

**GENERAL PURPOSE
FINANCIAL STATEMENTS**

of the

**SPRINGFIELD METROPOLITAN
HOUSING AUTHORITY**

for the

Year Ended September 30, 2003



**Auditor of State
Betty Montgomery**

Board of Directors
Springfield Metropolitan Housing Authority

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 18, 2004

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**SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
TABLE OF CONTENTS**

| | <u>Page</u> |
|--|----------------|
| Independent Auditors' Report | 1 |
| General Purpose Financial Statements: | |
| Balance Sheet – Proprietary Fund Type | 2 |
| Statement of Revenues, Expenses and Changes in Retained Earnings – Proprietary Fund Type | 3 |
| Statement of Cash Flows - Proprietary Fund Type | 4 |
| Notes to the General Purpose Financial Statements | 5 – 12 |
| Supplemental Data: | |
| Balance Sheet – (FDS schedule format) | 13 - 14 |
| Statement of Revenues, Expenses and Changes in Retained Earnings – (FDS schedule format) | 15 – 16 |
| Schedule of Federal Awards Expenditures | 17 |
| Cost Certification | 18 |
| Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 19 |
| Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i> | 20 – 21 |
| Schedule of Findings | 22 – 23 |

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Springfield Metropolitan Housing Authority
Springfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying general purpose financial statements of Springfield Metropolitan Housing Authority, 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 Springfield Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these 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 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of Springfield Metropolitan Housing Authority, as of September 30, 2003, and the results of its operations and the cash flows of its proprietary fund type activities 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 3, 2004 on our consideration of Springfield Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jones, Cochenour & Co.
June 3, 2004

Springfield Metropolitan Housing Authority
Balance Sheet
Proprietary Fund Type
Enterprise Fund
September 30, 2003

ASSETS

CURRENT ASSETS

| | | |
|---------------------------------------|----|------------------|
| Cash and cash equivalents | \$ | 1,493,431 |
| Intergovernmental accounts receivable | | 119,334 |
| Receivables - net of allowance | | 82,650 |
| Due from other programs | | 383,334 |
| Inventories - net of allowance | | 129,483 |
| TOTAL CURRENT ASSETS | | <u>2,208,232</u> |

PROPERTY AND EQUIPMENT - NET 13,297,061

PREPAID EXPENSES AND OTHER ASSETS 121,688

TOTAL ASSETS \$ 15,626,981

LIABILITIES, RETAINED EARNINGS AND OTHER CREDITS

CURRENT LIABILITIES

| | | |
|--|----|------------------|
| Accounts payable | \$ | 150,997 |
| Due to other programs | | 383,334 |
| Intergovernmental payables | | 321,027 |
| Accrued compensated absences / wages / payroll taxes | | 164,193 |
| Deferred revenue | | 559 |
| TOTAL CURRENT LIABILITIES | | <u>1,020,110</u> |

OTHER LIABILITIES

| | | |
|--------------------------------|--|----------------|
| Tenant security deposits | | 86,534 |
| FSS liabilities | | 65,539 |
| TOTAL OTHER LIABILITIES | | <u>152,073</u> |

TOTAL LIABILITIES 1,172,183

RETAINED EARNINGS AND OTHER CREDITS

| | | |
|--|--|-------------------|
| Contributed capital | | 10,885,244 |
| Undesignated retained earnings | | 3,569,554 |
| TOTAL RETAINED EARNINGS AND OTHER CREDITS | | <u>14,454,798</u> |

**TOTAL LIABILITIES, RETAINED EARNINGS
AND OTHER CREDITS** \$ 15,626,981

See accompanying notes to the general purpose financial statements

Springfield Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Retained Earnings
Proprietary Fund Type
Enterprise Fund
Year Ended September 30, 2003

| | |
|---|------------------------------------|
| OPERATING REVENUE | |
| Tenant revenue | \$ 1,233,429 |
| Program operating grants/subsidies | 8,170,018 |
| Other grants | 36,999 |
| Other income | <u>79,580</u> |
| TOTAL OPERATING REVENUE | 9,520,026 |
| OPERATING EXPENSES | |
| Administrative | 1,259,753 |
| Tenant services | 433,428 |
| Utilities | 733,186 |
| Maintenance | 1,259,554 |
| Protective services | 80,116 |
| General | 227,507 |
| Bad debts | 41,419 |
| Housing assistance payments | 4,196,791 |
| Depreciation | <u>998,548</u> |
| TOTAL OPERATING EXPENSES | <u>9,230,302</u> |
| NET OPERATING INCOME | 289,724 |
| NON-OPERATING REVENUE | |
| Interest income | 15,416 |
| Interest expense | <u>(786)</u> |
| NET INCOME | 304,354 |
| RETAINED EARNINGS AND OTHER CREDITS, BEGINNING | 14,154,905 |
| PRIOR PERIOD ADJUSTMENTS/EQUITY TRANSFERS | <u>(4,461)</u> |
| RETAINED EARNINGS AND OTHER CREDITS, ENDING | <u><u>\$ 14,454,798</u></u> |

See accompanying notes to the general purpose financial statements

Springfield Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Fund Type
Enterprise Fund
Year Ended September 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:

| | | |
|---|----|--------------------|
| Cash received from HUD | \$ | 9,172,000 |
| Cash from other - government | | 158,480 |
| Cash received from tenants | | 1,207,353 |
| Cash received through other income | | 101,894 |
| Cash payments for housing assistance payments | | (4,196,791) |
| Cash payments for administrative | | (1,574,828) |
| Cash payments for other operating expenses | | <u>(2,812,251)</u> |

**NET CASH PROVIDED BY
OPERATING ACTIVITIES** 2,055,857

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

| | | |
|-------------------------------|--|-------------|
| Acquisition of capital assets | | (1,305,551) |
|-------------------------------|--|-------------|

CASH FLOWS FROM INVESTING ACTIVITIES:

| | | |
|-------------------|--|--------------|
| Investment income | | 15,416 |
| Interest expense | | <u>(786)</u> |

INCREASE IN CASH AND CASH EQUIVALENTS 764,936

CASH AND CASH EQUIVALENTS, BEGINNING 728,495

CASH AND CASH EQUIVALENTS, ENDING \$ 1,493,431

**RECONCILIATION OF OPERATING INCOME TO NET CASH
USED BY OPERATING ACTIVITIES:**

| | | |
|--|----|---------------|
| Net operating income | \$ | 289,724 |
| Adjustments to reconcile operating loss to net cash used by operating activities | | |
| Depreciation | | 998,548 |
| Prior period adjustment affecting residual receipts | | 4,461 |
| (Increase) decrease in: | | |
| Intergovernmental receivable | | (104,450) |
| Receivables - net of allowance | | 1,007,843 |
| Due from other programs | | 96,588 |
| Inventories - net of allowance | | 10,487 |
| Deferred charges and other assets | | (16,124) |
| Increase (decrease) in: | | |
| Accounts payable | | (435,631) |
| Due to other programs | | (96,588) |
| Intergovernmental payable | | 245,317 |
| Accrued compensated absences/wages/payroll taxes | | 44,751 |
| Tenant security deposits | | (2,954) |
| Deferred credits and other liabilities | | <u>13,885</u> |

**NET CASH PROVIDED
BY OPERATING ACTIVITIES** \$ 2,055,857

See accompanying notes to the general purpose financial statements

Springfield Metropolitan Housing Authority
Notes to the general purpose financial statements
Year Ended September 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying general purpose financial statements comply with the provision of GASB Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

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

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

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the Section 8 and public housing programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

Springfield Metropolitan Housing Authority
Notes to the general purpose financial statements
Year Ended September 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary Fund Types

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

Enterprise Fund – This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus/Basis of Accounting

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

Investments

Investments are restricted by the provisions of the HUD Regulations. The Authority did not have any investments during the fiscal year 2003. Interest income earned in fiscal year 2003 for both programs totaled \$15,416. The interest income earned on the general fund checking account in the Section 8 Program is required to be returned to HUD, and this amount was \$2,484 for the year ended September 30, 2003.

Fixed Assets

Fixed assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The capitalization threshold is \$1,000. The following are the useful lives used for depreciation purposes:

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

Cash and Cash Equivalents

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

Springfield Metropolitan Housing Authority
Notes to the general purpose financial statements
Year Ended September 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated Absences

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

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

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

Capital Contributions

This represents contributions made available by HUD with respect to all federally aided projects under an annual contributions contract.

Budgetary Accounting

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

Estimates

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

Receivables – net of allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for uncollectable receivables was \$10,936 at September 30, 2003.

Inventories

Inventories are stated at cost. The allowance for obsolete inventory was \$14,400 at September 30, 2003.

Accounting and Reporting for Nonexchange Transactions

The Authority adopted GASB 33. Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of nonexchange transactions as follows:

- **Derived tax revenues:** result from assessments imposed on exchange transactions (i.e., income taxes, sales taxes and other assessments on earnings or consumption).
- **Imposed nonexchange revenues:** result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (i.e. property taxes and fines).

Springfield Metropolitan Housing Authority
Notes to the general purpose financial statements
Year Ended September 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounting and Reporting for Nonexchange Transactions - Continued

- Government-mandated nonexchange transactions: occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (i.e., federal programs that state or local governments are mandated to perform).
- Voluntary nonexchange transactions: result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).

PHA grants and subsidies will be defined as a government-mandated or voluntary nonexchange transactions.

GASB 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

- Time requirements specify (a) the period when resources are required to be used or when use may begin (for example, operating or capital grants for a specific period) or (b) that the resources are required to be maintained intact in perpetuity or until a specified date or event has occurred (for example, permanent endowments, term endowments, and similar agreements). Time requirements affect the timing of recognition of nonexchange transactions.
- Purpose restrictions specify the purpose for which resources are required to be used. (i.e. capital grants used for the purchase of capital assets). Purpose restrictions do not affect when a nonexchange transaction is recognized. However, PHAs that receive resources with purpose restrictions should report resulting net assets, equity, or fund balance as restricted.

The PHA will recognize assets (liabilities) when all applicable eligibility requirements are met or resources received whichever is first. Eligibility requirements established by the provider may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies.

The PHA will recognize revenues (expenses) when all applicable eligibility requirements are met. For transactions that have a time requirement for the beginning of the following period, PHAs should record resources received prior to that period as deferred revenue and the provider of those resources would record an advance.

The PHA receives government-mandated or voluntary nonexchange transactions, which do not specify time requirements. Upon award, the entire subsidy should be recognized as a receivable and revenue in the period when applicable eligibility requirements have been met.

2. CASH

State statutes classify monies held by the Authority into three categories.

Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Authority has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Springfield Metropolitan Housing Authority
Notes to the general purpose financial statements
Year Ended September 30, 2003

2. CASH - continued

Protection of Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) by eligible securities pledged by the financial institution as security for repayment, but surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The Authority's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its safekeeping agent in the Authority's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the Authority's name. Category 3 includes uninsured and uncollateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the Authority's name.

Deposits: The carrying amount of the Authority's deposits totaled \$1,493,431 (includes tenant security deposits). The corresponding bank balances totaled \$1,582,122. The carrying amount includes petty cash of \$400.

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

| | |
|-------------|---|
| Category 1: | \$100,000 was covered by federal depository insurance |
| Category 2: | \$1,482,122 was covered by specific collateral pledged by the financial institution in the name of the Authority. |

3. NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

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

4. RISK MANAGEMENT

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

5. FIXED ASSETS

The following is a summary:

| | | |
|--|-----------|--------------------------|
| Land | \$ | 2,014,807 |
| Buildings | | 24,733,817 |
| Furniture and equipment - administrative | | <u>565,861</u> |
| | | 27,314,485 |
| Accumulated depreciation | | <u>(14,017,424)</u> |
| NET FIXED ASSETS | \$ | <u>13,297,061</u> |

Springfield Metropolitan Housing Authority
Notes to the general purpose financial statements
Year Ended September 30, 2003

5. FIXED ASSETS- continued

The following is a summary of changes:

| | <u>Balance</u> <u>Sept 30, 2002</u> | <u>Additions /</u> <u>Reclass</u> | <u>Deletions /</u> <u>Corrections</u> | <u>Balance</u> <u>Sept 30, 2003</u> |
|---|--|--------------------------------------|--|--|
| Land | \$ 2,014,807 | \$ - | \$ - | \$ 2,014,807 |
| Buildings | 23,482,988 | 1,250,829 | - | 24,733,817 |
| Furniture and equipment - administrative | <u>519,875</u> | <u>54,722</u> | <u>8,736</u> | <u>565,861</u> |
| TOTAL FIXED ASSETS | <u>\$ 26,017,670</u> | <u>\$ 1,305,551</u> | <u>\$ 8,736</u> | <u>\$ 27,314,485</u> |

The depreciation expense for the year ended September 30, 2003 was \$998,548.

6. DEFINED BENEFIT PENSION PLANS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

OPERS provides basic retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Public Employee Retirement system, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members are required to contribute 8.5 percent of their annual covered payroll to fund pension obligations and the Authority was required to contribute 13.55 percent of covered payroll during 2003. The Authority's required contributions, including the pick up portion for certain employees for the periods ended September 30, 2003, 2002 and 2001 were \$292,658, \$307,236 and \$296,926, respectively. All required payments of contributions have been made through September 30, 2003.

7. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

Springfield Metropolitan Housing Authority
Notes to the general purpose financial statements
Year Ended September 30, 2003

7. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM – continued

OPERS provides retirement, disability, survivor and post retirement health benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age and services retirees must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by the Ohio Revised Code. The 2003 employer contribution rate was 13.55 percent of covered payroll, and 5.00 percent was used to fund health care for the year.

The assumptions and calculations below were based on the System's latest actuarial review performed as of December 31, 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 the unfounded actuarial accrued liability. All investments are carried as market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2002 was 8.00 percent. 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. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The Authority's actual contributions for 2003 that were used to fund post employment benefits were \$107,991, including the employee pick up portion. The actuarial value of the Retirement System's net assets available for OPED at December 31, 2002 were \$10 billion. The actuarially accrued liability and the unfounded actuarial accrued liability, based on the actuarial cost method used were \$18.7 billion and \$8.7 billion, respectively.

8. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended September 30, 2003, the Authority electronically submitted an unaudited version of the combining balance sheet, statement of revenues, expenses and changes in retained earnings and other data to HUD as required on the GAAP basis. The audited version of the FDS schedules are on pages 13-16. The schedules are presented in the manner prescribed by Housing and Urban Development. These schedules can be used to tie the total assets and liabilities into the combined statements.

Springfield Metropolitan Housing Authority
Notes to the general purpose financial statements
Year Ended September 30, 2003

9. RECONCILIATION OF RETAINED EARNINGS / OTHER CREDITS AND PRIOR PERIOD ADJUSTMENTS

| | <u>Total</u> | <u>Contributed Capital</u> | <u>Retained Earnings</u> |
|--|----------------------|--------------------------------|------------------------------|
| Beginning | \$ 14,154,905 | \$ 11,821,554 | \$ 2,333,351 |
| Miscellaneous balance sheet corrections | (4,461) | - | (4,461) |
| Excess of revenue over expenses/depreciation | <u>304,354</u> | <u>(936,310)</u> | <u>1,240,664</u> |
| Ending | <u>\$ 14,454,798</u> | <u>\$ 10,885,244</u> | <u>\$ 3,569,554</u> |

There were equity transfers into public housing for a closed comprehensive grant project and a technical assistant grant. An equity transfer/prior period adjustment was made between public housing and the development project. A significant part of the development project activity was recorded in public housing and this was corrected and transferred to the development program on the FDS schedule. The amounts of the equity transfers between programs are on page 16, line 1154 of the FDS schedule.

10. OUTSTANDING LITIGATION/CONTINGENT LIABILITY

NAACP, Arnette Hardnick, et al vs. Harold T. Riedel Jr. On April 30, 2004, a settlement agreement was offered and not reached in the amount of \$62,500, inclusive of all costs. A contingent liability was not set up at September 30, 2003.

11. CORRECTIVE ACTION PLAN WITH HUD

On September 19, 2003, a corrective action plan (CAP) was formalized between U.S. Department of Housing and Urban Development (HUD) and the Springfield Metropolitan Housing Authority (SMHA) to address the outstanding findings from the Rental Integrity Monitoring (RIM) review of SMHA's Low income Public Housing (LIPH) and Section 8 Housing Choice Voucher (HCV) programs.

On February 26, 2004, SMHA sent a letter to HUD that specified the corrective actions taken by SMHA relating to the outstanding RIM review findings. Based upon that reply, all of the outstanding RIM review findings have been closed by HUD.

12. ADMINISTRATIVE FEE RESERVE

On December 16, 2003, the Board of Directors approved \$250,000 to be transferred from the Section 8 voucher administrative fee reserve. The designation was retroactive to December 1, 2003 and the designation was encumbered for improvement of affordable housing and other expenses related to providing affordable housing in the City of Springfield.

Springfield Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type - Enterprise Fund
September 30, 2003

| FDS Line Item | Account Description | 14.850a Low Rent Public Hsg | 14.850b Development | 14.871 Section 8 Vouchers | 14.182 Sect 8 New Const | Project Choice State/Local | 14.859 Comp Grant | 14.872 Capital Grant | 14.227 Tech Asst Grant | 14.854 Drug Elim | TOTAL |
|---------------|--------------------------------------|-----------------------------------|------------------------|---------------------------------|-------------------------------|----------------------------------|-------------------------|----------------------------|------------------------------|------------------------|----------------------|
| ASSETS | | | | | | | | | | | |
| 111 | Cash - unrestricted | \$ 533,097 | \$ - | \$ 808,396 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,341,493 |
| 113 | Cash - other FFS | - | - | 61,341 | - | - | - | - | - | - | 61,341 |
| 114 | Cash - tenant security deposits | 90,597 | - | - | - | - | - | - | - | - | 90,597 |
| 100 | TOTAL CASH | 623,694 | - | 869,737 | - | - | - | - | - | - | 1,493,431 |
| 122 | Accounts receivable - HUD other proj | - | - | - | - | - | - | 115,687 | - | 3,647 | 119,334 |
| 125 | Accounts receivable - miscellaneous | 37,396 | - | - | - | - | - | - | - | - | 37,396 |
| 126 | A/R Tenants - dwelling rents | 56,190 | - | - | - | - | - | - | - | - | 56,190 |
| 126.1 | Allowance for doubtful accts | (10,936) | - | - | - | - | - | - | - | - | (10,936) |
| 120 | TOTAL ACCOUNTS RECEIVABLE | 82,650 | - | - | - | - | - | 115,687 | - | 3,647 | 201,984 |
| 142 | Prepaid expenses and other assets | 121,688 | - | - | - | - | - | - | - | - | 121,688 |
| 143 | Inventories | 143,883 | - | - | - | - | - | - | - | - | 143,883 |
| 143.1 | Allowance for obsolete inventory | (14,400) | - | - | - | - | - | - | - | - | (14,400) |
| 144 | Interprogram due from | 373,630 | - | - | 9,145 | 559 | - | - | - | - | 383,334 |
| 150 | TOTAL CURRENT ASSETS | 1,331,145 | - | 869,737 | 9,145 | 559 | - | 115,687 | - | 3,647 | 2,329,920 |
| 161 | Land | 1,789,107 | 225,700 | - | - | - | - | - | - | - | 2,014,807 |
| 162 | Buildings | 20,929,505 | 1,724,325 | - | - | - | - | 2,079,987 | - | - | 24,733,817 |
| 164 | Furniture and equipment - admin | 499,459 | - | 24,999 | - | - | - | 41,403 | - | - | 565,861 |
| 166 | Accumulated depreciation | (13,353,829) | (578,783) | (12,500) | - | - | - | (72,312) | - | - | (14,017,424) |
| 160 | TOTAL FIXED ASSETS, NET | 9,864,242 | 1,371,242 | 12,499 | - | - | - | 2,049,078 | - | - | 13,297,061 |
| 180 | TOTAL NON-CURRENT ASSETS | 9,864,242 | 1,371,242 | 12,499 | - | - | - | 2,049,078 | - | - | 13,297,061 |
| 190 | TOTAL ASSETS | \$ 11,195,387 | \$ 1,371,242 | \$ 882,236 | \$ 9,145 | \$ 559 | \$ - | \$ 2,164,765 | \$ - | \$ 3,647 | \$ 15,626,981 |

See independent auditors' report

Springfield Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type - Enterprise Fund
September 30, 2003

| FDS Line Item | Account Description | 14.850a Public Hsg | 14.850b Development | 14.871 Section 8 Vouchers | 14.182 Sect 8 New Const | Project Choice State/Local | 14.859 Comp Grant | 14.872 Capital Grant | 14.227 Tech Asst Grant | 14.854 Drug Elim | TOTAL |
|--------------------|-------------------------------------|-----------------------|------------------------|---------------------------------|-------------------------------|----------------------------------|-------------------------|----------------------------|------------------------------|------------------------|----------------------|
| LIABILITIES | | | | | | | | | | | |
| 312 | Accounts payable <=90 days | \$ 135,261 | \$ - | \$ 4,305 | \$ - | \$ - | \$ - | \$ 11,431 | \$ - | \$ - | \$ 150,997 |
| 321 | Accrued wages/payroll taxes | 50,021 | - | 14,844 | - | - | - | - | - | - | 64,865 |
| 322 | Accrued compensated absences | 79,316 | - | 20,012 | - | - | - | - | - | - | 99,328 |
| 331 | Accounts payable - HUD PHA | - | - | 281,634 | 9,145 | - | - | - | - | - | 290,779 |
| 333 | Accounts payable - other govt | 30,248 | - | - | - | - | - | - | - | - | 30,248 |
| 341 | Tenant security deposits | 86,534 | - | - | - | - | - | - | - | - | 86,534 |
| 342 | Deferred revenue | - | - | - | - | 559 | - | - | - | - | 559 |
| 347 | Interprogram due to | 559 | - | 274,872 | - | - | - | 104,256 | - | 3,647 | 383,334 |
| 310 | TOTAL CURRENT LIABILITIES | 381,939 | - | 595,667 | 9,145 | 559 | - | 115,687 | - | 3,647 | 1,106,644 |
| 353 | Noncurrent liabilities | - | - | 65,539 | - | - | - | - | - | - | 65,539 |
| 350 | TOTAL NONCURRENT | - | - | 65,539 | - | - | - | - | - | - | 65,539 |
| 300 | TOTAL LIABILITIES | 381,939 | - | 661,206 | 9,145 | 559 | - | 115,687 | - | 3,647 | 1,172,183 |
| 504 | Net PHA HUD contributions | 1,995,593 | 1,309,365 | - | - | - | - | - | - | - | 3,304,958 |
| 502 | Project notes (HUD) | 650,691 | - | - | - | - | - | - | - | - | 650,691 |
| 503 | Long-term debt - HUD guaranteed | 6,913,279 | - | - | - | - | - | - | - | - | 6,913,279 |
| 507 | Other contributions | 16,316 | - | - | - | - | - | - | - | - | 16,316 |
| 510 | Reserved for capital activity | - | - | - | - | - | - | - | - | - | - |
| 508 | TOTAL CONTRIBUTED CAPITAL | 9,575,879 | 1,309,365 | - | - | - | - | - | - | - | 10,885,244 |
| 512 | UNDES. FUND BALANCE/ RE | 1,237,569 | 61,877 | 221,030 | - | - | - | 2,049,078 | - | - | 3,569,554 |
| 513 | TOTAL EQUITY | 10,813,448 | 1,371,242 | 221,030 | - | - | - | 2,049,078 | - | - | 14,454,798 |
| 600 | TOTAL LIABILITIES AND EQUITY | \$ 11,195,387 | \$ 1,371,242 | \$ 882,236 | \$ 9,145 | \$ 559 | \$ - | \$ 2,164,765 | \$ - | \$ 3,647 | \$ 15,626,981 |

See independent auditors' report

Springfield Metropolitan Housing Authority
Statement of Revenue, Expenses and Changes in Retained Earnings
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
Year Ended September 30, 2003

| FDS Line Item | Account Description | 14.850a Low Rent Public Hsg | 14.850b Development | 14.871 Section 8 Vouchers | 14.182 Sect 8 New Const | Project Choice State/Local | 14.859 Comp Grant | 14.872 Capital Grant | 14.227 Tech Asst Grant | 14.854 Drug Elim | TOTAL |
|----------------------|---------------------------------------|--|--------------------------------|--|--|---|----------------------------------|-------------------------------------|---------------------------------------|---------------------------------|------------------|
| REVENUE | | | | | | | | | | | |
| 703 | Net tenant rental revenue | \$ 1,223,249 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,223,249 |
| 704 | Tenant Revenue - Other | 10,180 | - | - | - | - | - | - | - | - | 10,180 |
| 705 | TOTAL TENANT REVENUE | 1,233,429 | - | - | - | - | - | - | - | - | 1,233,429 |
| 708 | Other government grants | 1,500 | - | - | - | 35,499 | - | - | - | - | 36,999 |
| 706 | PHA HUD grants | 1,794,217 | - | 4,549,220 | 240,841 | - | - | 156,158 | 8,668 | 128,681 | 6,877,785 |
| 706.1 | Capital contributions | - | - | - | - | - | - | 1,292,233 | - | - | 1,292,233 |
| 711 | Investment income - unrestricted | 8,460 | - | 6,956 | - | - | - | - | - | - | 15,416 |
| 715 | Other revenue | 76,940 | - | 2,640 | - | - | - | - | - | - | 79,580 |
| 700 | TOTAL REVENUE | 3,114,546 | - | 4,558,816 | 240,841 | 35,499 | - | 1,448,391 | 8,668 | 128,681 | 9,535,442 |
| EXPENSES | | | | | | | | | | | |
| 911 | Administrative salaries | 268,081 | - | 284,969 | 6,584 | - | - | 73,080 | - | 1,451 | 634,165 |
| 912 | Auditing fees | 3,330 | - | 3,300 | - | - | - | - | - | - | 6,630 |
| 915 | Employee benefit contribution - admin | 117,173 | - | 69,645 | - | - | - | 6,560 | - | - | 193,378 |
| 916 | Other operating - administrative | 225,580 | - | 151,251 | - | 360 | - | 38,566 | 8,668 | 1,155 | 425,580 |
| 921 | Tenant services - salaries | 231,498 | - | - | - | 32,478 | - | - | - | 835 | 264,811 |
| 923 | Employee benefit contrib - ten svcs | 100,434 | - | - | - | - | - | - | - | - | 100,434 |
| 924 | Tenant services - other | 10,114 | - | - | - | 2,661 | - | - | - | 55,408 | 68,183 |
| 931 | Water | 236,266 | - | - | - | - | - | - | - | - | 236,266 |
| 932 | Electricity | 310,529 | - | - | - | - | - | - | - | - | 310,529 |
| 933 | Gas | 186,236 | - | - | - | - | - | - | - | 155 | 186,391 |
| 941 | Ord maintenance/op - labor | 464,222 | - | - | - | - | - | 2,232 | - | - | 466,454 |

See independent auditors' report

Springfield Metropolitan Housing Authority
Statement of Revenue, Expenses and Changes in Retained Earnings
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
Year Ended September 30, 2003

| FDS Line Item | Account Description | 14.850a Low Rent Public Hsg | 14.850b Development | 14.871 Section 8 Vouchers | 14.182 Sect 8 New Const | Project Choice State/Local | 14.859 Comp Grant | 14.872 Capital Grant | 14.227 Tech Asst Grant | 14.854 Drug Elim | TOTAL |
|---------------|---|-----------------------------------|------------------------|---------------------------------|-------------------------------|----------------------------------|-------------------------|----------------------------|------------------------------|------------------------|----------------------|
| | EXPENSES - CONTINUED | | | | | | | | | | |
| 942 | Ord maintenance/op - materials | 160,560 | - | 1,693 | - | - | - | - | - | 33 | 162,286 |
| 943 | Ord maintenance/op - cont costs | 393,696 | - | 530 | - | - | - | 35,720 | - | - | 429,946 |
| 945 | Emp benefit contrib - ord main | 200,868 | - | - | - | - | - | - | - | - | 200,868 |
| 952 | Protective services - other cont costs | 10,472 | - | - | - | - | - | - | - | 69,644 | 80,116 |
| 961 | Insurance premiums | 209,251 | - | 16,000 | - | - | - | - | - | - | 225,251 |
| 962 | Other general expenses | 2,256 | - | - | - | - | - | - | - | - | 2,256 |
| 964 | Bad debts - tenant rents | 41,419 | - | - | - | - | - | - | - | - | 41,419 |
| 967 | Interest expense | 786 | - | - | - | - | - | - | - | - | 786 |
| 969 | TOTAL OPERATING EXPENSES | <u>3,172,771</u> | <u>-</u> | <u>527,388</u> | <u>6,584</u> | <u>35,499</u> | <u>-</u> | <u>156,158</u> | <u>8,668</u> | <u>128,681</u> | <u>4,035,749</u> |
| 970 | EXCESS OPERATING REVENUE OVER EXPENSES | (58,225) | - | 4,031,428 | 234,257 | - | - | 1,292,233 | - | - | 5,499,693 |
| 973 | Housing Assistance Payments | - | - | 3,962,534 | 234,257 | - | - | - | - | - | 4,196,791 |
| 974 | Depreciation expense | 872,945 | 63,365 | 5,000 | - | - | - | 57,238 | - | - | 998,548 |
| 900 | TOTAL EXPENSES | <u>4,045,716</u> | <u>63,365</u> | <u>4,494,922</u> | <u>240,841</u> | <u>35,499</u> | <u>-</u> | <u>213,396</u> | <u>8,668</u> | <u>128,681</u> | <u>9,231,088</u> |
| | EXCESS OF REVENUE OVER EXPENSES | | | | | | | | | | 304,354 |
| 1000 | Beginning equity | (931,170) | (63,365) | 63,894 | - | - | - | 1,234,995 | - | - | |
| 1103 | Prior period adj | 12,543,060 | 86,107 | 157,136 | - | - | 523,591 | 814,083 | 30,928 | - | 14,154,905 |
| 1104 | Equity transfers | (4,461) | - | - | - | - | - | - | - | - | (4,461) |
| 1154 | | (793,981) | 1,348,500 | - | - | - | (523,591) | - | (30,928) | - | - |
| | ENDING EQUITY | <u>\$ 10,813,448</u> | <u>\$ 1,371,242</u> | <u>\$ 221,030</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,049,078</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 14,454,798</u> |

See independent auditors' report

**Springfield Metropolitan Housing Authority
Schedule of Federal Awards Expenditures
Year Ended September 30, 2003**

| | FEDERAL CFDA NUMBER | FUNDS EXPENDED |
|---|--------------------------------|----------------------------|
| <u>FROM U.S. DEPARTMENT OF HUD</u> | | |
| <u>DIRECT PROGRAMS</u> | | |
| PHA Owned Housing: | | |
| Public and Indian Housing (operating subsidy) | 14.850 a | \$ 1,794,217 |
| Public Housing Capital Fund | 14.872 | 1,448,391 |
| Public and Indian Housing Drug Elimination Program | 14.854 | 128,681 |
| Community Development Block Grants/Technical Assistance | 14.227 | 8,668 |
| Housing Assistance Payments: | | |
| Annual Contribution - | | |
| Housing Choice Vouchers | 14.871 | 4,549,220 |
| Section 8 N/C Section 8 Programs | 14.182 | <u>240,841</u> |
| Total - All Programs | | \$ <u>8,170,018</u> |

See independent auditors' report

**Springfield Metropolitan Housing Authority
Cost Certification
September 30, 2003**

Capital Fund Project Number OH16PO21501-00:

| | |
|--------------------------------|----------------------------|
| Operations | \$ 155,267 |
| Management improvements | 137,497 |
| Administration | 144,209 |
| Fees and costs | 67,613 |
| Site improvement | 34,300 |
| Dwelling structure | 894,642 |
| Non-dwelling structure | 45,445 |
| Non-dwelling equipment | <u>73,700</u> |
| TOTAL EXPENDED | <u>\$ 1,552,673</u> |
| TOTAL RECEIVED | <u>\$ 1,552,673</u> |

1. The actual modernization cost certificate was signed and filed on September 19, 2003.
2. The final costs on the certificate agrees to the Authority's records.

See independent auditors' report



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

Board of Directors
Springfield Metropolitan Housing Authority
Springfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the general purpose financial statements of Springfield Metropolitan Housing Authority as of and for the year ended September 30, 2003, and have issued our report thereon dated June 3, 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 Springfield Metropolitan Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance noted as 2003-3690-001 that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Springfield Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted one matter involving the internal control over financial reporting and its operation that we consider to be a material weakness as 2003-3690-002. We noted other matters that have been reported to management in a separate letter dated June 3, 2004.

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

Jones, Cochenour & Co.
June 3, 2004



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

Board of Directors
Springfield Metropolitan Housing Authority
Springfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of Springfield Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended September 30, 2003. Springfield Metropolitan Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Springfield Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Springfield Metropolitan Housing Authority's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

**Jones, Cochenour & Co.
June 3, 2004**

Schedule of Findings
OMB Circular A-133 § .505

Springfield Metropolitan Housing Authority
September 30, 2003

| |
|--|
| 1. SUMMARY OF AUDITORS' RESULTS |
|--|

| | |
|---|---|
| Type of Financial Statement Opinion | Unqualified |
| Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | Yes |
| Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| Was there any reported material non-compliance at the financial statement level (GAGAS)? | Yes |
| Were there any material internal control weakness conditions reported for major federal programs? | No |
| Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| Type of Major Programs' Compliance Opinion | Unqualified |
| Are there any reportable findings under § .510? | No |
| Major Programs (list): | 14.871 Section 8 Voucher Program 14.182 Section 8 New Construction Program |
| Dollar Threshold: Type A/B Programs | \$300,000 |
| Low Risk Auditee? | Yes |

Schedule of Findings
OMB Circular A-133 § .505 - Continued

Springfield Metropolitan Housing Authority
September 30, 2003

| |
|--|
| 2. FINDINGS RELATED TO FINANCIAL STATEMENTS |
|--|

| | |
|-----------------------|----------------------|
| Finding Number | 2003-3690-001 |
|-----------------------|----------------------|

Non-Compliance

Ohio Revised Code Section 117.38 – Filing of Financial Reports

Springfield Metropolitan Housing Authority did not file its annual report timely to the Auditor of State. GAAP-basis entities must file an annual report within 150 days. These reports must be filed on forms prescribed by the Auditor of State. However, if the Auditor of State has not prescribed a form for the report, the public office shall submit its report on the form utilized by the public office. Any public office which does not file the report by the required date shall pay a penalty of twenty five dollars for each day the report remains unfiled not to exceed seven hundred and fifty dollars (\$750). Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the fiscal officer.

We recommend that this filing be done for future audit reports and the Authority did send the report for September 30, 2003, to the State Auditor’s office on June 8, 2004. Also, the newspaper publication is to be done for future reports.

| | |
|-----------------------|----------------------|
| Finding Number | 2003-3690-002 |
|-----------------------|----------------------|

Reportable Condition/Material Weakness

The unaudited version of the HUD REAC Financial Data Schedule (FDS) required several journal entries and reclassifications to have a complete and accurate audited HUD REAC FDS. This contributed to extensive additional time to complete the audit. The HUD REAC FDS and year end closing reports are lengthy and intensive and require extensive knowledge of HUD.

We recommend that a complete and accurate unaudited HUD REAC Financial Data Schedules be prepared for future audits. This will lead to more efficient, effective and communicative relationships with regard to accounting and financial matters.

| |
|--|
| 3. FINDINGS RELATED TO FEDERAL AWARDS |
|--|

There are no findings or questioned costs for the year ended September 30, 2003.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY

CLARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 1, 2004**