

BASIC FINANCIAL STATEMENTS
of the
Crawford Metropolitan Housing Authority
March 31, 2004



**Auditor of State
Betty Montgomery**

Board of Directors
Crawford Metropolitan Housing Authority
PO Box 1029
Mansfield, Ohio 44901

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

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 16, 2004

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CRAWFORD METROPOLITAN HOUSING AUTHORITY
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Board of Directors
Crawford Metropolitan Housing Authority
Galion, Ohio

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of Crawford Metropolitan Housing Authority, Crawford County, Ohio (the Authority) as of and for the year ended March 31, 2004. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of March 31, 2004 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 10, 2004 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
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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 State, Local Governments, and Non-Profit Organizations*, and the Supplemental 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 basic financial statements. These schedules are the responsibility of management of the Authority. Such supplementary 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, Shuman & Snow, Inc.

Newark, Ohio
June 10, 2004

**Crawford Metropolitan Housing Authority
Management's Discussion and Analysis
March 31, 2004**

The Crawford 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, 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 11).

FINANCIAL HIGHLIGHTS

- During fiscal year 2004, the Authority's net assets increased by \$29,811 (or 37.42%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$79,657 and \$109,468 for fiscal year 2003 and fiscal year 2004 respectively.

- The revenue increased by \$199,203 (or 16.95%) during fiscal year 2004, and was \$1,175,551 and \$1,374,754 for fiscal year 2003 and fiscal year 2004 respectively.

- The total expenses of the Authority increased by \$195,731 (or 17.03%). Total expenses were \$1,149,212 and \$1,344,943 for fiscal year 2003 and fiscal year 2004 respectively.

**Crawford Metropolitan Housing Authority
Management's Discussion and Analysis
March 31, 2004**

USING THIS ANNUAL REPORT

The Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary Information":

MD&A

~ Management Discussion
And Analysis ~

Basic Financial Statements

~ Fund Financial Statement (refocused) – pgs 11-13
~ Notes to Financial Statements (expanded/restructured) – pgs 14-19

Other Required Supplementary Information

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

The primary focus of the Authority's financial statement is on the Authority as a whole. The Authority operates as a single enterprise fund and this presentation allows the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

**Crawford Metropolitan Housing Authority
Management's Discussion and Analysis
March 31, 2004**

Authority-Wide Financial Statements

The Authority-wide financial statements (see pgs 11-13) are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

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

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed 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 (see page 13) is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

**Crawford Metropolitan Housing Authority
Management's Discussion and Analysis
March 31, 2004**

The Authority's Fund

The Authority consists of exclusively an Enterprise Fund. The Enterprise Fund utilizes the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

The fund maintained by the Authority is required by the Department of Housing and Urban Development.

Business Type Fund

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of adjusted household income.

Business Activities – represents non-HUD resources developed from a variety of activities.

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**Crawford Metropolitan Housing Authority
Management's Discussion and Analysis
March 31, 2004**

Statement of Net Assets

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

STATEMENT OF NET ASSETS

	2004	2003
Current and Other Assets	\$ 147,323	\$ 101,083
Capital Assets	<u>4,608</u>	<u>2,362</u>
Total Assets	151,931	103,445
Current Liabilities	40,829	22,684
Non-Current Liabilities	<u>1,634</u>	<u>1,104</u>
Total Liabilities	42,463	23,788
Net Assets:		
Invested in Capital Assets, Net of Related Debt	4,608	2,362
Restricted	-	-
Unrestricted	<u>104,860</u>	<u>77,295</u>
Total Net Assets	<u>\$109,468</u>	<u>\$79,657</u>

For more detailed information see page 11 for the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

Current assets increased by \$46,240 in fiscal year 2004. Liabilities also increased by \$18,675. This net difference represents the current year surplus, which increased current assets (primarily cash and investments).

Capital assets increased during fiscal year 2004 to \$4,608 from \$2,362 in fiscal year 2003. The increase is attributed to a combination of acquisitions (\$4,006), less current year depreciation (\$1,760). For more detail see "Capital Assets and Debt Administration" below.

**Crawford Metropolitan Housing Authority
Management's Discussion and Analysis
March 31, 2004**

CHANGE OF UNRESTRICTED NET ASSETS

Unrestricted Net Assets March 31, 2003	\$ 77,295
Change in Unrestricted Net Assets	<u>27,565</u>
Unrestricted Net Assets March 31, 2004	<u>\$104,860</u>

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.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

	<u>2004</u>	<u>2003</u>
Revenues		
HUD PHA Operating Grants	\$1,372,103	\$1,173,021
Investment Income	1,554	1,862
Other Revenues – Fraud Recovery	<u>1,097</u>	<u>668</u>
Total Revenue	1,374,754	1,175,551
Expenses		
Administrative	127,392	120,120
Maintenance	3,262	3,110
General	6,512	2,386
Housing Assistance Payments	1,206,017	1,022,316
Depreciation	<u>1,760</u>	<u>1,280</u>
Total Expenses	<u>1,344,943</u>	<u>1,149,212</u>
Net Increase	\$ <u>29,811</u>	\$ <u>26,339</u>

**Crawford Metropolitan Housing Authority
Management's Discussion and Analysis
March 31, 2004**

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

HUD PHA Grants increased due to increases in the Fair Market Rents and the addition of 50 Enhanced Vouchers effective January 1, 2003 issued to residents of Bucyrus Estates Property at its foreclosure sale.

Administrative Expenses increased because of a 5% pay raise given to all employees in April 2003. In addition, insurance costs increased in fiscal year 2004.

Housing Assistance Payments increased due to the leasing of 546 additional unit months, from 3,234 unit months leased in fiscal year 2003 to 3,780 unit months leased in fiscal year 2004. Also, there was an increase in the Payment Standards.

Most other expenses increased moderately due to inflation. Depreciation increased because of the purchase of a computer during fiscal year 2004.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of March 31, 2004, the Authority had a net investment of \$4,608 in capital assets as reflected in the following schedule, which represents a net increase.

CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	Business-type Activities	
	<u>2004</u>	<u>2003</u>
Equipment – Administrative	\$ 24,674	\$ 20,668
Accumulated Depreciation	(20,066)	(18,306)
Total	\$ <u>4,608</u>	\$ <u>2,362</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 18 of the notes.

**Crawford Metropolitan Housing Authority
Management's Discussion and Analysis
March 31, 2004**

CHANGE IN CAPITAL ASSETS

	<u>Business Type Activities</u>
Beginning Balance	\$ 2,362
Additions	4,006
Depreciation	<u>(1,760)</u>
Ending Balance	\$ <u>4,608</u>

This year's major addition is a:

Gateway Computer System	\$ <u>4,006</u>
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Debt Outstanding

As of March 31, 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 Crawford Metropolitan Housing Authority, at (419) 526-1622 Specific requests may be submitted to the Authority at P.O. Box 1029, Mansfield, OH 44901.

Crawford Metropolitan Housing Authority
Statement of Net Assets
March 31, 2004

Assets

Current Assets

Cash and Cash Equivalents	\$	123,753
Accounts Receivable		1,973
Investment - Unrestricted		20,000
Prepaid Items		1,597
		147,323
Total Current Assets		147,323

Non-Current Assets

Furniture and Equipment	\$	24,674
Less Accumulated Depreciation		(20,066)
		4,608
Total Non-Current Assets		4,608

Total Assets	\$	151,931
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Liabilities

Current Liabilities

Accounts Payable	\$	1,292
Accounts Payable - HUD		29,379
Accrued Wages and Payroll Taxes		200
Accrued Compensated Absences		9,958
		40,829

Total Current Liabilities		40,829
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Other Noncurrent Liabilities		1,634
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Total Liabilities	\$	42,463
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Net Assets

Invested in Capital Assets, Net of Related Debt	\$	4,608
Unrestricted		104,860
		109,468

Total Net Assets	\$	109,468
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The notes to the basic financial statements are an integral part of the statements.

Crawford Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Net Fund Assets
Year Ended March 31, 2004

Operating Revenues		
HUD Grants		\$ 1,372,103
Other Operating Income		<u>1,097</u>
Total Operating Revenue		1,373,200
Operating Expenses		
Housing Assistance Payments	\$ 1,206,017	
Administrative Salaries	51,731	
Employee Benefits	21,504	
Other Administrative Expense	54,157	
Material and Labor - Maintenance	3,262	
Depreciation	1,760	
General Expenses	<u>6,512</u>	
Total Operating Expenses		<u>1,344,943</u>
Operating Income		<u>28,257</u>
Nonoperating Revenues		
Interest		<u>1,554</u>
Total Nonoperating Revenue		<u>1,554</u>
Change in Net Assets		29,811
Net Assets at April 1, 2003		<u>79,657</u>
Net Assets at March 31, 2004		<u><u>\$ 109,468</u></u>

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

Crawford Metropolitan Housing Authority
Statement of Cash Flows
Year Ended March 31, 2004

Cash flows from operating activities

Cash received from HUD	\$ 1,401,482
Cash received from other sources	2,230
Cash payments to employees for services	(70,618)
Cash payments for good or services - HUD	(1,207,383)
Cash payments for goods or services	<u>(78,608)</u>
Net cash provided by operating activities	47,103

Cash flows from capital and related financial activities

Acquisition of assets	<u>(4,006)</u>
Net cash (used in) capital and related financing activities	(4,006)

Cash flows from investing activities

Purchase of Investments	(20,000)
Receipt of interest	<u>1,554</u>
Net cash (used in) investing activities	<u>(18,446)</u>

Net change in cash and cash equivalents	24,651
Cash and cash equivalents at April 1, 2003	<u>99,102</u>
Cash and cash equivalents at March 31, 2004	<u><u>\$ 123,753</u></u>

Cash flows from operating activities	
Operating income	\$ 28,257
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	1,760
Changes in assets and liabilities	
Accounts receivable	(869)
Prepaid expenses	(720)
Accounts payable	15,861
Accrued wages and payroll taxes	(333)
Accrued compensated absences	2,617
Other liabilities	<u>530</u>
Net cash provided by operating activities	<u><u>\$ 47,103</u></u>

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

Crawford Metropolitan Housing Authority
Notes to the Basic Financial Statements
March 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

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

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

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

Crawford Metropolitan Housing Authority
Notes to the Basic Financial Statements - Continued
March 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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 – The Authority is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets. The statement of cash flows provides information about how the Authority finances and meets cash flow needs.

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:

Crawford Metropolitan Housing Authority
Notes to the Basic Financial Statements - Continued
March 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fixed Assets - Continued

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

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. 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.

Crawford Metropolitan Housing Authority
Notes to the Basic Financial Statements - Continued
March 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations 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 March 31, 2004 are as follows:

Demand deposits:	
Bank balance - Checking	\$ 129,009
Items-in-transit	<u>(5,281)</u>
Carrying balance	\$ <u>123,728</u>

Of the year-end cash balance, \$100,000 was covered by federal depository insurance, \$25 was maintained in petty cash funds, and the remaining balance of \$29,009 was covered by pledged securities held by a third-party trustee maintaining collateral for all public funds on deposit.

At March 31, 2004, the Authority owned a certificate of deposit with a carrying value of \$20,000. This amount was fully insured by federal depository insurance.

Crawford Metropolitan Housing Authority
Notes to the Basic Financial Statements - Continued
March 31, 2004

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 Northland Insurance Company for public officials and employment practices liability; and United Ohio Insurance for general insurance, property, fire, electronic equipment, automobile insurance, and additional blanket liability insurance.

Public officials liability and employment practices liability insurance covered by Northland Insurance Company each carries a \$1,000 deductible. Insurance covered by United Ohio Insurance each carries a \$250 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 March 31, 2004:

Furniture and Equipment	\$ 24,674
Accumulated Depreciation	<u>(20,066)</u>
Net fixed assets	\$ <u>4,608</u>

5. 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 and amended 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. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Authority's required contributions to PERS are equal to 100% of the dollar amount billed (13.55% of covered payroll). The Authority's required contributions to PERS for the years ended March 31, 2002, 2003 and 2004 were \$5,395, \$5,325, and \$7,009, respectively, which are equal to the required contributions for each year.

Crawford Metropolitan Housing Authority
Notes to the Basic Financial Statements - Continued
March 31, 2004

6. POSTRETIREMENT EMPLOYEE BENEFITS

Ohio Public Employees Retirement System provides postemployment health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety, with separate employer contribution rates and benefits. The 2003 employer contribution rate for state employers was 13.31% of covered payroll of which 5.00% was the portion used to fund health care for the year. For local government employer units the rate was 13.55% of covered payroll and 5.00% was the portion used to fund health care for the year. For both the public safety and law enforcement divisions the 2003 employer rate was 16.70% and 5.00% was used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2002 was 8.00%. An annual increase of 4.00% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4.00% annually.

OPEBS are advance-funded on an actuarially determined basis. The number of active contributing participants was 402,041 at December 31, 2002 (latest information available). \$10.0 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002. The actuarially 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 contributing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This in contrast to the ten-year "cliff" eligibility standard for the present Plan. The benefit recipient will be free to select the option that best fits their needs. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expense, much like a Medical Spending Account.

Crawford Metropolitan Housing Authority
Statement of Net Assets
FDS Schedule Submitted to HUD
March 31, 2004

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers Program
	Current Assets	
	Cash	
111	Cash - Unrestricted	\$ 123,753
100	Total Cash	<u>123,753</u>
	Accounts Receivable	
125	Miscellaneous	339
128	Fraud Recovery	1,634
120	Total Accounts Receivable	<u>1,973</u>
	Investments and Other Assets	
131	Unrestricted	20,000
142	Prepaid Expenses and Other Assets	1,597
	Total Investments and Other Assets	<u>21,597</u>
150	Total Current Assets	<u>147,323</u>
	Noncurrent Assets	
	Fixed Assets	
164	Furniture and Equipment - Administration	24,674
166	Accumulated Depreciation	(20,066)
160	Total Fixed Assets, net of accumulated depreciation	<u>4,608</u>
180	Total Noncurrent Assets	<u>4,608</u>
190	Total Assets	<u>\$ 151,931</u>
	Current Liabilities	
312	Accounts Payable	\$ 1,292
321	Accrued Wages and Payroll Taxes	200
322	Accrued Compensated Absences	9,958
331	Accounts Payable - HUD	29,379
310	Total Current Liabilities	<u>40,829</u>
353	Non-Current Liabilities - Other	1,634
350	Total Non-Current Liabilities	<u>1,634</u>
300	Total Liabilities	<u>42,463</u>
	Net Assets	
508.1	Invested in Capital Assets	4,608
512.1	Unrestricted Net Assets	104,860
	Total Net Assets	<u>109,468</u>
600	Total Liabilities and Net Assets	<u>\$ 151,931</u>

Crawford Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Net Assets
FDS Schedule Submitted to HUD
Year ended March 31, 2004

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers Program
	Revenue	
706	HUD Grants	\$ 1,372,103
711	Investment Income - Unrestricted	1,554
714	Fraud Recovery	1,097
	Total Revenue	<u>1,374,754</u>
	Expenses	
911	Administrative Salaries	51,731
912	Auditing Fees	5,717
914	Compensated Absences	2,617
915	Employee Benefit Contribution - Administrative	18,887
916	Other Operating - Administrative	48,440
943	Ordinary Maintenance and Operation - Contract Costs	3,262
961	Insurance Premiums	6,062
962	Other General Expenses	450
	Total Operating Expenses	<u>137,166</u>
970	Excess Operating Revenue Over Operating Expenses	<u>1,237,588</u>
	Other Expenses	
973	Housing Assistance Payments	1,206,017
974	Depreciation Expense	1,760
	Total Other Expenses	<u>1,207,777</u>
900	Total Expenses	1,344,943
1000	Excess of Revenues over Expenses	29,811
1103	Beginning Net Assets	<u>79,657</u>
	Ending Net Assets	<u><u>\$ 109,468</u></u>

**Crawford Metropolitan Housing Authority
Schedule of Federal Awards Expenditures
Year Ended March 31, 2004**

Federal Grantor Program Title	Federal CFDA Number	Expenditures For The Year Ended
<u>U.S. Department of Housing and Urban Development</u>		
Housing Choice Vouchers Program	14.871	\$ 1,340,566
Total Federal Award Expenditures		\$ 1,340,566

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

Crawford Metropolitan Housing Authority
Notes to the Schedule of Federal Awards Expenditures
March 31, 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 cash basis of accounting.



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

Board of Directors
Crawford Metropolitan Housing Authority
Galion, Ohio

We have audited the basic financial statements of Crawford Metropolitan Housing Authority, Crawford County, Ohio (the Authority) as of and for the year ended March 31, 2004 and have issued our report thereon dated June 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
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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 agencies and is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Shuman & Sisco, Inc.

Newark, Ohio
June 10, 2004



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

Board of Directors
Crawford Metropolitan Housing Authority
Galion, Ohio

Compliance

We have audited the compliance of Crawford Metropolitan Housing Authority, Crawford 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 March 31, 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

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

Wilson, Shannon & Snow, Inc.

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Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the board of directors, management, the 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.

Wilson, Shuman & Snow, Inc.

Newark, Ohio
June 10, 2004

Crawford Metropolitan Housing Authority

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

March 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Housing Choice Vouchers 14.871
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 500,000 Type B: all others
<i>(d)(1)(ix)</i>	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



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Betty Montgomery**

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CRAWFORD METROPOLITAN HOUSING AUTHORITY

CRAWFORD 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
AUGUST 26, 2004**