

Ironton Metropolitan Housing Authority

Lawrence County

Single Audit

October 1, 2002 Through September 30, 2003

Fiscal Year Audited Under GAGAS: 2003

BALESTRA, HARR & SCHERER

CERTIFIED PUBLIC ACCOUNTANTS

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**Auditor of State
Betty Montgomery**

Board of Commissioners
Ironton Metropolitan Housing Authority

We have reviewed the Independent Auditor's Report of the Ironton Metropolitan Housing Authority, Lawrence County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period October 1, 2002 through September 30, 2003. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 24, 2004

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IRONTON METROPOLITAN HOUSING AUTHORITY
IRONTON, OHIO
FOR THE YEAR ENDED SEPTEMBER 30, 2003

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Ironton Metropolitan Housing Authority
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INDEPENDENT AUDITORS= REPORT

We have audited the accompanying general purpose financial statements of Ironton Metropolitan Housing Authority, Lawrence County, as of and for the year ended September 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Ironton Metropolitan Housing Authority's management. Our responsibility is to express an opinion on the general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Ironton Metropolitan Housing Authority, as of September 30, 2003, 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 our report dated February 13, 2004 on our consideration of the Ironton 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Ironton Metropolitan Housing Authority, taken as a whole. The supplemental financial data is presented for additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Ironton Metropolitan Housing Authority
Independent Auditors= Report
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The accompanying schedule of federal awards expenditures is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Balestra, Harr & Scherer

Balestra, Harr & Scherer

February 13, 2004

IRONTON METROPOLITAN HOUSING AUTHORITY
 IRONTON, OHIO
 COMBINED BALANCE SHEET - PROPRIETARY FUND TYPE
 YEAR ENDING SEPTEMBER 30, 2003

	ENTERPRISE
<i>Assets</i>	
Current Assets:	
Cash - Unrestricted	\$ 1,459,585
Accounts Receivable:	
Other Government	4,690
Hud - Other Projects	8,495
Tenants - Dwelling Rents	4,980
Accrued interest receivable	581
Interprogram Due From	40,604
Prepaid Expenses & Other Deferred Charges	35,475
Total Current Assets	1,554,410
Noncurrent Assets:	
Fixed Assets:	
Land	500,242
Building	7,681,296
Building Improvements	573,869
Furniture, Equipment & Machinery - Dwellings	182,371
Furniture, Equipment & Machinery - Administration	229,057
Construction in Progress	119,841
Accumulated Depreciation	(5,406,108)
Total Fixed Assets, Net of Accumulated Depreciation	3,880,568
Total Noncurrent Assets	3,880,568
<i>Total Assets</i>	\$ 5,434,978
Liabilities:	
Current Liabilities:	
Accrued Wages/Payroll Taxes Payable	\$ 169
Accounts Payable:	
<= 90 Days Past Due	56,594
Other Government	27,311
Compensated Absences	24,086
Tenant Security Deposits	41,331
Interprogram Due To	40,604
Total Current Liabilities	190,095
Noncurrent Liabilities:	
Compensated Absences	42,666
Total Noncurrent Liabilities	42,666
<i>Total Liabilities</i>	232,761
Equity:	
Contributed Capital:	
Net HUD PHA Contributions	3,101,196
Other Contributions	7,550
Total Contributed Capital	3,108,746
Retained Earnings:	
Unreserved	2,093,471
<i>Total Equity</i>	5,202,217
<i>Total Liabilities and Equity</i>	\$ 5,434,978
See accompanying notes to the general purpose financial statements	

IRONTON METROPOLITAN HOUSING AUTHORITY
 IRONTON, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
 PROPRIETARY FUND TYPE
 YEAR ENDING SEPTEMBER 30, 2003

<i>Revenues</i>	TOTAL
<i>Tenant Revenues:</i>	
Net Tenant Rental Revenue	\$ 521,804
Tenant Revenue - Other	14,491
Total Tenant Revenue	536,295
HUD PHA Grants/Operating Grants	705,019
Capital Grants	618,070
Investment Income - Unrestricted	22,832
Other Revenue	46,860
Total Revenue	1,929,076
<i>Expenses</i>	
<i>Administrative:</i>	
Administrative Salaries	129,102
Auditing Fees	7,794
Employee Benefit Contributions	63,113
Compensated Absences	8,370
Other Operating	31,411
Total Administrative	239,790
<i>Tenant Services:</i>	
Tenant Services - Salaries	2,295
Employee Benefit Contributions	5,300
Total Tenant Services	7,595
<i>Utilities:</i>	
Water	96,203
Electricity	104,100
Gas	59,444
Total Utilities	259,747
<i>Ordinary Maintenance & Operation:</i>	
Labor	138,594
Materials and Other	75,348
Contract Costs	125,023
Employee Benefit Contributions	55,488
Total Ordinary Maintenance Operation	394,453
<i>General Expenses:</i>	
Insurance Premiums	33,012
Payments in Lieu of Taxes	27,311
Bad Debt - Tenant Rents	11,849
Other	138
Total General Expenses	72,310
Total Operating Expenses	973,895
Excess Operating Revenue over Operating Expenses	955,181
<i>Other Expenses:</i>	
Housing Assistance Payments	238,077
Depreciation Expense	314,539
Total Other Expenses	552,616
Excess of Operating Revenue Over Other Expenses	402,565
Retained Earnings, Beginnig of the Year (Restated -Note 13)	1,690,906
Retained Earnings, End of Year	2,093,471
Contributed Capital at Beginning of Year	3,108,746
Contributed Capital at End of Year	3,108,746
Total Fund Equity at End of Year	\$ 5,202,217

See accompanying notes to the general purpose financial statements

IRONTON METROPOLITAN HOUSING AUTHORITY
 IRONTON, OHIO
 COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED SEPTEMBER 30, 2003

	<u>ENTERPRISE</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Net Operating Income	\$ 402,565
Adjustments to reconcile net gain/(loss) to net cash provided by operating activities	
(Increase) Decrease In:	
Accounts Receivable	3,738
Investments	-
Inventories	-
Prepaid Expenses and Other Assets	(16,501)
Interest Receivable	533
Interprogram Due from	(7,282)
Increase (Decrease) In:	
Accounts Payable	21,285
Accrued Wages/Payroll Taxes Payable	(22)
Accrued Expense	-
Deferred Credits	-
Compensated Absences	8,285
Tenant Security Deposits	333
Interprogram Due to	7,282
Intergovernmental Payable	(2,615)
Depreciation Expense	314,539
Net Cash Provided By Operating Activities	<u>732,140</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:	
Equipment Purchases	(54,563)
Modernization Improvements	(567,894)
Net Cash Used By Capital Financing Activities	<u>(622,457)</u>
Net Increase (Decrease) In Cash	109,683
Cash At The Beginning Of Year	<u>1,349,902</u>
Cash At End Of Year	<u>\$ 1,459,585</u>

See Accompanying Notes to the Financial Statements

IRONTON METROPOLITAN HOUSING AUTHORITY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2003

1. DESCRIPTION OF THE HOUSING AUTHORITY AND REPORTING ENTITY

The Ironton Metropolitan Housing Authority (the Authority) is a political subdivision of the State of Ohio, created under Section 3735.27 of the Ohio Revised Code.

The Ironton Metropolitan Housing Authority was established for the purpose of engaging the development, acquisition, and administrative activities of the low-income housing program and other programs with similar objectives. The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the low-income housing program under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make grants to assist the local housing authorities in financing the acquisition, construction, and/or leasing of housing units and to make annual contributions (subsidies) to the local housing authorities for the purpose of maintaining the low-rent character of the local housing program.

DESCRIPTION OF PROGRAMS:

A. *PUBLIC HOUSING PROGRAM*

The public housing program is designed to provide low-cost housing within Lawrence County. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

B. *MODERNIZATION PROGRAMS*

Substantially all additions to land, structures, and equipment are accomplished through modernization programs (included in the financial statements under the public housing program). Modernization funds replace or materially upgrade deteriorated portions of existing Authority property.

C. *HOUSING ASSISTANCE PAYMENTS PROGRAM - SECTION 8*

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income families under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family.

REPORTING ENTITY

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Authority are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Authority. For the Authority, this includes general operations, public housing, Section 8, and modernization programs. Component units are legally separate organizations for which the Authority is financially accountable.

IRONTON METROPOLITAN HOUSING AUTHORITY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

1. DESCRIPTION OF THE HOUSING AUTHORITY AND REPORTING ENTITY (Continued)

REPORTING ENTITY (Continued)

The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's governing board and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization or (2) the Authority is legally entitled to or can otherwise access the organization's resources; (3) the Authority is legally obligated or has assumed responsibility to finance the deficits of, or provide fiscal support to, the organization; (4) the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the levying of taxes or issuance of debt. The Authority did not have any component units or other related organizations in 2003.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ironton Metropolitan Housing Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applies to governmental units. The Governmental Accounting Standards Board 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.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The Authority uses funds to report on its financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities.

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, Financial Accounting Standards Board 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.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. For financial statement presentation purposes, the various funds of the Authority are grouped into the following fund type:

PROPRIETARY FUND TYPE: Proprietary funds are used to account for the Authority's ongoing activities which are similar to those found in a private sector. The following is the Authority's proprietary funds:

IRONTON METROPOLITAN HOUSING AUTHORITY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION - FUND ACCOUNTING (Continued)

Enterprise Funds - The enterprise funds are used to account for operations 1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services of the general public on a continuing basis be financed or recovered primarily through user charges; or 2) 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 control, accountability, or other purposes.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type income statements represent increases (e.g. revenues and other financing sources) and decreases (e.g. expenditures and other financing uses) in net total assets.

C. BASIS OF ACCOUNTING

Proprietary fund types use accrual basis of accounting for reporting purposes. Revenues are recognized when they are earned and measurable and expenses are recorded at the time liabilities are incurred, if measurable.

D. BUDGETARY DATA

The Authority is not required to follow the budgetary requirements of the Ohio Revised Code. However, the Authority does maintain a budget for management purposes.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of funds deposited in checking accounts. Cash equivalents are stated at cost, which approximates market value.

The Authority has investments in the form of certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value which is based upon quoted market prices. Nonparticipating investment contracts such as certificates of deposit are reported at cost.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the Authority with an original maturity of three months or less at the time they are purchased by the Authority are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

IRONTON METROPOLITAN HOUSING AUTHORITY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. PROPERTY, PLANT AND EQUIPMENT

The fixed asset values initially were determined by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. Donated fixed assets are capitalized at estimated fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

Enterprise Fund Fixed Assets: Fixed assets reflected in the enterprise funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	20-40 years
Building Improvements	20 years
Furniture and Fixtures	5-10 years
Equipment and Machinery	3-10 years

Fixed assets acquired from resources externally restricted for capital acquisition (e.g. capital grants) are recorded as revenue in the benefiting proprietary fund. Depreciation on these assets is recorded as an expense.

G. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond September 30, 2002, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

H. COMPENSATED ABSENCES

In 1999, the Authority implemented the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method.

IRONTON METROPOLITAN HOUSING AUTHORITY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. COMPENSATED ABSENCES (Continued)

The liability includes the employees who are currently eligible to receive termination benefits and by those employees for whom it is probable will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end.

In proprietary funds, compensated absences are expensed when earned. The entire amount of compensated absences is reported as a fund liability.

I. TAX LIABILITY

The Authority is by law exempt from all federal, state, and local taxes and assessments. The Authority has elected to pay a Payment in Lieu of Taxes (PILOT) based principally on a percentage of tenant dwelling income received from HUD-assisted programs.

J. INTERGOVERNMENTAL REVENUES

Grants, entitlements or shared revenues received for enterprise fund operating purposes are recognized in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as revenue.

K. CONTRIBUTED CAPITAL

Contributed capital represents resources from other governments and private sources to the extent they exceed the cost, which have been provided to the enterprise funds and are not subject to repayment. All other fund equity amounts pertaining to the enterprise funds have been classified as retained earnings. As of September 30, 2003 the Authority's contributed capital consisted of fixed assets purchased with funding from the federal government, and the forgiven long term debt and the related interest from HUD.

L. USE OF 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 certain reported amounts and accompanying notes. Accordingly, actual results could differ from those estimates.

3. CASH AND INVESTMENTS

The Governmental Accounting Standards Board has established three (3) risk categories for deposits. Category 1 includes deposits insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 includes uncollateralized deposits.

IRONTON METROPOLITAN HOUSING AUTHORITY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

3. CASH AND INVESTMENTS (Continued)

This includes any bank balance that is collateralized with securities held by the pledging institution or its trust department or agent but not in the Authority's name.

All deposits are carried at cost. As of September 30, 2003, the bank balances of the Authority's cash were \$1,499,049. Of the bank balances, \$200,000 was insured by FDIC insurance. The remaining balance of \$1,299,049 was classified as Category 2 for deposits.

HUD Handbook 7475.1, Chapter 4, section 1, authorized the PHA to make investments in direct obligations of the Federal Government, obligation of Federal Government Agencies, securities of Government-sponsored Agencies and demand and savings deposits and certificates of deposits.

The Authority had only checking accounts, certificates of deposit, and cash, on hand classified as cash. As of September 30, 2003, the book balance was \$1,459,585.

4. RECEIVABLES

Receivables at September 30, 2003 consisted of accounts receivable from tenants for rent and materials, miscellaneous receivables which includes late charges and utilities owed to the Authority by the tenants and HUD Project funding.

5. FIXED ASSETS

A summary of the Proprietary Fund Types fixed assets as of September 30, 2003, follows:

	Balance at <u>09/30/03</u>
Land	\$ 500,242
Building	8,255,165
Furniture, Equipment & Machinery-Dwellings	182,371
Furniture, Equipment & Machinery-Administration	229,057
Leasehold Improvements	<u>119,841</u>
Total Assets	9,286,676
Accumulated Depreciation	<u>(5,406,108)</u>
Net Value of Assets	<u>\$3,880,568</u>

6. DEFINED BENEFIT PENSION PLAN

PUBLIC EMPLOYEES RETIREMENT SYSTEM PENSION PLAN

All Ironton Metropolitan Housing Authority's full time employees participate in the Public Employees Retirement System of Ohio ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report.

IRONTON METROPOLITAN HOUSING AUTHORITY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2003

6. DEFINED BENEFIT PENSION PLAN (Continued)

Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 42315-4562 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates effective for 2003 were 8.5% of their salary. The 2003 employer contribution rate relating to employees was 13.55% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. As of September 30, 2003, the Authority had no outstanding amounts owed to PERS. The Authority's contribution to PERS for the years ending September 30, 2001, 2002 and 2003 were \$37,590, \$37,302 and \$37,032 respectively which are equal to the required contributions for each year.

7. POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with 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 service 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 post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The portion of the 2003 employer contribution rate for local government employer units was 13.55% of covered payroll and 5% was the portion used to fund health care for the year.

The health inflation and significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the OPERS of Ohio's latest actuarial review performed as of December 31, 2001. OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

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

In December 2001, the Board adopted the Health Care Choices Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under 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 is 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 meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Accounts.

IRONTON METROPOLITAN HOUSING AUTHORITY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

8. OTHER EMPLOYEE BENEFITS

Compensated Absences: Vacation leave is earned at rates which vary depending upon length of service and standard work week. Current policy credits vacation on the employee's anniversary date. Vacation time can be carried over for one year, but must be taken in the year following the year earned. Employees are paid for earned, unused vacation leave at the time of termination.

Sick leave is earned at a rate of 4.60 hours per pay period (2 weeks). Employees who retire are paid for their earned, unused sick leave hours up to a maximum of 30 days, or the full balance may be transferred to another governmental agency. Such payment shall be based on the employee's rate of pay at the time of retirement. At September 30, 2003 the current amount of unpaid compensated absences was \$64,293 and the noncurrent amount was \$2,459.

9. SEGMENT INFORMATION

Financial segment information as of and for the year ended September 30, 2002, for the Enterprise Funds presented is as follows:

	Section 8 Voucher	Public Housing	CIAP	Capital Fund	Total Enterprise Funds
Operating Revenues	\$276,987	\$1,034,019	\$0	\$618,070	\$1,929,076
Operating Expenses	41,260	932,635	0	0	973,895
Depreciation Expense	520	314,019	0	0	314,539
Operating Gain (Loss)	235,727	101,384	0	618,070	955,181
Contributed Capital	0	3,108,746	0	0	3,108,746
Total Assets	305,298	4,385,794	0	743,806	5,434,978
Total Liabilities	45,277	187,484	0	0	232,761
Total Equity	\$260,021	\$4,198,310	\$0	\$743,886	\$5,202,217

10. CONTINGENCIES

Under the terms of federal and state grants, periodic audits are required and certain expenditures may be questioned as not appropriate under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Authority's management believes disallowances, if any, will be immaterial.

11. ECONOMIC DEPENDENCY

The Authority is economically dependent on receiving operating subsidies from the U.S. Department of Housing and Urban Development (HUD).

IRONTON METROPOLITAN HOUSING AUTHORITY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

12. RISK MANAGEMENT

The Authority maintains comprehensive liability insurance coverage with private carriers. Coverage provided by this private carrier is as follows:

Property	\$8,000,000
General Liability	
Per occurrence	1,000,000
Aggregate	2,000,000

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

Health, Dental, Vision, and Life insurance is offered to Authority employees through a commercial insurance company, McNelly, Patrick & Associates.

13. RESTATEMENT OF FUND EQUITY

The correction of accounting errors in the prior year required that certain adjustments be recorded to the October 1, 2002 beginning retained earnings balance as previously recorded. The restatements to the opening retained earnings and contributed capital balances are as follows:

Fund	Beginning Retained Earnings	Adjustment	Restated Retained Earnings
CIAP	\$526,035	(\$526,035)	\$0
Public Housing	\$1,418,431	(\$116,232)	\$1,302,199
CFP	\$121,267	\$4,549	\$125,816

14. CONTINGENCIES

A. Grants

The Authority received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at September 30, 2003.

B. Litigation

The Authority is not party to any legal proceedings.

IRONTON METROPOLITAN HOUSING AUTHORITY
IRONTON, OHIO
COMBINING BALANCE SHEET - PROPRIETARY FUND TYPE
YEAR ENDING SEPTEMBER 30, 2003

	Section 8 Voucher	Public Housing	Capital Fund	ENTERPRISE
Assets				
Current Assets:				
Cash - Unrestricted	\$ 293,973	\$ 1,165,612	\$ -	\$ 1,459,585
Other Government	1,989	2,701	-	4,690
Hud - Other Projects	8,495	-	-	8,495
Tenants - Dwelling Rents	-	4,980	-	4,980
Accrued interest receivable	581	-	-	581
Interprogram Due From	-	40,604	-	40,604
Prepaid Expenses & Other Deferred Charges	-	35,475	-	35,475
Total Current Assets	305,038	1,249,372	-	1,554,410
Noncurrent Assets:				
Fixed Assets:				
Land	-	500,242	-	500,242
Building	-	7,681,296	-	7,681,296
Building Improvements	-	-	573,869	573,869
Furniture, Equipment & Machinery - Dwellings	-	132,195	50,176	182,371
Furniture, Equipment & Machinery - Administration	1,560	227,497	-	229,057
Construction in Progress	-	-	119,841	119,841
Accumulated Depreciation	(1,300)	(5,404,808)	-	(5,406,108)
Total Fixed Assets, Net of Accumulated Depreciation	260	3,136,422	743,886	3,880,568
Total Noncurrent Assets	260	3,136,422	743,886	3,880,568
Total Assets	\$ 305,298	\$ 4,385,794	\$ 743,886	\$ 5,434,978
Liabilities:				
Current Liabilities:				
Accrued Wages/Payroll Taxes Payable	\$ -	\$ 169	\$ -	\$ 169
Accounts Payable:				
<= 90 Days Past Due	-	56,594	-	56,594
Other Government	-	27,311	-	27,311
Compensated Absences	1,686	22,400	-	24,086
Tenant Security Deposits	-	41,331	-	41,331
Interprogram Due To	40,604	-	-	40,604
Total Current Liabilities	42,290	147,805	-	190,095
Noncurrent Liabilities:				
Compensated Absences	2,987	39,679	-	42,666
Total Noncurrent Liabilities	2,987	39,679	-	42,666
Total Liabilities	45,277	187,484	-	232,761
Equity:				
Contributed Capital:				
Net HUD PHA Contributions	-	3,101,196	-	3,101,196
Other Contributions	-	7,550	-	7,550
Total Contributed Capital	-	3,108,746	-	3,108,746
Retained Earnings:				
Unreserved	260,021	1,089,564	743,886	2,093,471
Total Equity	260,021	4,198,310	743,886	5,202,217
Total Liabilities and Equity	\$ 305,298	\$ 4,385,794	\$ 743,886	\$ 5,434,978

IRONTON, OHIO
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY -
 PROPRIETARY FUND TYPE
 YEAR ENDING SEPTEMBER 30, 2003

	Section 8 Voucher	Public Housing	Capital Fund	ENTERPRISE
<i>Revenues</i>				
Tenant Revenues:				
Net Tenant Rental Revenue	\$ -	\$ 521,804	\$ -	\$ 521,804
Tenant Revenue - Other	-	14,491	-	14,491
Total Tenant Revenue	-	536,295	-	536,295
HUD PHA Grants/Operating Grants	269,344	435,675	-	705,019
Capital Grants			618,070	618,070
Investment Income - Unrestricted	1,575	21,257	-	22,832
Other Revenue	6,068	40,792	-	46,860
Total Revenue	276,987	1,034,019	618,070	1,929,076
<i>Expenses</i>				
Administrative:				
Administrative Salaries	17,319	111,783	-	129,102
Auditing Fees	1,100	6,694	-	7,794
Employee Benefit Contributions	18,359	44,754	-	63,113
Compensated Absences	656	7,714	-	8,370
Other Operating	3,826	27,585	-	31,411
Total Administrative	41,260	198,530	-	239,790
Tenant Services:				
Tenant Services - Salaries	-	2,295	-	2,295
Employee Benefit Contributions	-	5,300	-	5,300
Total Tenant Services	-	7,595	-	7,595
Utilities:				
Water	-	96,203	-	96,203
Electricity	-	104,100	-	104,100
Gas	-	59,444	-	59,444
Total Utilities	-	259,747	-	259,747
Ordinary Maintenance & Operation:				
Labor	-	138,594	-	138,594
Materials and Other	-	75,348	-	75,348
Contract Costs	-	125,023	-	125,023
Employee Benefit Contributions	-	55,488	-	55,488
Total Ordinary Maintenance Operation	-	394,453	-	394,453
General Expenses:				
Insurance Premiums	-	33,012	-	33,012
Payments in Lieu of Taxes	-	27,311	-	27,311
Bad Debt - Tenant Rents	-	11,849	-	11,849
Other	-	138	-	138
Interest Expense	-	-	-	-
Severance Expense	-	-	-	-
Total General Expenses	-	72,310	-	72,310
Total Operating Expenses	41,260	932,635	-	973,895
Excess Operating Revenue over Operating Expenses	235,727	101,384	618,070	955,181
Other Expenses:				
Loss on Sale of Fixed Assets	-	-	-	-
Housing Assistance Payments	238,077	-	-	238,077
Depreciation Expense	520	314,019	-	314,539
Total Other Expenses	238,597	314,019	-	552,616
Excess (Deficiency) of Operating Revenue Over (Under) Other Expenses	(2,870)	(212,635)	618,070	402,565
Retained Earnings, Beginning of the Year (Restated)	262,891	1,302,199	125,816	1,690,906
Retained Earnings, End of Year	260,021	1,089,564	743,886	2,093,471
Contributed Capital at Beginning of Year	-	3,108,746	-	3,108,746
Contributions During Year	-	-	-	-
Contributed Capital at End of Year	-	3,108,746	-	3,108,746
Total Fund Equity at End of Year	<u>\$ 260,021</u>	<u>\$ 4,198,310</u>	<u>\$ 743,886</u>	<u>\$ 5,202,217</u>

IRONTON METROPOLITAN HOUSING AUTHORITY
 IRONTON, OHIO
 COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED SEPTEMBER 30, 2003

	<u>Voucher</u>	<u>Housing</u>	<u>CFP</u>	<u>ENTERPRISE</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Operating Income	(\$2,870)	(\$212,635)	\$618,070	\$ 402,565
Adjustments to reconcile net gain/(loss) to net cash provided by operating activities				
(Increase) Decrease In:				
Accounts Receivable	7,684	(4,636)	690	3,738
Investments				-
Inventories				-
Prepaid Expenses and Other Assets	0	(16,501)	0	(16,501)
Interest Receivable	533	0	0	533
Interprogram Due from	0	(7,282)	0	(7,282)
Increase (Decrease) In:				
Accounts Payable	76	21,209	0	21,285
Accrued Wages/Payroll Taxes Payable	0	(22)	0	(22)
Accrued Expense	0	0	0	-
Deferred Credits	0	0	0	-
Compensated Absences	580	7,705	0	8,285
Tenant Security Deposits	0	333	0	333
Interprogram Due to	7,972	0	(690)	7,282
Intergovernmental Payable	0	(2,615)	0	(2,615)
Depreciation Expense	520	314,019	0	314,539
Net Cash Provided By Operating Activities	<u>14,495</u>	<u>99,575</u>	<u>618,070</u>	<u>732,140</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Equipment Purchases	0	(4,387)	(50,176)	(54,563)
Modernization Improvements	0	0	(567,894)	(567,894)
Net Cash Used By Capital Financing Activities	<u>0</u>	<u>(4,387)</u>	<u>(618,070)</u>	<u>(622,457)</u>
Net Increase (Decrease) In Cash	14,495	95,188	0	109,683
Cash At The Beginning Of Year	<u>279,478</u>	<u>1,070,424</u>	<u>0</u>	<u>1,349,902</u>
Cash At End Of Year	<u>\$293,973</u>	<u>\$1,165,612</u>	<u>\$0</u>	<u>\$ 1,459,585</u>

IRONTON METROPOLITAN HOUSING AUTHORITY
 IRONTON, OHIO
 SCHEDULE OF FEDERAL AWARDS EXPENDITURES
 FOR THE YEAR ENDED SEPTEMBER 30, 2003

<u>FROM U.S. DEPARTMENT OF HUD DIRECT PROGRAMS</u>	<u>FEDERAL CFDA NUMBER</u>	<u>2003 FEDERAL EXPENDITURES</u>
Public and Indian Housing Program	14.850a	\$ 435,675
Public Housing Capital Fund	14.872	618,070
Lower Income Housing Assistance Program: Section 8 Moderate Rehabilitation	14.856	<u>281,006</u>
TOTAL - ALL PROGRAMS		<u>\$ 1,334,751</u>

See accompanying notes to the Schedule of Federal Awards Expenditures.

IRONTON METROPOLITAN HOUSING AUTHORITY
IRONTON, OHIO
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2003

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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.

BALESTRA, HARR & SCHERER

CERTIFIED PUBLIC ACCOUNTANTS

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Board of Commissioners
Ironton Metropolitan Housing Authority
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of the Ironton Metropolitan Housing Authority, Lawrence County, as of and for the year ended September 30, 2003, and have issued our report thereon dated February 13, 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 Ironton 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 and 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 Ironton 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 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.

This report is intended solely for the information and use of the audit committee, management, members of the Board, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer

February 13, 2004

BALESTRA, HARR & SCHERER

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

Compliance

We have audited the compliance of Ironton Metropolitan Housing 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 its major federal program for the year ended September 30, 2002. Ironton Metropolitan Housing Authority's major federal program is identified in the Summary of Auditor=s Results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Ironton Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Ironton 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* and the provisions of the Public and Indian Housing Compliance Supplement dated June 1995. 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 Ironton 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 Ironton Metropolitan Housing Authority's compliance with those requirements.

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

Internal Control Over Compliance

The management of Ironton Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Ironton 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.

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 audit committee, management, members of the Board, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer
February 13, 2004

IRONTON METROPOLITAN HOUSING AUTHORITY

IRONTON, OHIO
YEAR ENDING SEPTEMBER 30, 2003

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

1. SUMMARY OF AUDITOR=S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Public Housing Capital Fund CFDA # 14.872
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

IRONTON METROPOLITAN HOUSING AUTHORITY

IRONTON, OHIO
FOR THE YEAR ENDED SEPTEMBER 30, 2003

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

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

Finding Number	None
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3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	

IRONTON METROPOLITAN HOUSING AUTHORITY

IRONTON, OHIO
FOR THE YEAR ENDED SEPTEMBER 30, 2003

SUMMARY OF ACTIVITIES

At the close of fiscal year ended September 30, 2003, the Ironton Metropolitan Housing Authority had the following operations management:

	<u>Units</u>
<u>Public Housing</u>	
Owned	259
<u>Section 8</u>	
Existing	<u>85</u>
TOTAL	<u>344</u>
<u>Prior Audit Findings</u>	
No prior audit findings.	

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Betty Montgomery**

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IRONTON METROPOLITAN HOUSING AUTHORITY

LAWRENCE 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
JUNE 8, 2004**