BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

of the

PERRY METROPOLITAN HOUSING AUTHORITY

for the

Year Ended December 31, 2004

Auditor of State
Betty Montgomery

Board of Directors
Perry Metropolitan Housing Authority
26 Brown Circle Drive
Crooksville, Ohio 43731

We have reviewed the *Independent Auditor's Report* of the Perry Metropolitan Housing Authority, Perry County, prepared by Jones, Cochenour & Co., 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 Perry Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 20, 2005

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PERRY METROPOLITAN HOUSING AUTHORITY
TABLE OF CONTENTS

Jones, Cochenour & Co.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Perry Metropolitan Housing Authority
Crooksville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying basic financial statements of Perry Metropolitan Housing Authority, 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 Perry Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Perry Metropolitan Housing Authority, as of December 31, 2004, and the results of its operations and the cash flows of its proprietary funds 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 our report dated May 23, 2005 on our consideration of Perry Metropolitan Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Jones, Cochenour & Co.

Jones, Cochenour & Co.
May 23, 2005

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Housing Authority's ("the Authority") *Management Discussion and Analysis* is designed to:
(a) Assist the reader in focusing on significant financial issues
(b) Provide an overview of the Authority's financial activity
(c) Identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges)
(d) Identify the single enterprise fund issues or concerns.

Since the *M D & A* is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements which follow.

FINANCIAL HIGHLIGHTS

- **Total revenues: FYE 12/31/04: $1,601,823**
  FYE 12/31/03: $1,560,156 Increase of $41,667 (2.67%) in 2004

- **Total expenses: FYE 12/31/04: $1,750,164**
  FYE 12/31/03: $1,667,263 Increase of $82,901 (4.97%) in 2004

USING THIS ANNUAL REPORT

This is a very different presentation of the Authority's previous financial statements. The following graphic outlining these changes is provided for your review:

MD&A **~ Management Discussion and Analysis (new) ~**
Basic Financial Statements **~ Statement of Net Assets ~** **~ Statement of Revenues, Expenses and Changes in Net Assets ~** **~ Statement of Cash Flows ~** **~ Notes to Financial Statements ~**

The new and clearly preferable focus is on the Authority as a single enterprise fund. This new format will allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

BASIC FINANCIAL STATEMENTS

The basic financial statements, beginning on page 8 are designed to be corporate-like in that all business type programs are consolidated into one single enterprise fund for the 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, equals "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 (as applicable):

> **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". This account resembles the old operating reserves account.**

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

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

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

The Authority's programs that are consolidated into a single enterprise fund are as follows:

Conventional Public Housing (PH) – 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 to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income.

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. Funds are allocated by a formula allocation and based on size and age of the authority's units.

Housing Choice Voucher Program (HCVP) – Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

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

TABLE 1
STATEMENT OF NET ASSETS

	2004	Restated 2003
Current and other assets	$ 756,335	$ 638,276
Capital assets	3,628,403	3,838,595
TOTAL ASSETS	4,384,738	4,476,871
Current liabilities	165,180	109,531
Long-term liabilities	13,505	12,946
TOTAL LIABILITIES	178,685	122,477
Net assets:		
Invested in capital assets, net of related debt	3,628,403	3,838,595
Unrestricted	577,650	515,799
TOTAL NET ASSETS	$ 4,206,053	$ 4,354,394

NOTE: For more detailed information, see the *Statement of Net Assets.*

Major factors affecting the *Statement of Net Assets:* Net Assets reflect the most significant change in comparing the two years largely due to *Capital Fund Programs* and depreciation of capital assets. The restatement for 2003 was due to a HUD adjustment on the YES for the Section 8 Program.

TABLE 2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The following schedule compares the revenues and expenses for the current and previous fiscal year:

	2004	Restated 2003
REVENUES		
Tenant revenue - rents and other	$ 250,374	$ 252,186
Operating subsidies and grants	1,093,624	1,082,059
Capital grants	243,816	27,567
Investment income	9,928	9,770
Other revenues	4,081	188,574
TOTAL REVENUE	1,601,823	1,560,156
EXPENSES		
Administration	266,451	251,206
Tenant services	2,327	1,302
Utilities	99,197	99,653
Maintenance	207,595	180,454
General expenses	48,587	45,339
Housing assistance payments	671,999	759,833
Depreciation	454,008	329,476
TOTAL EXPENSES	1,750,164	1,667,263
Net operating loss	(148,341)	(107,107)
Equity, beginning, restated	4,354,394	4,461,501
EQUITY, ENDING	$ 4,206,053	$ 4,354,394

Major factors affecting the *Statement of Revenue, Expenses, and Changes in Net Asset:* Comparisons between these years do not reflect any significant changes. The Authority essentially operated consistently between the years. The restatement was a decrease of $5,988, which was a year-end settlement adjustment by HUD for 2003.

CAPITAL ASSETS

As of year end, the Authority had $3,628,403 invested in a variety of capital assets as reflected in the following schedule which represents a net decrease (addition, deductions and depreciation) of $210,192 from the end of last year.

TABLE 3
CAPITAL ASSETS AT YEAR-END
(Net of Depreciation)

	2004	2003
Land and land rights	$ 250,335	$ 250,335
Buildings	5,921,304	5,711,626
Equipment - administrative	209,138	209,138
Equipment - dwellings	64,811	30,673
Accumulated depreciation	(4,529,825)	(4,075,817)
Leasehold improvements	1,712,640	1,712,640
	$ 3,628,403	$ 3,838,595

TABLE 4
CHANGE IN CAPITAL ASSETS

Beginning balance	$ 3,838,595
Additions	243,816
Depreciation expense	(454,008)
Ending Balance	$ 3,628,403

The following reconciliation summarizes the change in Capital Assets.

Additions relate to *Capital Fund Program* grant improvements.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- **Federal funding of the Department of Housing and Urban Development**
- **Local labor supply and demand, which can affect salary and wage rates**
- **Local inflationary, 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**

IN CONCLUSION

Perry Metropolitan Housing Authority takes great pride in its financial management and is pleased to report on consistent and sound financial condition of the Authority.

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Carole Sowards, Executive Director of the Perry Metropolitan Housing Authority at (740) 982-3661.

Respectfully submitted,

Carole Sowards, Executive Director

PERRY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

ASSETS		
Cash and cash equivalents		$ 585,688
Investments		128,000
Receivables - net of allowance		13,876
Inventories - net of allowance		19,423
Prepaid expenses		9,348
	TOTAL CURRENT ASSETS	756,335
CAPITAL ASSETS		
Land and construction in progress		250,335
Other capital assets - net		3,378,068
	TOTAL ASSETS	4,384,738
LIABILITIES		
Accounts payable		16,331
Accounts payable - other government		84,666
Accrued wages and payroll taxes		11,833
Accrued compensated absences - current		22,726
Tenant security deposits		25,873
Deferred revenue		3,751
	TOTAL CURRENT LIABILITIES	165,180
FSS liability		4,404
Accrued compensated absences - noncurrent		9,101
	TOTAL LIABILITIES	178,685
NET ASSETS		
Invested in capital assets - net of related debt		3,628,403
Unrestricted net assets		577,650
	TOTAL NET ASSETS	$ 4,206,053

See accompanying notes to the basic financial statements

PERRY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended December 31, 2004

OPERATING REVENUES		
Tenant revenue		$ 250,374
HUD operating grants		1,093,624
Other operating revenues		4,081
	TOTAL OPERATING REVENUES	1,348,079
OPERATING EXPENSES		
Administrative		268,778
Utilities		99,197
Maintenance		207,595
Depreciation		454,008
PILOT		14,448
Insurance		27,934
General		415
Bad debts		5,790
Housing assistance payments		671,999
	TOTAL OPERATING EXPENSES	1,750,164
	OPERATING LOSS	(402,085)
NON-OPERATING REVENUES		
Interest income		9,928
HUD CAPITAL GRANTS		243,816
	CHANGE IN NET ASSETS	(148,341)
Net Assets Beginning of Year		4,360,382
Prior period adjustments		(5,988)
Net Assets Beginning of Year - Restated		4,354,394
	NET ASSETS END OF YEAR	$ 4,206,053

See accompanying notes to the basic financial statements

PERRY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from tenants	$	300,338
Cash received from HUD		1,096,626
Cash payments for housing assistance payments		(671,999)
Cash payments for administrative		(268,778)
Cash payments for other operating expenses		(327,726)
Cash payments to HUD and other governments		(15,881)
NET CASH PROVIDED BY OPERATING ACTIVITIES		112,580
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES		
Capital grants received		243,816
Acquisition of capital assets		(243,816)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income		9,903
INCREASE IN CASH AND CASH EQUIVALENTS		122,483
CASH AND CASH EQUIVALENTS, BEGINNING		463,205
CASH AND CASH EQUIVALENTS, ENDING	$	585,688
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED FOR) OPERATING ACTIVITIES		
Operating (loss)	$	(402,085)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation		454,008
(Increase) decrease in:		
Receivables - net of allowance		(6,507)
Due from other programs		(9,840)
Inventories - net of allowance		945
Deferred charges and other assets		7,359
Increase (decrease) in:		
Accounts payable		(10,079)
Accrued wages and payroll taxes		429
Accrued compensated absences		3,593
Due to other programs		9,840
Accounts payable - other government		66,784
Tenant security deposits		18
Deferred revenue		(1,838)
FSS liability		(47)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	112,580

See accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Perry 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 Authority also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after November 30, 1989, to its business-type activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the Authority's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments.

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.

Basis of Presentation

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

The Authority uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus

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

Enterprise Fund

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Conventional Public Housing (PH) – 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 to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income.

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on the size and age of the units.

Housing Choice Voucher Program (HCVP) – Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an ACC with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

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

- **Derived tax revenues: result from assessments imposed on exchange transactions (i.e., income taxes, sales taxes and other assessments on earnings or consumption).**
- **Imposed nonexchange revenues: result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (i.e. property taxes and fines).**
- **Government-mandated nonexchange transactions: occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (i.e., federal programs that state or local governments are mandated to perform).**
- **Voluntary nonexchange transactions: result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).**

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

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

- **Time requirements specify (a) the period when resources are required to be used or when use may begin (for example, operating or capital grants for a 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.**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Deferred Revenue
Deferred revenue arises when revenues are received before revenue recognition criteria have been satisfied.

Prepaid expenses
Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

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 for both programs totaled $9,928. The interest income earned on the general fund investments in the Section 8 Program is required to be returned to HUD, and this amount was $399 for the year ended December 31, 2004.

Capital 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 policy is $750. 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

Due From/To Other Programs
On the basic financial statements inter-program receivables and payables listed on the FDS are eliminated.

Accrued Liabilities
All payables and accrued liabilities are reported in the basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Operating Revenues and Expenses
Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are tenant revenues, operating grants from HUD and other miscellaneous revenue. Operating expenses are those expenses that are generated from the primary activity of the proprietary fund.

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

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

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

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a 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 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 receivables was $19,221 at December 31, 2004.

Inventories
Inventories are stated at cost. The allowance for obsolete inventory was $2,160 at December 31, 2004.

2. CASH AND INVESTMENTS

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.

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 \$585,688, which includes tenant security deposits of \$25,873. The corresponding bank balances totaled \$595,799.

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

Category 1:	**\$100,000 was covered by federal depository insurance**
Category 2:	**\$495,799 was covered by specific collateral pledged by the financial institution in the name of the Authority.**

Investments

HUD, State Statute and Board Resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose or arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

2. CASH AND INVESTMENTS

Investments – Continued

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's Trust department or agent in the Authority's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its Trust department but not in the Authority's name. The Authority invested in certificates of deposit and the balance at December 31, 2004 was $128,000. The investments of the Authority are classified as Category A.

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. CAPITAL ASSETS

The following is a summary of capital assets:

	Balance 12/31/2003	Net Additions/ Deletions	Balance 12/31/2004
CAPITAL ASSETS, NOT BEING DEPRECIATED			
Land	$ 250,335	$ -	$ 250,335
CAPITAL ASSETS, BEING DEPRECIATED			
Buildings and Improvements	$ 7,424,266	$ 209,678	$ 7,633,944
Furniture and equipment	239,811	34,138	273,949
Totals at Historical Costs	7,664,077	243,816	7,907,893
Less: Accumulated Depreciation	$ (4,075,817)	$ (454,008)	(4,529,825)
TOTAL CAPITAL ASSETS, NET, BEING DEPRECIATED	$3,588,260	$ (210,192)	$ 3,378,068

The depreciation expense for the year then ended December 31, 2004 was $454,008.

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 statement 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 Revise Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members are required to contribute 8.5 percent of their annual covered payroll to fund pension obligations and the Authority was required to contribute 13.55 percent of covered payroll during 2004. The Authority's required contributions, for the periods ended December 31, 2004, 2003 and 2002 were $32,397, $31,067 and $29,547, respectively. All required payments of contributions have been made through December 31, 2004.

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.

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 2004 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, 2003.

7. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM – continued

An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2003 was 8.00 percent. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4.00 percent (the projected wage inflation rate).

OPEBs are advance-funded on an actuarially determined basis. At year-end 2004, the number of active contributing participants in the Traditional and Combined Plans totaled 369,885. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2003 were $10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were, $26.9 billion and $16.4 billion, respectively.

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

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

8. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended December 31, 2004, the Authority electronically submitted an unaudited version of the balance sheet, statement of revenues, expenses and changes in net asset and other data to HUD as required on the GAAP basis. The FDS schedules are on pages 19 – 22. The schedules are presented in the manner prescribed by Housing and Urban Development.

9. RECLASSIFICATIONS AND RESTATEMENT OF PRIOR YEAR FUND EQUITY

	Total	Invested in Capital Assets-Net of Debt	Unrestricted Net Assets
Net Assets, Beginning of Year	$ 4,360,382	$ 3,838,595	$ 521,787
HUD corrections on Section 8 year end reports	(5,988)	-	(5,988)
Net Assets, Beginning of Year, Restated	$ 4,354,394	$ 3,838,595	$ 515,799
Capital asset additions	243,816	243,816	-
Current change in net assets /Depreciation expense	(392,157)	(454,008)	61,851
Net Assets, End of Year	$ 4,206,053	$ 3,628,403	$ 577,650

PERRY METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
December 31, 2004

FDS Line Item No.	Account Description	14.850a Public & Indian Hsg	14.871 Section 8 Vouchers	14.872 Capital Fund	TOTAL
	ASSETS				
111	Cash - unrestricted	$ 209,927	$ 204,699	$ -	$ 414,626
113	Cash - other restricted	-	4,463	-	4,463
114	Cash - tenant security deposits	25,873	-	-	25,873
115	Cash - restricted for payment current liabilities	57,832	82,894	-	140,726
100	TOTAL CASH	293,632	292,056	-	585,688
122	Accounts receivable - HUD other proj	-	-	6,086	6,086
125	A/R miscellaneous	158	-	-	158
126	A/R Tenants - dwelling rents	3,032	-	-	3,032
126.1	Allowance for doubtful accts	(683)	-	-	(683)
128	Fraud recovery	-	23,821	-	23,821
128.1	Allowance for doubtful accts	-	(18,538)	-	(18,538)
120	TOTAL ACCOUNTS RECEIVABLE	2,507	5,283	6,086	13,876
131	Investments - unrestricted	128,000	-	-	128,000
142	Prepaid expenses and other assets	9,348	-	-	9,348
143	Inventories	21,583	-	-	21,583
143.1	Allowance for obsolete inventory	(2,160)	-	-	(2,160)
144	Interprogram due from	7,505	-	-	7,505
150	TOTAL CURRENT ASSETS	460,415	297,339	6,086	763,840
161	Land	250,335	-	-	250,335
162	Buildings	5,640,217	29,361	251,726	5,921,304
163	Furniture and equipment - dwellings	20,970	-	43,841	64,811
164	Furniture and equipment - admin	189,119	18,848	1,171	209,138
165	Leasehold improvements	1,712,640	-	-	1,712,640
166	Accumulated depreciation	(4,497,062)	(21,415)	(11,348)	(4,529,825)
160	TOTAL FIXED ASSETS, NET	3,316,219	26,794	285,390	3,628,403
180	TOTAL NON-CURRENT ASSETS	3,316,219	26,794	285,390	3,628,403
190	TOTAL ASSETS	$ 3,776,634	$ 324,133	$ 291,476	$ 4,392,243

See independent auditors' report

PERRY METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
December 31, 2004

FDS Line Item No.	Account Description	14.850a Public & Indian Hsg	14.871 Section 8 Vouchers	14.872 Capital Fund	TOTAL
	LIABILITIES				
312	Accounts payable <=90 days	$ 11,515	$ -	$ 4,816	$ 16,331
321	Accrued wages/payroll taxes	11,833	-	-	11,833
322	Accrued compensated absences	18,287	4,439	-	22,726
331	Accounts payable - HUD PHA programs	-	70,218	-	70,218
333	Accounts payable - other govt	14,448	-	-	14,448
341	Tenant security deposits	25,873	-	-	25,873
342	Deferred revenue	1,749	2,002	-	3,751
347	Interprogram due to	-	6,235	1,270	7,505
310	TOTAL CURRENT LIABILITIES	83,705	82,894	6,086	172,685
350	TOTAL NONCURRENT LIABILITIES				
353	Noncurrent liabilities other	-	4,404	-	4,404
354	Noncurrent Comp Absences	6,923	2,178	-	9,101
300	TOTAL LIABILITIES	90,628	89,476	6,086	186,190
513	TOTAL EQUITY	3,686,006	234,657	285,390	4,206,053
600	TOTAL LIABILITIES AND EQUITY	$ 3,776,634	$ 324,133	$ 291,476	$ 4,392,243

See independent auditors' report

PERRY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
YEAR ENDED December 31, 2004

FDS Line Item No.	Account Description	14.850a Public & Indian Hsg	14.871 Section 8 Vouchers	14.872 Capital Fund	TOTAL
	REVENUE				
703	Net tenant revenue	$ 243,140	$ -	$ -	$ 243,140
704	Tenant revenue - other	7,234	-	-	7,234
705	TOTAL TENANT REVENUE	250,374	-	-	250,374
706	PHA HUD grants	249,534	776,502	67,588	1,093,624
706.1	Capital contributions	-	-	243,816	243,816
711	Investment income - unrestricted	6,529	3,399	-	9,928
714	Fraud recovery	-	3,825	-	3,825
715	Other Revenue	-	256	-	256
	TOTAL REVENUE	506,437	783,982	311,404	1,601,823
	EXPENSES				
911	Administrative salaries	96,379	51,254	6,855	154,488
912	Auditing fees	2,964	3,032	-	5,996
914	Compensated absenses	3,335	724	-	4,059
915	Employee benefit contribution - admin	31,868	12,014	1,420	45,302
916	Other operating - administrative	27,822	20,649	8,135	56,606
924	Tenant services - other	2,327	-	-	2,327
931	Water	64,010	-	-	64,010
932	Electricity	33,249	-	-	33,249
933	Gas	1,405	533	-	1,938
941	Ord maintenance/op - labor	80,091	-	-	80,091
942	Ord maintenance/op - materials	30,222	1,148	24,531	55,901
943	Ord maintenance/op - cont costs	16,962	1,921	26,647	45,530
945	Emp benefit contrib - ord main	26,073	-	-	26,073

See independent auditors' report

PERRY METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
YEAR ENDED December 31, 2004

FDS Line Item No.	Account Description	14.850A Public & Indian Hsg	14.871 Section 8 Vouchers	14.872 Capital Fund	TOTAL
	EXPENSES - CONTINUED				
961	Insurance premiums	$ 26,611	$ 1,323	$ -	$ 27,934
962	Other general expenses	-	415	-	415
964	Bad debts - tenant rents	5,790	-	-	5,790
969	TOTAL OPERATING EXPENSES	449,108	93,013	67,588	609,709
970	EXCESS OPERATING REVENUE OVER EXPENSES	57,329	690,969	243,816	992,114
973	Housing Assistance Payments	-	671,999	-	671,999
974	Depreciation expense	440,307	3,667	10,034	454,008
900	TOTAL EXPENSES	889,415	768,679	77,622	1,735,716
1000	EXCESS OF REVENUE OVER EXPENSES	(382,978)	15,303	233,782	(133,893)
1003	Transfer to primary government	(14,448)	-	-	(14,448)
1103	Beginning net assets	3,776,587	225,342	358,453	4,360,382
1104	Prior period adj/equity transfers	306,845	(5,988)	(306,845)	(5,988)
	ENDING NET ASSETS	$ 3,686,006	$ 234,657	$ 285,390	$ 4,206,053

See independent auditors' report

PERRY METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
Year Ended December 31, 2004

	FEDERAL CFDA NUMBER	FUNDS EXPENDED
FROM U.S. DEPARTMENT OF HUD		
DIRECT PROGRAMS		
PHA Owned Housing:		
Public and Indian Housing	14.850a	$ 249,534
Public Housing Capital Fund	14.872	311,404
Housing Assistance Payments:		
Annual Contribution -		
Section 8 Housing Choice Vouchers	14.871	776,502
Total - All Programs		$ 1,337,440

See independent auditors' report

PERRY METROPOLITAN HOUSING AUTHORITY
COST CERTIFICATION

OH16-P034-501-02		
Management improvements	**$**	**6,867**
Administration		**20,000**
Fees & Costs		**7,771**
Site Improvement		**7,811**
Dwelling structures		**82,795**
Nondwelling structure		**61,473**
Nondwelling equipment		**25,298**
TOTAL EXPENDED	**$**	**212,015**
TOTAL RECEIVED	**$**	**212,015**

1. **The HUD Form 52839 was submitted and signed by the Authority on December 23, 2004.**
2. **There are no outstanding liabilities.**
3. **The expenditures and receipts agree to the Authority's records.**

See independent auditors' report

Jones, Cochenour & Co.
Certified Public Accountants

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

Board of Directors
Perry Metropolitan Housing Authority
Crooksville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the financial statements of Perry Metropolitan Housing Authority as of and for the year ended December 31, 2004, and have issued our report thereon dated May 23, 2005. 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.

Internal Control over Financial Reporting

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

Compliance and Other Matters

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

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

Jones, Cochenour & Co.

Jones, Cochenour & Co.
May 23, 2005

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Jones, Cochenour & Co.
Certified Public Accountants

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

Board of Directors
Perry Metropolitan Housing Authority
Crooksville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

Compliance

We have audited the compliance of Perry 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 December 31, 2004. Perry 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 Perry Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Perry 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 Perry 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 Perry Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Perry 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 December 31, 2004.

Internal Control Over Compliance

The management of Perry 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 Perry 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.

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

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

Jones, Cochenour & Co.

Jones, Cochenour & Co.
May 23, 2005

Perry Metropolitan Housing Authority
Summary of Auditors' Results and Schedule of Findings
OMB Circular A-133 § .505
Year Ended December 31, 2004

1. SUMMARY OF AUDITORS' RESULTS

Type of Financial Statement Opinion	**Unqualified**
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	**No**
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	**No**
Was there any reported material non-compliance at the financial statement level (GAGAS)?	**No**
Were there any material internal control weakness conditions reported for major federal programs?	**No**
Were there any other reportable internal control weakness conditions reported for major federal programs?	**No**
Type of Major Programs' Compliance Opinion	**Unqualified**
Are there any reportable findings under § .510?	**No**
Major Programs (list):	**14.850a & 14.872** **Public Housing & Capital Fund**
Dollar Threshold: Type A/B Programs	**$300,000**
Low Risk Auditee?	**Yes**

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings or questioned costs for the year ended December 31, 2004.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended December 31, 2004.

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
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800-282-0370
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PERRY METROPOLITAN HOUSING AUTHORITY

PERRY 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 5, 2005