Other grants	129,072
Other income	92,811
TOTAL OPERATING REVENUE	9,447,137
OPERATING EXPENSES	
Administrative	1,468,527
Tenant services	376,631
Utilities	721,954
Maintenance	1,701,906
Protective services	81,284
General	351,831
Bad debts	95,242
Housing assistance payments	4,819,048
Depreciation	1,051,516
TOTAL OPERATING EXPENSES	10,667,939
OPERATING LOSS	(1,220,802)
NON-OPERATING REVENUE	
Interest income	8,903
Capital grant	498,199
CHANGE IN NET ASSETS	(713,700)
NET ASSETS, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	14,454,798
Prior period adjustments	30,248
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	14,485,046
NET ASSETS, END OF YEAR	$ 13,771,346

See accompanying notes to the basic financial statement

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
ENTERPRISE FUND
Year Ended September 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from HUD	$ 8,789,267
Cash received from other governments	129,072
Cash received from tenants	1,242,380
Cash received from other income	47,870
Cash payments for housing assistance payments	(4,819,048)
Cash payments for administrative	(1,657,209)
Cash payments for other operating expenses	(3,259,881)
NET CASH PROVIDED BY OPERATING ACTIVITIES	472,451
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	8,903
CASH FLOWS FROM FINANCING ACTIVITIES	
Capital acquisitions	(540,177)
Capital grant funds	498,199
INCREASE IN CASH AND CASH EQUIVALENTS	439,376
CASH AND CASH EQUIVALENTS, BEGINNING	1,493,432
CASH AND CASH EQUIVALENTS, ENDING	$ 1,932,808
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED FOR) OPERATING ACTIVITIES	
Operating loss	$ (1,220,802)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	1,051,516
Prior period adjustments	30,248
(Increase) decrease in:	
Receivables - net of allowance	(175,532)
Inventories - net of allowance	(6,153)
Prepaid expenses	47,065
Increase (decrease) in:	
Accounts payable	(183,926)
Accrued wages and compensated absences	21,506
Tenant security deposits	(2,192)
Deferred credits and other liabilities	910,721
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 472,451
RECONCILIATION TO THE STATEMENT OF NET ASSETS	
Cash and cash equivalents	$ 1,796,630
Restricted cash and cash equivalents	136,178
TOTAL CASH AND CASH EQUIVALENTS	$ 1,932,808

See accompanying notes to the basic financial statement

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Springfield 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 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 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 (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 of the Authority over which the Authority is financially accountable.

New Accounting Pronouncements

In July 1999, the GASB issued GASB statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and Local Government*. The effective date of the statement is for periods beginning after June 15, 2002. The statement requires enhanced disclosures and changes to the presentation of the financial statements.

The Authority has implemented GASB 34 for the year ended September 30, 2004, noting that the inclusion of Management's Discussion and Analysis, the presentation of net assets, and the utilization of the direct method of cash flows are the changes made to the financial statements to comply with the requirement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 borrowing 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 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 is similar to the former operating reserve account.

This new standard provides for significant changes in terminology; recognition of contributions in the Statement of Revenues, Expenses and Changes in Net Assets; inclusion of management discussion and analysis as supplementary information; and other changes.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily though user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management a control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result form providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are rents collected form tenants and subsidies provided by federal agencies. The Authority also recognized as operating revenue and expenses the portion of interest on bonds and notes related to housing developments of the Authority and its partnerships. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, depreciation on capital assets and amortization of bond discounts. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt, restricted and unrestricted components. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

Fund Accounting

The Authority maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is designed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in self-balancing groups of accounts and accounting entities that are separate from the activities reported in other funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A summary of each of these funds is provided below:

***Public Housing* – The Authority owns, operates and maintains 889 units of Public Housing. The properties were acquired through bonds and notes guaranteed by HUD and through grants, subject to the terms of an Annual Contributions Contract with HUD. Revenues consist primarily of rents and other fees collected form tenants, and an Operating Subsidy form HUD.**

***Capital Grant Funds* – Funds are provided by HUD are used to maintain and improve this Public Housing portfolio. Substantially all additions to land, structures and equipment of Public Housing are accomplished through these modernization grant funds.**

***Housing Assistance Payments* – Section 8 of the Housing and Community Development Act of 1974, provides subsidies (Housing Assistance Payments) on behalf of lower-income families to participating housing owners. Under this program, the landlord-tenant relationship is between a housing owner and a family, rather than the Authority and a family as in Public Housing programs. For existing housing, and in some cases for new construction and substantial rehabilitation, HUD contracts with the Authority to enter into contracts with owners to make assistance payments for the difference between the approval contract rent and the actual rent paid by lower-income families.**

***Public Housing Drug Elimination Program (PHDEP)* – the PHDEP provides funds for public housing authorities and tribally designated housing entities to develop and finance drug and drug related crime elimination efforts in their developments. Funds may be used for enhancing security within the developments, making physical improvements to improve security or developing and implementing prevention, intervention and treatment programs to help curtail the use of drugs in public housing.**

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.

Proprietary Fund Types
Proprietary funds are used to account for the Authority's ongoing activities, which 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 3). Investments are valued at market value. Interest income earned in fiscal year 2004 for both programs totaled $8,903. The interest income earned on the general fund investments in the Section 8 Program is required to be returned to HUD.

Capital Assets

Capital 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 following are the useful lives used for depreciation purposes:

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

Cash and Cash Equivalents

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

Compensated Absences

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

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

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

Due From/To Other Programs

Interprogram receivables and payables on the FDS Schedule on Page 20 and 21 are eliminated on the Statement of Net Assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Receivables – net of allowance
Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for uncollectible receivables was $18,500 at September 30, 2004.

Inventory
Inventory consists of supplies and maintenance parts carried at cost and are expensed as they are consumed. The allowance for obsolete inventory was $15,071 at September 30, 2004.

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:

- **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 specified 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.**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- **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.

Capital Grant
This represents grants provided by HUD that the Authority spends on capital assets.

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.

Unearned Revenue
Unearned revenue arises when revenues are received before revenue recognition criteria have been satisfied. The balance at September 30, 2004 is from the capital fund program.

Prepaid expenses
Payments made to vendors for services that will benefit periods beyond September 30, 2004, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

2. CASH AND CASH EQUIVALENTS

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 account is including, but not limited to passbook accounts.

2. CASH AND CASH EQUIVALENTS – CONTINUED

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, by 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 (Section 135.181, Revised Code).

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 $1,932,808 at September 30, 2004, including tenant security deposits. The corresponding bank balances totaled $2,075,165. The carrying amount includes petty cash of $280.

Category 1:	$100,000 was covered by federal depository insurance
Category 3:	$1,975,165 was covered by a collateral pool by the financial institution

3. CAPITAL ASSETS

The following is a summary of changes in the Authority's capital assets for the year ended September 30, 2004:

	Balance 9/30/03	Additions	Balance 9/30/2004
CAPITAL ASSETS, NOT BEING DEPRECIATED			
Land	$ 2,014,807	$ 1,875	$ 2,016,682
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	2,014,807	1,875	2,016,682
CAPITAL ASSETS, BEING DEPRECIATED			
Buildings	24,733,818	412,090	25,145,908
Furniture and equipment - administrative	565,861	126,212	692,073
Less: Accumulated Depreciation	(14,017,424)	(1,051,516)	(15,068,940)
TOTAL CAPITAL ASSETS, NET BEING DEPRECIATED	$ 13,297,062	$ (511,339)	$ 12,785,723

The depreciation expense for the year ended September 30, 2004 was $1,051,516.

4. DEFINED BENEFIT PENSION PLANS – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

OPERS provides basic retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS 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 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members are required to contribute 8.5 percent of their annual covered payroll to fund pension obligations and the Authority was required to contribute 13.55 percent of covered payroll during 2004. The Authority's required contributions, including the pick up portion for certain employees for the periods ended September 30, 2004, 2003 and 2002 were $255,221, $292,658 and $307,236, respectively.

5. POSTEMPLOYMENT BENEFITS – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

OPERS provides retirement, disability, survivor and post retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age and service retirees must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by the Ohio Revised Code. The 2004 employer contribution rate was 13.55 percent of covered payroll, and 4.00 percent was used to fund health care for the year.

The assumptions and calculations below were based on the System's latest actuarial review performed as of December 31, 2003.

An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the 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% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2003 was 8.00 percent. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay

5. POSTEMPLOYMENT BENEFITS – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – CONTINUED

increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4.00 percent (the projected wage inflation rate).

OPEBs are advance-funded on an actuarially determined basis. At year-end 2004, the number of active contributing participants in the Traditional and Combined Plans totaled 369,885. The Authority's actual contributions for 2004 that were used to fund post employment benefits were $75,341, including the employee pick up portion. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2003 were $10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were, $26.9 billion and $16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Prevention Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service to retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the option selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

6. RISK MANAGEMENT

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

7. 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.

8. NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

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

9. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended September 30, 2004, the Authority electronically submitted an unaudited version of the balance sheet, statement of revenues, expenses and changes in net asset and other data to HUD as required on the GAAP basis. The FDS schedules are on pages 20 – 23. The schedules are presented in the manner prescribed by Housing and Urban Development.

10. CHANGES IN ACCOUNTING PRINCIPLE RECLASSIFICATION AND RESTATEMENT OF PRIOR YEAR'S FUND - EQUITY

For the year ended 2004, the Authority implemented GASB 34. The implementation had no effect on the total enterprise fund equity. However, it did effect the classification of the equity. See the following for the reclassification and restatement.

	Total	Contributions Capital	Undesignated Retained Earnings	Invested in Capital Assets - Net of Debt	Unrestricted Net Assets
Net Assets, Beginning of Year	$ 14,454,798	$ 10,885,244	$ 3,569,554	$ -	$ -
Reclassification - GASB 34 (capital assets)	-	(10,885,244)	(3,569,554)	13,297,062	1,157,736
Prior period adjustment - write off PILOT	30,248	-	-	-	30,248
Net Assets, Beginning of Year, Restated	14,485,046	-	-	13,297,062	1,187,984
Capital asset additions *	540,177	-	-	540,177	-
Current loss/Depreciation expense *	(1,253,877)	-	-	(1,051,516)	(202,361)
Net Assets, End of Year	$ 13,771,346	$ -	$ -	$ 12,785,723	$ 985,623

* = $713,700

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE - ENTERPRISE FUND
September 30, 2004

FDS Line Item	Account Description	Low Rent Public Housing 14.850a	Development 14.850b	Section 8 Vouchers 14.871	Section 8 New Const 14.182	Project Choice State/ Local	WIA State/ Local	Capital Grant 14.872	Drug Elim 14.854	Other Federal Program 93.558	Total
	ASSETS										
111	Cash - unrestricted	$ 1,590,059	$ -	$ 188,054	$ 18,517	$ -	$ -	$ -	$ -	$ -	$ 1,796,630
113	Cash - other restricted	-	-	45,222	-	-	-	-	-	-	45,222
114	Cash - tenant security deposits	90,956	-	-	-	-	-	-	-	-	90,956
100	TOTAL CASH	1,681,015	-	233,276	18,517	-	-	-	-	-	1,932,808
122	Accounts receivable - HUD other project	-	-	252,381	-	-	-	-	-	-	252,381
125	Accounts receivable - miscellaneous	33,287	-	8,192	-	12,483	20,743	-	-	-	74,705
126	A/R Tenants - dwelling rents	68,930	-	-	-	-	-	-	-	-	68,930
126.1	Allowance for doubtful accounts	(18,500)	-	-	-	-	-	-	-	-	(18,500)
120	TOTAL ACCOUNTS RECEIVABLE	83,717	-	260,573	-	12,483	20,743	-	-	-	377,516
142	Prepaid expenses and other assets	74,623	-	-	-	-	-	-	-	-	74,623
143	Inventories	150,707	-	-	-	-	-	-	-	-	150,707
143.1	Allowance for obsolete inventory	(15,071)	-	-	-	-	-	-	-	-	(15,071)
144	Interprogram due from	338,597	-	-	-	-	-	1,025,312	16,894	-	1,380,803
150	TOTAL CURRENT ASSETS	2,313,588	-	493,849	18,517	12,483	20,743	1,025,312	16,894	-	3,901,386
161	Land	1,789,107	225,700	-	-	-	-	1,875	-	-	2,016,682
162	Buildings	21,913,531	1,724,325	-	-	-	-	1,508,052	-	-	25,145,908
164	Furniture and equipment - admin	524,644	-	27,330	-	-	-	140,099	-	-	692,073
166	Accumulated depreciation	(14,296,277)	(642,148)	(17,732)	-	-	-	(112,783)	-	-	(15,068,940)
160	Total fixed assets, net	9,931,005	1,307,877	9,598	-	-	-	1,537,243	-	-	12,785,723
180	TOTAL NON-CURRENT ASSETS	9,931,005	1,307,877	9,598	-	-	-	1,537,243	-	-	12,785,723
190	TOTAL ASSETS	$ 12,244,593	$ 1,307,877	$ 503,447	$ 18,517	$ 12,483	$ 20,743	$ 2,562,555	$ 16,894	$ -	$ 16,687,109

See independent auditors' report

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS - CONTINUED
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE - ENTERPRISE FUND
September 30, 2004

FDS Line Item	Account Description	Low Rent Public Housing 14.850a	Development 14.850b	Section 8 Vouchers 14.871	Section 8 New Const 14.182	Project Choice State/ Local	WIA State/ Local	Capital Grant 14.872	Drug Elimination 14.854	Other Federal Program 93.558	Total
	LIABILITIES										
312	Accounts payable >=90 days	$ 151,127	$ -	$ 13,792	$ -	$ -	$ -	$ 104,662	$ -	$ -	$ 269,581
321	Accrued wages/payroll taxes	66,764	-	21,066	-	-	-	-	-	-	87,830
322	Accrued compensated absences, current	4,463	-	1,409	-	-	-	-	-	-	5,872
331	Accounts payable - HUD PHA programs	-	-	-	18,517	-	-	-	-	-	18,517
333	Accounts payable - other govt	-	-	-	-	-	-	-	-	-	-
341	Tenant security deposits	84,342	-	-	-	-	-	-	-	-	84,342
342	Deferred revenue	-	-	-	-	-	-	920,650	16,894	-	937,544
347	Interprogram due to	937,543	-	410,034	-	12,483	20,743	-	-	-	1,380,803
310	TOTAL CURRENT LIABILITIES	1,244,239	-	446,301	18,517	12,483	20,743	1,025,312	16,894	-	2,784,489
353	Noncurrent liabilities - other	-	-	39,276	-	-	-	-	-	-	39,276
354	Accrued compensated absences, non-current	69,918	-	22,080	-	-	-	-	-	-	91,998
350	TOTAL NON-CURRENT LIABILITIES	69,918	-	61,356	-	-	-	-	-	-	131,274
300	TOTAL LIABILITIES	1,314,157	-	507,657	18,517	12,483	20,743	1,025,312	16,894	-	2,915,763
	NET ASSETS										
508.1	Invested in capital assets, net of related debt	9,931,005	1,307,877	9,598	-	-	-	1,537,243	-	-	12,785,723
512.1	Unrestricted net assets	999,431	-	(13,808)	-	-	-	-	-	-	985,623
513	Total equity	10,930,436	1,307,877	(4,210)	-	-	-	1,537,243	-	-	13,771,346
600	TOTAL LIABILITIES AND EQUITY	$ 12,244,593	$ 1,307,877	$ 503,447	$ 18,517	$ 12,483	$ 20,743	$ 2,562,555	$ 16,894	$ -	$ 16,687,109

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SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
Year Ended September 30, 2004

FDS Line Item	Account Description	Low Rent Public Housing 14.850a	Development 14.850b	Section 8 Vouchers 14.871	Section 8 New Const 14.182	Project Choice State/ Local	WIA State/ Local	Capital Grant 14.872	Drug Elimination 14.854	Other Federal Program 93.558	Total
	REVENUE										
703	Net tenant revenue	$ 1,234,823	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,234,823
704	Tenant revenue - other	12,734	-	-	-	-	-	-	-	-	12,734
705	Total tenant revenue	1,247,557	-	-	-	-	-	-	-	-	1,247,557
706	PHA HUD grants	1,691,755	-	5,241,078	229,431	-	-	802,977	98,260	-	8,063,501
706.1	Capital contribution	-	-	-	-	-	-	412,395	-	-	412,395
708	Other government grants	-	-	16,062	-	35,748	27,288	-	-	49,974	129,072
711	Investment income - unrestricted	5,501	-	3,402	-	-	-	-	-	-	8,903
714	Fraud recovery	-	-	7,632	-	-	-	-	-	-	7,632
715	Other revenue	71,251	-	13,928	-	-	-	-	-	-	85,179
	Total revenue	3,016,064	-	5,282,102	229,431	35,748	27,288	1,215,372	98,260	49,974	9,954,239
	EXPENSES										
911	Administrative salaries	165,623	-	350,995	6,655	-	-	87,660	-	-	610,933
912	Auditing fees	7,646	-	6,651	-	-	-	2,079	-	-	16,376
915	Employee benefit contribution - admin	41,885	-	93,953	-	-	-	44,166	-	-	180,004
916	Other operating - administrative	262,580	-	188,659	-	-	-	209,375	600	-	661,214
921	Tenant services - salaries	269,414	-	-	-	31,918	-	-	-	-	301,332
923	Employee benefit contrib - ten svcs	-	-	4,735	-	-	-	-	-	-	4,735
924	Tenant services - other	14,047	-	-	-	3,830	27,288	-	25,399	-	70,564
931	Water	243,122	-	-	-	-	-	-	-	-	243,122
932	Electricity	296,612	-	-	-	-	-	-	-	-	296,612
933	Gas	182,220	-	-	-	-	-	-	-	-	182,220
941	Ord maintenance/op-labor	552,615	-	-	-	-	-	65,288	-	-	617,903
942	Ord maintenance/op - materials	175,289	-	1,448	-	-	-	10,203	-	-	186,940
943	Ord maintenance/op - cont costs	248,626	-	508	-	-	-	279,867	1,270	-	530,271
945	Emp benefit contrib - ord main	366,792	-	-	-	-	-	-	-	-	366,792
952	Protective services - other cont costs	9,038	-	1,255	-	-	-	-	70,991	-	81,284
961	Insurance premiums	269,326	-	-	-	-	-	-	-	-	269,326
962	Other general expenses	6,363	-	7,634	-	-	-	18,534	-	49,974	82,505
964	Bad debts - tenant rents	95,242	-	-	-	-	-	-	-	-	95,242
969	Total operating expenses	3,206,440	-	655,838	6,655	35,748	27,288	717,172	98,260	49,974	4,797,375

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SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS - CONTINUED
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
Year Ended September 30, 2004

FDS Line Item	Account Description	Low Rent Public Housing 14.850a	Development 14.850b	Section 8 Vouchers 14.871	Section 8 New Const 14.182	Project Choice State/ Local	WIA State/ Local	Capital Grant 14.872	Drug Elimination 14.854	Other Federal Program 93.558	Total
970	EXCESS OPERATING REVENUE OVER EXPENSES	$ (190,376)	$ -	$ 4,626,264	$ 222,776	$ -	$ -	$ 498,200	$ -	$ -	$ 5,156,864
973	Housing Assistance Payments	-	-	4,596,272	222,776	-	-	-	-	-	4,819,048
974	Depreciation expense	907,781	63,365	5,232	-	-	-	75,138	-	-	1,051,516
	Total expenses	907,781	63,365	4,601,504	222,776	-	-	75,138	-	-	5,870,564
1000	EXCESS OF REVENUE OVER EXPENSES	(1,098,157)	(63,365)	24,760	-	-	-	423,062	-	-	(713,700)
1103	Beginning equity	10,813,448	1,371,242	221,030	-	-	-	2,049,078	-	-	14,454,798
1104	Prior period adjustments	30,248	-	-	-	-	-	-	-	-	30,248
1105	Transfer of equity	1,184,897	-	(250,000)	-	-	-	(934,897)	-	-	-
	Ending equity	$ 10,930,436	$ 1,307,877	$ (4,210)	$ -	$ -	$ -	$ 1,537,243	$ -	$ -	$ 13,771,346

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SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
Year Ended September 30, 2004

Federal Grantor/Program Title	Federal CFDA Number	Funds Expended
U.S. Department of Housing and Urban Development:		
PHA Owned Housing:		
Public and Indian Housing	**14.850 A**	**$ 1,691,755**
Public Housing Capital Fund	**14.872**	**1,215,372**
Public and Indian Housing Drug Elimination Program	**14.854**	**98,260**
		3,005,387
Housing Assistance Payments:		
Annual Contribution -		
Housing Choice Vouchers	**14.871**	**5,241,078**
Section 8 New Construction	**14.182**	**229,431**
		5,470,509
U.S. Department of Health and Human Services		
Pass Through Ohio Department of Development		
Temporary Assistance for Needy Families	**93.558**	**49,974**
Total - All Programs		**$ 8,525,870**

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SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
COST CERTIFICATIONS
September 30, 2004

2001 Capital Fund Grant Number OH16P021501-01:

Operations	$ 316,804
Management improvements	79,201
Administration	158,402
Fees and costs	80,000
Site improvement	10,741
Dwelling structure	938,872
Total expended	$ 1,584,020
Total received	$ 1,584,020

Development Project No. OH161P021-14:

Developer's Price	
Site	$ 225,700
Site improvements	461,320
Dwelling construction	1,056,422
Architect and engineer services	87,771
Other	199,787
Total Developer's Price	2,031,000
Operations	254,865
Administration	52,445
Initial operating deficit	1,600
Planning	42,737
Dwelling equipment	17,472
Nondwelling equipment	11,001
Relocation costs	1,000
Development used for modernization	136,530
Total expended	$ 2,548,650
Total received	$ 2,548,650

1. The actual cost certificates were signed and filed on September 21, 2004 and May 18, 2004 for capital fund and development, respectively.

2. The final costs on the certificates agree to the Authority's records.

See independent auditors' report

Jones, Cochenour & Co.
Certified Public Accountants

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

Board of Directors
Springfield Metropolitan Housing Authority
Springfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the basic financial statements of Springfield Metropolitan Housing Authority as of and for the year ended September 30, 2004, and have issued our report thereon dated February 10, 2005. 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 October 1, 2003. This results in a change in the format and content of the basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Springfield 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 is required to be reported under *Government Auditing Standards*. We noted a matter that has been reported to management in a separate letter dated February 10, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Springfield Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness. We noted other matters that have been reported to management in a separate letter dated February 10, 2005.

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

Jones, Cochenour & Co.

Jones, Cochenour & Co.
February 10, 2005

Jones, Cochenour & Co.
Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Board of Directors
Springfield Metropolitan Housing Authority
Springfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

<u>Compliance</u>

We have audited the compliance of Springfield Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended September 30, 2004. Springfield Metropolitan Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Springfield Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Springfield Metropolitan Housing Authority's compliance based on our audit.

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

In our opinion, Springfield Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

<u>Internal Control Over Compliance</u>

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

125 West Mulberry Street · Lancaster, Ohio 43130 · (740) 653-9581 · Columbus: (614) 837-2921 · Fax: (740) 653-0983
4876 Cemetery Road · Hilliard, Ohio 43026 · (614) 876-6993 · Fax: (614) 876-6899

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

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

Jones, Cochenour & Co.

Jones, Cochenour & Co.
February 10, 2005

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
SUMMARY OF AUDITORS' RESULTS AND
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
For the year ended September 30, 2004

1. SUMMARY OF AUDITORS' RESULTS

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

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

None.

3. FINDINGS RELATED TO FEDERAL AWARDS

None.

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY

CLARK 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
MAY 5, 2005