

Athens Metropolitan Housing Authority

Basic financial statements

For the Year Ended December 31, 2004





**Auditor of State  
Betty Montgomery**

Board of Directors  
Athens Metropolitan Housing Authority  
10 Hope Drive  
Athens, Ohio 45701

We have reviewed the *Independent Auditor's Report* of the Athens Metropolitan Housing Authority, Athens County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period January 1, 2004 to December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

October 12, 2005

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ATHENS METROPOLITAN HOUSING AUTHORITY  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2004

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## **Independent Auditors' Report**

Board of Directors  
Athens Metropolitan Housing Authority

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

I have audited the accompanying basic financial statements of Athens Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Athens Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the basic 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Athens Metropolitan Housing Authority, Ohio, as of December 31, 2004, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

As described in Note 1 of the basic financial statements, the Authority adopted the provisions of Government Accounting Standards Board Statement No. 34, Basic financial statements – and Management’s Discussion and Analysis – for State and Local Governments, as of January 1, 2004. This results in a change to the Authority’s format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued a report dated August 18, 2005, on my consideration of Athens Metropolitan Housing Authority, Ohio's internal control over financial reporting and my 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 result of my audit.

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

My Audit was performed for the purpose of forming an opinion on the basic 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 Athens Metropolitan Housing Authority, Ohio. The accompanying Schedule of Expenditures of Federal Awards 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 basic financial statements. The combining financial data schedule ("FDS") and the PHA's statement and certification of actual modernization cost are presented for purposes additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.



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Salvatore Consiglio, CPA, Inc.

August 18, 2005

ATHENS METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2004

Unaudited

The Athens Metropolitan Housing Authority's ("the Authority") Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's position, and (d) identify individual fund issues or concerns.

Since the MD&A is designed to focus on the 2004 year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statement.

**FINANCIAL HIGHLIGHTS**

- The Authority's net assets increased by \$281,156 or 5.44% during 2004, resulting from changes in operations. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets.
- Revenues increased by \$391,446 or 8.3% during 2004.
- The total expenses of all Authority programs decreased by \$98,259 or 1.96%.

**Authority Financial Statements**

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

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

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

ATHENS METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2004

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Net Assets, Invested in Capital Assets, net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

The Authority financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenue, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as capital grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

### **Fund Financial Statements**

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

Many of the programs maintained by the Authority are done so as required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

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**The Authority's Programs**

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the Authority to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

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

Section 8 New Construction - The Authority administers Section 8 rental assistance programs where the Department of Housing and Urban Development (HUD) enters into annual contributions contracts with a private owner. The owner rents housing to eligible low-income families who typically pay rent of 30 percent of adjusted gross income. The remaining portion of the rent for the unit is paid to the owner by HUD through the HAP contract. The Authority acts as the middleman between HUD and the Private Owner and ascertains that the owner is operating the program in compliance with HUD requirements. The Authority earns an administration fee for these services rendered.

Shelter Plus Care - AMHA has an ongoing collaboration effort with the Athens County Continuum of Care working group which in 1999 the PHA was successful in receiving grant funding for the Athens County Dual Diagnosis Housing Initiative Shelter Plus Care project which is now completed and up and running. The grant provided 10 years of subsidized rent for 5 units of housing for dually diagnosed persons with mental illness and substance abuse.

State / Local – State / Local represents Authority owned housing properties that are not subsidized by HUD. The revenue and expenses for these services are identified and tracked separate from the HUD activities.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**AUTHORITY STATEMENTS**

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

**TABLE 1**

**STATEMENT OF NET ASSETS**

	<b><u>2004</u></b>	<b>RESTATED <u>2003</u></b>
Current and Other Assets	\$ 1,510,604	\$ 1,578,738
Capital Assets	4,626,186	4,415,033
Total Assets	<u>\$ 6,136,790</u>	<u>\$ 5,993,771</u>
Current Liabilities	\$ 384,022	\$ 505,556
Long-Term Liabilities	305,314	321,917
Total Liabilities	<u>689,336</u>	<u>827,473</u>
Net Assets:		
Investment in Capital Assets, net of Related Debt	4,316,677	4,085,443
Unrestricted Net Assets	1,130,777	1,080,855
Total Net Assets	<u>5,447,454</u>	<u>5,166,298</u>
Total Liabilities and Net Assets	<u>\$ 6,136,790</u>	<u>\$ 5,993,771</u>

For more detail information see Statement of Net Assets presented elsewhere in this report.

**Major Factors Affecting the Statement of Net Assets**

During 2004, current and other assets decreased by \$68,134, and current liabilities decreased by \$121,534. The change in current assets was mainly due to the change in receivable from HUD. The change in current liabilities is mainly due to the write off of accounts payable that was determined not to be valid.

ATHENS METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Unaudited

Capital assets also changed, increasing from \$4,415,033 to \$4,626,186. The \$211,153 increase may be contributed primarily to a combination of total acquisitions of \$445,943, less current year depreciation and amortization. The acquisitions included a building renovated and the purchase of 3 vehicles. For more detail see "Capital Assets" presented later in this report.

The following table presents details on the change in Unrestricted Net Assets.

**TABLE 2**  
**CHANGE OF UNRESTRICTED NET ASSETS**

Beginning Balance - December 31, 2003	\$	1,080,855
Results of Operation		190,909
Adjustments:		
Current year Depreciation Expense (1)		202,223
Capital Expenditure (2)		(445,943)
Capital Contribution		-
Prior Period Adjustment		122,814
Retirement of Debt		<u>(20,081)</u>
 Ending Balance - December 31, 2004	 \$	 <u><u>1,130,777</u></u>

- (1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.
- (2) Capital expenditures represent an outflow of unrestricted net assets, but are not treated as an expense against Results of Operations, and therefore must be deducted.

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer presentation of financial position.

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

ATHENS METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2004

Unaudited

**TABLE 3**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	<u><b>2004</b></u>	<u><b>2003</b></u>
<b><u>Revenues</u></b>		
Total Tenant Revenues	\$ 114,739	\$ 122,094
Operating Subsidies	4,667,502	4,517,632
Capital Grants	72,338	34,522
Investment Income	12,950	18,057
Other Revenues	<u>239,787</u>	<u>23,565</u>
<b>Total Revenues</b>	<b><u>5,107,316</u></b>	<b><u>4,715,870</u></b>
 <b><u>Expenses</u></b>		
Administrative	478,044	656,387
Utilities	97,453	90,735
Maintenance	177,375	155,243
General and Interest Expenses	41,009	31,690
Housing Assistance Payments	3,920,303	3,864,797
Depreciation	<u>202,223</u>	<u>215,814</u>
<b>Total Expenses</b>	<b><u>4,916,407</u></b>	<b><u>5,014,666</u></b>
<b>Net Increases (Decreases)</b>	<b><u>\$ 190,909</u></b>	<b><u>\$ (298,796)</u></b>

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

Total revenue increased by \$391,446. This increase was mainly due to the change in other income. This mainly represented revenue received for the renovation of property located at 430 West Union. Also, the change in total revenue was due to increase in HUD Operating revenue received for the Housing Choice Voucher Program. The additional revenue was due to increase in housing assistance payments.

The expenses decreased (\$98,259) moderately due to change in staff and other cost cutting measures taking.

ATHENS METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2004

Unaudited

**CAPITAL ASSETS**

**Capital Assets**

As of year-end, the Authority had \$4,626,186 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase of \$211,153 or 5% from the end of last year.

**TABLE 4**

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

	<u>2004</u>	<u>2003</u>
Land and Land Rights	\$ 791,033	\$ 823,599
Buildings	5,301,353	4,913,714
Equipment	319,047	238,841
Construction in Progress	-	21,903
Accumulated Depreciation	(1,785,247)	(1,583,024)
Total	<u>\$ 4,626,186</u>	<u>\$ 4,415,033</u>

The following reconciliation identifies the change in Capital Assets.

**TABLE 5**

**CHANGE IN CAPITAL ASSETS**

Beginning Balance - December 31, 2003	\$	4,415,033
Current year Additions		445,943
Current year Depreciation Expense		(202,223)
Prior Period Adjustment to Restate the value of Land		(32,567)
Beginning Balance - December 31, 2004	<u>\$</u>	<u>4,626,186</u>

Current year Additions are summarized as follows:

2005 Chevey Truck	\$	24,679
2005 Trail Blazer		25,439
2005 Truck Pickup S-10		19,389
Hand Held Computer for Inspector		1,640
9 Copiers/Printers/Fax/Scanner Unit		9,059
Various Building Improvement: Roof, Cabinets, Landscaping, Etc.		294,898
Window Replacement		70,839
Total 2004 Additions	<u>\$</u>	<u>445,943</u>

ATHENS METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2004

Unaudited

**Debt Outstanding**

As of year-end, the Authority has \$309,509 in debt (mortgages) outstanding compared to \$329,590 last year.

**TABLE 6**

**CONDENSED STATEMENT OF CHANGES IN DEBT OUTSTANDING**

Beginning Balance - December 31, 2003	\$ 329,590
Current Year Principal Payments	<u>(20,081)</u>
Beginning Balance - December 31, 2004	<u>\$ 309,509</u>

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

**FINANCIAL CONTACT**

The individual to be contacted regarding this report is Jodi Rickard, Contract Control Specialist of the Athens Metropolitan Housing Authority, at (740) 592-4481 ext. 17, or email at [jkr@athensmha.org](mailto:jkr@athensmha.org). Specific requests may be submitted to Athens Metropolitan Housing Authority, 10 Hope Drive, Athens, OH 45701.

**Statement of Net Assets  
Proprietary Funds  
December 31, 2004**

**ASSETS**

**Current assets**

Cash and cash equivalents	\$1,383,068
Receivables, net	114,133
Prepaid expenses and other assets	13,403
<b>Total current assets</b>	<b><u>1,510,604</u></b>

**Noncurrent assets**

Capital assets:	
Land	791,033
Building and equipment	5,620,400
Less accumulated depreciation	<u>(1,785,247)</u>
<b>Total noncurrent assets</b>	<b><u>4,626,186</u></b>
<b>Total assets</b>	<b><u><u>\$6,136,790</u></u></b>

**LIABILITIES**

**Current liabilities**

Accounts payable	\$106,482
Accrued liabilities	41,081
Intergovernmental payables	180,932
Tenant security deposits	24,876
Deferred revenue	1,484
Long-term Debt Current	20,344
Other current liabilities	8,823
<b>Total current liabilities</b>	<b><u>384,022</u></b>

**Noncurrent liabilities**

Long-term Debt, Net of Current	289,165
Noncurrent liabilities - other	16,149
<b>Total noncurrent liabilities</b>	<b><u>305,314</u></b>
<b>Total liabilities</b>	<b><u><u>\$689,336</u></u></b>

The accompanying notes to the Basic financial statements are an integral part of these statements.

**Athens Metropolitan Housing Authority**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2004**

<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	\$4,316,677
Unrestricted net assets	<u>1,130,777</u>
<b>Total net assets</b>	<b><u><u>\$5,447,454</u></u></b>

The accompanying notes to the Basic financial statements are an integral part of these statements.

**Athens Metropolitan Housing Authority**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2004**

**OPERATING REVENUES**

Tenant Revenue	\$114,739
Government operating grants	4,667,502
Other revenue	239,787
<b>Total operating revenues</b>	<b><u>5,022,028</u></b>

**OPERATING EXPENSES**

Administrative	478,044
Utilities	97,453
Maintenance	177,375
General	28,529
Housing assistance payment	3,920,303
Depreciation	202,223
<b>Total operating expenses</b>	<b><u>4,903,927</u></b>
<b>Operating income (loss)</b>	<b><u>118,101</u></b>

**NONOPERATING REVENUES (EXPENSES)**

Interest and investment revenue	12,950
Interest expense	(12,480)
<b>Total nonoperating revenues (expenses)</b>	<b><u>470</u></b>
Income (loss) before contributions and transfers	118,571
Capital grants	72,338
Change in net assets	190,909
Prior period adjustment	90,247
Total net assets - beginning	5,166,298
<b>Total net assets - ending</b>	<b><u><u>\$5,447,454</u></u></b>

The accompanying notes to the Basic financial statements are an integral part of these statements.

**Athens Metropolitan Housing Authority  
Statement of Cash Flows  
Proprietary Fund Type  
For the Year Ended December 31, 2004**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating grants received	\$4,847,408
Tenant revenue received	115,852
Other revenue received	239,787
General and administrative expenses paid	(657,370)
Housing assistance payments	<u>(3,920,303)</u>

**Net cash provided (used) by operating activities** **625,374**

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest earned	<u>12,950</u>
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**Net cash provided (used) by investing activities** **12,950**

**CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES**

Loan proceeds received	0
Capital grant funds received	72,338
Debt principal payment	(20,081)
Interest paid on Debt	(12,480)
Property and equipment purchased	<u>(445,943)</u>

**Net cash provided (used) by capital and related activities** **(406,166)**

Net increase (decrease) in cash	232,158
Cash and cash equivalents - Beginning of year	<u>1,150,910</u>

**Cash and cash equivalents - End of year** **\$1,383,068**

The accompanying notes to the Basic financial statements are an integral part of these statements.

**Athens Metropolitan Housing Authority  
Statement of Cash Flows (Continued)  
Proprietary Funds  
For the Year Ended December 31, 2004**

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

Net Operating Income (Loss)	\$118,101
Activities	
- Depreciation	202,223
- (Increases) Decreases in Accounts Receivable	309,450
- (Increases) Decreases in Prepaid Assets	(9,158)
- (Increases) Decreases in Inventory	0
- Increases (Decreases) in Accounts Payable	(144,286)
- Increases (Decreases) in Accounts Payable - Intergovernmental	168,339
- Increases (Decreases) in Accrued Expenses Payable	13,550
- Increases (Decreases) in Deferred Revenue	(22,894)
- Increases (Decreases) in Other Current Liabilities	(9,835)
- Increases (Decreases) in Other Noncurrent Liabilities	5,494
- Increases (Decreases) in Accrued Compensated Absences	(13,329)
- Increases (Decreases) in Tenant Security Deposits	7,719
	7,719
<b>Net cash provided by operating activities</b>	<b>\$625,374</b>

The accompanying notes to the Basic financial statements are an integral part of these statements.

ATHENS METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Summary of Significant Accounting Policies**

The financial statements of the Athens Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (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.

In June 1999, GASB approved Statement No. 34, Basic financial statements – Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statements include the following:

- For the first time the financial statements include a Management Discussion and Analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operation.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The Authority has elected to implement GASB 34 in the current fiscal year.

**Reporting Entity**

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

The accompanying basic financial statements comply with the provision of Governmental Accounting Standards Board (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.

ATHENS METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(CONTINUED)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Reporting Entity** (Continued)

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.

**Basis of Presentation**

The Authority's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes net assets, and a statement of cash flows.

**Fund Accounting**

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the HUD 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.

ATHENS METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(CONTINUED)

**NOTE 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 after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

**Description of programs**

The following are the various programs which are included in the single enterprise fund:

A. **Public Housing Program**

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

B. **Capital Fund Program**

The Capital Fund Program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development housing.

C. **Housing Choice Voucher Program**

The Housing Choice Voucher Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons.

ATHENS METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(CONTINUED)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

D. **Section 8 New Construction**

The Authority administers Section 8 rental assistance programs where the Department of Housing and Urban Development (HUD) enters into annual contributions contracts with a private owner. The owner rent housing to eligible low-income families who typically pay rent of 30 percent of adjusted gross income. The remaining portion of the rent for the unit is paid to the owner by HUD through the HAP contract. The Authority acts as the middleman between HUD and the Private Owner and ascertains that the owner is operating the program in compliance with HUD requirements. The Authority earns an administration fee for these services rendered.

E. **Shelter Plus Care**

AMHA has an ongoing collaboration effort with the Athens County Continuum of Care working group which in 1999 the PHA was successful in receiving grant funding for the Athens County Dual Diagnosis Housing Initiative Shelter Plus Care project which is now completed and up and running. The grant provided 10 years of subsidized rent for 5 units of housing for dually diagnosed persons with mental illness and substance abuse.

F. **State / Local**

State / local represents Authority owned housing properties that are not subsidized by HUD. The revenue and expenses for these services are identified and tracked separate from the HUD activities.

**Investments**

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2004 totaled \$12,950.

**Capital Assets**

Capital assets are stated at cost and depreciation is computed using the straight line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized.

ATHENS METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(CONTINUED)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets – net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

**Operating Revenues and Expenses**

Operating revenues and expenses are those revenues that are generated directly from the primary activities of the proprietary fund and expenses incurred for the day to day operation. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue.

**Capital Contributions**

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

**Cash and Cash Equivalents**

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

**Compensated Absences**

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

ATHENS METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(CONTINUED)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

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

**Budgetary Accounting**

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

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**NOTE 2: CASH AND INVESTMENTS**

Deposits – The PHA deposits are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the PHA or by its agent in the PHA's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the PHA's name.

ATHENS METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(CONTINUED)

**NOTE 2: CASH AND INVESTMENTS** (Continued)

Category 3 – Uncollateralized.

Deposits, categorized by level of risk, are:

Description	Bank Balance	Category			Carrying Amount
		1	2	3	
Cash and Cash Equivalent	\$1,411,731	\$1,411,731	\$0	\$0	\$1,383,069
Total Deposits	\$1,411,731	\$1,411,731	\$0	\$0	\$1,383,069

Investments - HUD Handbook 7475.1 Chapter 4, Section 1 authorizes the PHA to make investments in:

Direct Obligations of the Federal Government;

Obligations of Federal Government Agencies;

Securities of Government-Sponsored Agencies; and

Demand and Savings Deposits and Certificates of Deposit.

The PHA investments are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

Category 1 – Insured, registered, or securities held by the PHA or its agent in the PHA's name.

Category 2 – Uninsured and unregistered, with securities held by the counterpart's trust department or agent in the PHA's name.

Category 3 – Uninsured and unregistered, with securities held by the counterpart, or its trust department or agent but not in the PHA's name.

The PHA's nonnegotiable certificates of deposit are classified as investments on the Financial Data Schedule but are considered as deposits for GASB 3 purposes. Therefore, the categories described above do not apply.

ATHENS METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2004  
 (CONTINUED)

**NOTE 3: INSURANCE AND RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority participates in the State Housing Authorities Risk Pool (SHARP), a public entity risk plan that operates as a common risk management and insurance program for housing authorities. The Authority pays insurance premiums directly to SHARP. The Authority also participates in Wayne County's health insurance program through a commercial insurance carrier. Premiums are paid monthly. The Authority also pays unemployment claims to the State of Ohio as incurred.

The Authority continues to carry commercial insurance for other risks of loss. There has been no significant reduction in insurance coverage from coverage in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 4: SCHEDULE OF EXPENDITURE OF FEDERAL AWARD**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the District's federal awards programs. The schedule has been prepared on the accrual basis of accounting prescribed by the U.S. Department of Housing and Urban Development.

**NOTE 5: CAPITAL ASSETS**

The following is a summary:

Land	\$791,033
Buildings	5,301,353
Furniture, Machinery and Equipment	319,047
Construction in Progress	0
Total Capital Assets	6,411,433
Accumulated Depreciation	(1,785,247)
Net Capital Assets	\$4,626,186

ATHENS METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(CONTINUED)

**NOTE 5: CAPITAL ASSETS** (Continued)

The following is a summary of changes:

	<b>Balance 12/31/03</b>	<b>Adjust.</b>	<b>Additions</b>	<b>Deletion</b>	<b>Balance 12/31/04</b>
Land	\$823,599	(\$32,566)	\$0	\$0	\$791,033
Buildings	4,913,714	21,902	365,737	0	5,301,353
Furnt, Mach. and Equip	238,841	0	80,206	0	319,047
Construction in Progress	21,903	(21,903)	0	0	0
<b>Total Capital Assets</b>	<b>\$5,998,057</b>	<b>(\$32,567)</b>	<b>\$445,943</b>	<b>\$ 0</b>	<b>\$6,411,433</b>

The depreciation expense for the year ended December 31, 2004 was \$202,223.

**NOTE 6: LONG-TERM DEBT**

Long-term debt for the Athens Metropolitan Housing Authority's state/local activities consists of the following:

	<b>ORIGINAL LOAN BALANCE</b>	<b>INTEREST RATE</b>	<b>LIFE OF LOAN</b>	<b>12/31/04 BALANCE</b>
<b>BANK ONE:</b>				
SR 78, Buchtel Proper	\$158,275	2.60%	15 Yrs	\$97,018
Walnut Street, Nelson	\$42,665	2.60%	15 Yrs	26,153
430 Union Street Prop	\$200,000	4.28%	19.8 Yrs	186,338
<b>TOTAL OUTSTANDING DEBT</b>				<b>309,509</b>
<b>LESS: CURRENT PORTION</b>				<b>(20,344)</b>
<b>TOTAL LONG TERM DEBT</b>				<b>\$289,165</b>

ATHENS METROPOLITAN HOUSING AUTHORITY  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2004  
 (CONTINUED)

**NOTE 6: LONG-TERM DEBT** (Continued)

Maturities of the debt over the next five years are as follows:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$20,344	\$10,723	\$31,067
2006	20,998	10,069	31,067
2007	21,675	9,392	31,067
2008	22,375	8,692	31,067
2009	23,098	7,969	31,067
Years After	201,019	45,579	246,598
Total	<u>\$309,509</u>	<u>\$92,424</u>	<u>\$401,933</u>

**NOTE 7: NON-CURRENT LIABILITIES**

The balance of non-current liabilities - other at December 31, 2004 consists of the following:

- FSS escrow funds relating to the Housing Choice Voucher program \$16,149.

**NOTE 8: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES RETIREMENT SYSTEM**

All full-time employees of the Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer contribution rate was 13.55 percent of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2004, 2003 and 2002 were \$47,400, \$39,614, and \$38,684, respectively. The full amount has been contributed for 2002 and 2003. Ninety-three percent has been contributed for 2004, with the remainder being reported as a liability with the enterprise fund.

ATHENS METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(CONTINUED)

**NOTE 9: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES  
RETIREMENT SYSTEM**

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2004 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2004 was 5.0 percent of covered payroll, which amounted to \$17,491. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2002. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2002 was 8.0 percent. An annual increase of 4.0 percent 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 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 364,881. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2002 was \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

**NOTE 10: CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year ended December 31, 2004 the Athens Metropolitan Housing Authority implemented Governmental Accounting Standards Board Statement

ATHENS METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(CONTINUED)

**NOTE 10: CHANGE IN ACCOUNTING PRINCIPLES** (Continued)

(GASB) No. 34, “Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments”; GASB Statement No. 37, “Basic financial statements for State and Local Governments: Omnibus; and GASB Statement No. 38, “Certain Financial Statement Note Disclosures”.

GASB Statement No. 34 creates new basic financial statements for reporting on the WMHA’s financial activities. The financial statements now include entity-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type.

The entity-wide financial statements reflect only enterprise fund activities. The implementation of GASB 34 had no effect on the total enterprise fund equity. However, it did effect the classification of the equity.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the MD&A, the classification of program revenues, and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement note disclosures.

The table below shows the reclassification adjustment necessary.

	Contributed Capital	Retained Earnings	Invested in Capital Assets, Net Of Debt	Unrestricted Net Assets	Total
Beginning Balance	\$5,921,485	(\$755,187)	\$0	\$0	\$5,166,298
Reclass GASB 34	(5,921,485)	755,187	4,085,443	1,080,855	0
Restated Beg Bal	0	0	4,085,443	1,080,855	5,166,298
Fixed Assets Addition	0	0	445,943	(445,943)	0
Depreciation Expense	0	0	(202,223)	202,223	0
Change in Net Assets	0	0	0	190,909	190,909
Debt Retirement	0	0	20,081	(20,081)	0
Prior Period Adjustment	0	0	(32,567)	122,814	90,247
Ending Net Assets	\$0	\$0	\$4,316,677	\$1,130,777	\$5,447,454

ATHENS METROPOLITAN HOUSING AUTHORITY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
(CONTINUED)

**NOTE 11: PRIOR PERIOD ADJUSTMENT**

The prior period adjustment of \$90,247 was necessary to properly state the beginning balance. The adjustment are as follows:

- Write off of payable balances that was determine not to valid	\$138,900
- Adjustement to properly state the value of land	(32,567)
- Adjustment to properly state the accumulated depreciation	<u>(16,086)</u>
Total Prior Period Adjustment	<u>\$90,247</u>

Athens Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
December 31, 2004

Line Item No.	Account Description	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	\$107,370	\$0	\$71,350	\$398,218	\$0	\$38,336	\$615,274
113	Cash - Other Restricted	\$0	\$0	\$0	\$16,212	\$0	\$0	\$16,212
114	Cash - Tenant Security Deposits	\$0	\$0	\$10,369	\$0	\$0	\$0	\$10,369
100	Total Cash	\$107,370	\$0	\$81,719	\$414,430	\$0	\$38,336	\$641,855
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$0	\$0	\$0	\$0
125	Accounts Receivable - Miscellaneous	\$0	\$0	\$10,140	\$0	\$0	\$93,319	\$103,459
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$0	\$5,766	\$0	\$0	\$7,453	\$13,219
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	(\$775)	\$0	\$0	(\$1,770)	(\$2,545)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	\$0	\$0	\$0	\$0
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$0	\$15,131	\$0	\$0	\$99,002	\$114,133
131	Investments - Unrestricted	\$0	\$0	\$510,383	\$32,912	\$0	\$197,918	\$741,213
132	Investments Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0
142	Prepaid Expenses and Other Assets	\$0	\$0	\$10,621	\$291	\$0	\$2,491	\$13,403
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$0	\$0	\$82,239	\$105,965	\$0	\$0	\$188,204
150	Total Current Assets	\$107,370	\$0	\$700,093	\$553,598	\$0	\$337,747	\$1,698,808
161	Land	\$0	\$0	\$696,850	\$0	\$0	\$94,183	\$791,033
168	Infrastructure	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Athens Metropolitan Housing Authority  
Combining Balance Sheet  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
December 31, 2004

Line Item No.	Account Description	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
162	Buildings	\$0	\$0	\$4,496,015	\$0	\$105,361	\$699,977	\$5,301,353
164	Furniture, Equipment & Machinery - Administration	\$0	\$0	\$245,511	\$72,037	\$1,499	\$0	\$319,047
166	Accumulated Depreciation	\$0	\$0	(\$1,684,644)	(\$12,785)	(\$9,325)	(\$78,493)	(\$1,785,247)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$0	\$3,753,732	\$59,252	\$97,535	\$715,667	\$4,626,186
190	Total Assets	\$107,370	\$0	\$4,453,825	\$612,850	\$97,535	\$1,053,414	\$6,324,994
312	Accounts Payable <= 90 Days	\$0	\$0	\$48,250	\$52,388	\$0	\$5,844	\$106,482
321	Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$13,550	\$0	\$0	\$0	\$13,550
322	Accrued Compensated Absences - Current Portion	\$0	\$0	\$27,531	\$0	\$0	\$0	\$27,531
331	Accounts Payable - HUD PHA Programs	\$73,147	\$0	\$0	\$106,759	\$0	\$0	\$179,906
333	Accounts Payable - Other Government	\$0	\$0	\$1,026	\$0	\$0	\$0	\$1,026
341	Tenant Security Deposits	\$0	\$0	\$11,652	\$0	\$0	\$13,224	\$24,876
342	Deferred Revenues	\$0	\$0	\$36	\$0	\$0	\$1,448	\$1,484
343	Current portion of Long-Term debt - capital projects/mortgage revenue bonds	\$0	\$0	\$0	\$0	\$0	\$20,344	\$20,344
345	Other Current Liabilities	\$0	\$0	\$7,402	\$1,421	\$0	\$0	\$8,823
347	Interprogram Due To	\$0	\$0	\$0	\$70,498	\$0	\$117,706	\$188,204
310	Total Current Liabilities	\$73,147	\$0	\$109,447	\$231,066	\$0	\$158,566	\$572,226
351	Long-term debt, net of current- capital projects/ mortgage revenue bonds	\$0	\$0	\$0	\$0	\$0	\$289,165	\$289,165
353	Noncurrent Liabilities - Other	\$0	\$0	\$0	\$16,149	\$0	\$0	\$16,149
350	Total Noncurrent Liabilities	\$0	\$0	\$0	\$16,149	\$0	\$289,165	\$305,314
300	Total Liabilities	\$73,147	\$0	\$109,447	\$247,215	\$0	\$447,731	\$877,540



Athens Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and Change in Retained Earnings  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
December 31, 2004

Line Item No.	Account Description	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
703	Net Tenant Rental Revenue	\$0	\$0	\$90,786	\$0	\$0	\$23,953	\$114,739
705	Total Tenant Revenue	\$0	\$0	\$90,786	\$0	\$0	\$23,953	\$114,739
706	HUD PHA Operating Grants	\$909,160	\$14,859	\$286,040	\$3,416,655	\$40,788	\$0	\$4,667,502
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$72,338	\$0	\$72,338
711	Investment Income - Unrestricted	\$0	\$0	\$6,881	\$2,374	\$0	\$3,695	\$12,950
713.1	Cost of Sale of Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
715	Other Revenue	\$0	\$0	\$20,108	\$0	\$0	\$219,679	\$239,787
720	Investment Income - Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0
700	Total Revenue	\$909,160	\$14,859	\$403,815	\$3,419,029	\$113,126	\$247,327	\$5,107,316
911	Administrative Salaries	\$31,241	\$0	\$37,499	\$163,087	\$0	\$9,431	\$241,258
912	Auditing Fees	\$926	\$0	\$447	\$4,220	\$0	\$0	\$5,593
914	Compensated Absences	\$0	\$0	\$735	(\$1,936)	\$0	\$0	(\$1,201)
915	Employee Benefit Contributions - Administrative	\$10,283	\$0	\$30,525	\$53,046	\$0	\$7,872	\$101,726
916	Other Operating - Administrative	\$21,864	\$10,578	\$15,641	\$53,895	\$27,388	\$1,302	\$130,668
931	Water	\$0	\$478	\$16,948	\$0	\$0	\$2,984	\$20,410
932	Electricity	\$0	\$2,581	\$52,825	\$0	\$0	\$943	\$56,349
933	Gas	\$0	\$0	\$20,478	\$0	\$0	\$216	\$20,694
941	Ordinary Maintenance and Operations - Labor	\$0	\$0	\$64,145	\$0	\$0	\$470	\$64,615
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$0	\$22,739	\$0	\$0	\$2,381	\$25,120
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$1,222	\$29,641	\$0	\$0	\$4,410	\$35,273

Athens Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and Change in Retained Earnings  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
December 31, 2004

Line Item No.	Account Description	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$0	\$51,975	\$0	\$0	\$392	\$52,367
961	Insurance Premiums	\$0	\$0	\$11,905	\$0	\$0	\$3,333	\$15,238
963	Payments in Lieu of Taxes	\$0	\$0	\$1,026	\$0	\$0	\$0	\$1,026
964	Bad Debt - Tenant Rents	\$0	\$0	\$11,908	\$0	\$0	\$357	\$12,265
967	Interest Expense	\$0	\$0	\$0	\$0	\$0	\$12,480	\$12,480
969	Total Operating Expenses	\$64,314	\$14,859	\$368,437	\$272,312	\$27,388	\$46,571	\$793,881
970	Excess Operating Revenue over Operating Expenses	\$844,846	\$0	\$35,378	\$3,146,717	\$85,738	\$200,756	\$4,313,435
973	Housing Assistance Payments	\$844,846	\$0	\$0	\$3,075,457	\$0	\$0	\$3,920,303
974	Depreciation Expense	\$0	\$0	\$164,761	\$5,114	\$7,024	\$25,324	\$202,223
900	Total Expenses	\$909,160	\$14,859	\$533,198	\$3,352,883	\$34,412	\$71,895	\$4,916,407
1001	Operating Transfers In	\$0	\$0	\$13,400	\$0	\$0	\$0	\$13,400
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	(\$13,400)	\$0	(\$13,400)
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$13,400	\$0	(\$13,400)	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$0	\$0	(\$115,983)	\$66,146	\$65,314	\$175,432	\$190,909
1103	Beginning Equity	\$34,223	\$0	\$4,337,547	\$299,489	\$32,221	\$462,818	\$5,166,298
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$122,814	\$0	\$0	(\$32,567)	\$90,247
	Ending Equity	\$34,223	\$0	\$4,344,378	\$365,635	\$97,535	\$605,683	\$5,447,454

Athens Metropolitan Housing Authority  
Combining Statement of Revenue, Expenses and Change in Retained Earnings  
FDS Schedule Submitted To REAC  
Proprietary Fund Type – Enterprise Fund  
December 31, 2004

Line Item No.	Account Description	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$20,081	\$20,081
1113	Maximum Annual Contributions Commitment (Per ACC)	\$339,162	\$0	\$3,402,672	\$0	\$0	\$0	\$3,741,834
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$1,074,069	\$0	\$121,745	\$0	\$0	\$0	\$1,195,814
1116	Total Annual Contributions Available	\$1,413,231	\$0	\$3,524,417	\$0	\$0	\$0	\$4,937,648
1120	Unit Months Available	1,608	60	852	8,376	0	114	11,010
1121	Number of Unit Months Leased	1,608	37	804	8,117	0	88	10,654

Athens Metropolitan Housing Authority  
PHA's Statement and Certification of Actual Modernization Cost  
December 31, 2004

Capital Fund Program Number OH16P041501-00

1. The Program Costs are as follows:

Funds Approved	\$153,800
Funds Expended	<u>153,800</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -0-</u></u>
Funds Advanced	\$153,800
Funds Expended	<u>153,800</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on November 26, 2003.
4. The final costs on the certification agree to the Authority's records.

Athens Metropolitan Housing Authority  
PHA's Statement and Certification of Actual Modernization Cost  
December 31, 2004

Capital Fund Program Number OH16P041501-01

5. The Program Costs are as follows:

Funds Approved	\$156,303
Funds Expended	<u>156,303</u>
Excess (Deficiency) of Funds Approved	<u>\$ -0-</u>
Funds Advanced	\$156,303
Funds Expended	<u>156,303</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

6. All costs have been paid and there are no outstanding obligations.
7. The Final Financial Status Report was signed and filed on November 25, 2003.
8. The final costs on the certification agree to the Authority's records.

Schedule of Expenditure of Federal Award  
For the Year Ended December 31, 2004

<b>FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES</b>	<b>CFDA NUMBER</b>	<b>EXPENDITURES</b>
<b>U.S. Department of Housing and Urban Development</b>		
Direct Program		
Section 8 Project Based Cluster: New Construction Program	14.182	\$909,160
Shelter Plus Care	14.238	14,859
Low Rent Public Housing	14.850a	286,040
Housing Choice Voucher Program	14.871	3,416,655
Public Housing Capital Fund Program	14.872	<u>113,126</u>
Total Expenditure of Federal Award		<u>\$4,739,840</u>



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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**

Board of Directors  
Athens Metropolitan Housing Authority

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

I have audited the Financial Statements of the Athens Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2004, and have issued my report thereon dated August 18, 2005. I conducted my 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 Athens Metropolitan Housing Authority, Ohio's Financial Statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my audit, I considered Athens Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the Financial Statements and not to provide assurance on the internal control over financial reporting. My 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 component 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 auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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



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Salvatore Consiglio, CPA, Inc.

August 18, 2005



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**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  
Athens Metropolitan Housing Authority

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Compliance**

I have audited the compliance of the Athens Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2004. Athens Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result 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 Athens Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Athens Metropolitan Housing Authority, Ohio's compliance based on my audit.

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

As described in items FED-2004-1 through FED-2004-3 in the accompanying schedule of findings and questioned costs, Athens Metropolitan Housing Authority, Ohio, did not comply with requirements regarding Eligibility, and Special Test and Provisions that are applicable to its Low Rent Public Housing and Housing Choice Voucher Programs. Compliance with such requirements is necessary, in my opinion, for Athens Metropolitan Housing Authority, Ohio, to comply with requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, Athens Metropolitan Housing Authority, Ohio, 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 December 31, 2004.

### **Internal Control Over Compliance**

The management of Athens Metropolitan Housing Authority, Ohio 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 my audit, I considered Athens Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My 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. I noted no matters involving the internal control over compliance and its operation that I considered to be material weaknesses.

This report is intended for the information of the Board of Directors, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.



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Salvatore Consiglio, CPA, Inc.

August 18, 2005

Athens Metropolitan Housing Authority  
 Schedule of Findings and Questioned Costs  
 OMB Circular A-133 § .505  
 December 31, 2004

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any materials 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	Qualified
Are there any reportable findings under § .510?	Yes
Major Programs (list):	CFDA #14.850 Low Rent Public Housing and 14.871 Housing Choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	No

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS</b>
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There are no Findings or questioned costs for the year ended December 31, 2004.

Athens Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
December 31, 2004

3. FINDINGS REALTED TO FEDERAL AWARDS
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FINDING NUMBER
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FED-2004-1
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**Third Party Documentation**

**U.S. Department of HUD**

**Low Rent Public Housing (CFDA # 14.850a)**

**Housing Choice Voucher Program (CFDA # 14.871)**

Section 24 CFR 960.259 (c)(1) and 982.51(a)(2) states “The PHA must obtain and document in the family file third party verification of the following factors, or must document in the file why third party verification was not available:

- (i) Reported family annual income;
- (ii) The value of assets;
- (iii) Expenses related to deductions from annual income; and
- (iv) Other factors that affect the determination of adjusted income or income based rent.”

Third party verification is defined as independent verification of income and/or expenses by contacting the individual income/expense source supplied by the family. The verification documentation must be supplied directly to the independent source by the Public Housing Authority (PHA) and returned directly to the PHA from the independent source.

Audit procedures over 25 Housing Choice Voucher Program files and 17 Low Rent Public Housing Program revealed that the PHA was not properly obtaining third party verification of tenant income. It is believed that these errors were due to change in recent personnel.

**Recommendation:**

The PHA must assure compliance with the above regulation.

**PHA Response:**

The Housing Authority is in the process of contracting with the Housing Manager of a neighboring Authority to provide training of new staff. This individual will also assist current staff to review all current tenant files and make the necessary correction and obtain the required information missing from files.

Athens Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
December 31, 2004

The Occupancy Manager will be responsible to oversee this undertaking. It is anticipated that this project will be completed and necessary documentation obtained by December 31, 2005.

FINDING NUMBER	FED-2004-2
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**Supporting Documentation**

**U.S. Department of HUD  
Low Rent Public Housing (CFDA # 14.850)  
Housing Choice Voucher (CFDA # 14.871)**

24 CFR 982.158 requires that the PHA maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit.

Audit procedures over 25 Housing Choice Voucher Program files and 17 Low Rent Public Housing Program revealed that the PHA was not properly documenting in the tenant files participant signed declaration of Citizenship.

**Recommendation:**

The PHA must make sure that proper supporting documentation is retained in the files.

**PHA Response:**

See PHA response of finding FED-2004-1 for corrective action plan implemented to resolve this finding.

FINDING NUMBER	FED-2004-3
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**PAYMENT STANDARD**

**U.S. Department of HUD  
Housing Choice Voucher (CFDA # 14.871)**

Section 24 CFR 982.503 requires that the PHA adopt a payment standard schedule that establishes a voucher payment amount for each fair market rent area in the PHA jurisdiction.

A review of 25 Housing Choice Voucher tenant files revealed 1 errors were the wrong payment standard was used. This resulted in errors in paying housing assistance amounts to landlords.

Once again, it is believed that this error is due to change in personnel.

Athens Metropolitan Housing Authority  
Schedule of Findings and Questioned Costs  
OMB Circular A-133 § .505  
December 31, 2004

Recommendation:

The PHA must assure compliance with the above regulation.

PHA Response:

See PHA response of finding FED-2004-1 for corrective action plan implemented to resolve this finding.

Athens Metropolitan Housing Authority  
Schedule of Prior Audit Findings  
December 31, 2004

The audit report for the fiscal year ending December 31, 2003 contained no audit finding.





**Auditor of State  
Betty Montgomery**

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**ATHENS METROPOLITAN HOUSING AUTHORITY**

**ATHENS 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  
NOVEMBER 10, 2005**