BASIC FINANCIAL STATEMENTS

of the

Marion Metropolitan Housing Authority

June 30, 2004

Auditor of State
Betty Montgomery

Board of Directors
Marion Metropolitan Housing Authority
P.O. Box 1029
Mansfield, Ohio 44901

We have reviewed the Independent Auditor's Report of the Marion Metropolitan Housing Authority, Marion County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2003 through June 30, 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 Marion Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 20, 2004

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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Board of Directors
Marion Metropolitan Housing Authority
150 Park Avenue West
Mansfield, Ohio 44901

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the Marion Metropolitan Housing Authority, Marion County, Ohio (the Authority) as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard*s 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 financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2004 and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standard*s, we have also issued a report dated November 18, 2004 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. The 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.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The accompanying Schedule of Federal Awards Expenditures as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and the Supplementary Financial Data Schedules, as required by the U.S. Department of Housing and Urban Development, are presented for the purpose of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of management of the Authority. Such supplemental schedules have been subjected to auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the financial statements taken as whole.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
November 18, 2004

The Marion Metropolitan Housing Authority's (the "Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent fiscal year challenges), and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 12).

FINANCIAL HIGHLIGHTS

- During fiscal year 2004, the Authority's net assets decreased by $19,147 (or 19.91%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net Assets were $96,156 and $77,009 for fiscal year 2003 and fiscal year 2004 respectively.

- The revenue increased by $443,107 (or 20.59%) during fiscal year 2004, and was $2,152,071 and $2,595,178 for fiscal year 2003 and fiscal year 2004 respectively.

- The total expenses of the Authority increased by $436,447 (or 20.04%). Total expenses were $2,177,878 and $2,614,325 for fiscal year 2003 and fiscal year 2004 respectively.

USING THIS ANNUAL REPORT

The following is a graphic outlining the three major sections of the report.

MD&A ~ Management Discussion And Analysis ~

Basic Financial Statements ~ Fund Financial Statement (refocused) – pgs 12-14 ~ ~ Notes to Financial Statements (expanded/restructured) – pgs 15-21~

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

The primary focus of the Authority's financial statement is on the Authority as a whole (Authority-wide) and the major individual fund. Both perspectives (Authority-wide and major fund) allow the user to address relevant questions, broaden basis for comparison (year-to-year or Authority-to-Authority), and enhance the Authority's accountability.

Authority-Wide Financial Statements

The Authority-wide 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:

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, and regulations.

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

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

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

Finally, Statement of Cash Flows 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 FUNDS

The Authority's financial statements include all programs that are considered to be within its administrative control. The Authority generally maintains separate accounting records for each grant program or annual contribution contract, as required by HUD. A list of more significant programs is as follows:

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

<u>Other Programs</u> - In addition to the major program above, the Authority also maintains the following programs. The only other activity the Authority is involved with is listed below:

State/Local Activities – represents non-HUD resources developed from a variety of activities.

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AUTHORITY-WIDE STATEMENT

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities of the Authority using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. The following table reflects the condensed Statement of Net Assets compared to the prior year. The Authority is engaged only in Business-Type Activities.

TABLE 1

STATEMENT OF NET ASSETS

	2004	2003
Current and Other Assets	$ 184,410	$ 193,340
Capital Assets	18,729	16,799
Total Assets	203,139	210,139
Current Liabilities	124,054	111,707
Non-Current Liabilities	2,076	2,276
Total Liabilities	126,130	113,983
Net Assets:		
Invested in Capital Assets, Net of Related Debt	18,729	16,799
Restricted	-	-
Unrestricted	58,280	79,357
Total Net Assets	$ 77,009	$ 96,156

For more detailed information see page 12 for the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

Current assets decreased by $8,930 in fiscal year 2004 and liabilities increased by $12,147. $19,355 of the cash on hand at June 30, 2004 represents HAP payments for fiscal year 2005 as reflected in the deferred revenues liability account at year end.

The December 13, 2003 purchase of Gateway computers for $7,732 was the significant acquisition made during the year. For more detail, see "Capital Assets and Debt Administration" below.

TABLE 2

CHANGE OF UNRESTRICTED NET ASSETS

Unrestricted Net Assets June 30, 2003		$ 79,357
Results of Operations	(19,147)	
Adjustments:		
Depreciation (1)	5,802	
Adjusted Results from Operations		(13,345)
Capital Expenditures		(7,732)
Unrestricted Net Assets June 30, 2004		$ 58,280

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.

While the result of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer picture of the change in financial well-being.

TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

	2004	2003
Revenues		
HUD PHA Operating Grants	$2,535,183	$2,091,290
Investment Income	473	699
Gain/(Loss) on Sale of Assets	-	(347)
Service Income	59,422	60,374
Other Revenues – Fraud Recovery	100	55
Total Revenue	2,595,178	2,152,071
Expenses		
Administrative	381,056	389,147
Maintenance	9,529	6,256
General	10,288	8,078
Housing Assistance Payments	2,207,650	1,769,401
Depreciation	5,802	4,996
Total Expenses	2,614,325	2,177,878
Net Increase/(Decrease)	$ (19,147)	$ (25,807)

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

HUD PHA Grants increased due to the Housing Assistance Payment (HAP) costs increasing and the increase in the leasing rate from 95.9% in 2003 to 99.9% in 2004. This resulted in a total of 875 unit months of HAP and Administrative Fees. Also the TBRA –Home program had an increase in activity going from total revenues in 2003 of $104,374 to $162,355 in 2004.

Administrative Expenses decrease reflected the staffing changes during the year. In January 2004, an employee resigned and was not replaced.

Housing Assistance payments increased due to the leasing of 41 additional units and the increase in the payment standards. Most other expenses increased moderately due to inflation. Depreciation increased because of the additions to capital assets during fiscal year 2004.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2004, the Authority had $18,729 invested in capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation).

TABLE 4

CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)

	Business-Type Activities	
	2004	2002
Equipment – Administrative	$ 43,565	$ 35,833
Accumulated Depreciation	(24,836)	(19,034)
Total	$ 18,729	$ 16,799

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 19 of the notes.

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TABLE 5

CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance	$ 16,799
Additions	7,732
Disposition	-
Depreciation	(5,802)
Ending Balance	$ 18,729

This year's major addition is:

Gateway Computers/System $7,732

Debt Outstanding

As of June 30, 2004, the Authority has no outstanding debt.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, recession and employment trends, which can affect resident incomes and therefore the amount of housing assistance.
- Inflationary pressure on utility rates, supplies and other costs.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Marsha K. Inscho; Finance Manager for the Marion Metropolitan Housing Authority, at (419) 526-1622. Specific requests may be submitted to the Authority at P.O. Box 1029, Mansfield, OH 44901.

Marion Metropolitan Housing Authority
Statement of Net Assets
June 30, 2004

Assets	
Current Assets	
Cash and Cash Equivalents	$ 6,866
Accounts Receivable - HUD	170,832
Accounts Receivable - Fraud Recovery	2,076
Accounts Receivable - Other	89
Prepaid Items	4,547
Total Current Assets	184,410
Non-Current Assets	
Furniture and Equipment	43,565
Less Accumulated Depreciation	(24,836)
Total Non-Current Assets	18,729
Total Assets	203,139
Liabilities	
Current Liabilities	
Accounts Payable	87,664
Accrued Wages and Payroll Taxes	2,121
Accrued Compensated Absences	14,914
Deferred Revenue	19,355
Total Current Liabilities	124,054
Other Non-Current Liabilities	2,076
Total Liabilities	126,130
Net Assets	
Invested in Capital Assets, Net of Related Debt	18,729
Unrestricted	58,280
Total Net Assets	$ 77,009

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

Marion Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Net Fund Assets
Year Ended June 30, 2004

Operating Revenues		
HUD Grants		$ 2,535,183
Other Income		59,522
Total Operating Revenue		2,594,705
Operating Expenses		
Housing Assistance Payments	$ 2,207,650	
Administrative Salaries	191,701	
Employee Benefits	66,974	
Other Administrative	122,381	
Material and Labor - Maintenance	9,529	
Depreciation	5,802	
General	10,288	
Total Operating Expenses		2,614,325
Operating Deficit		(19,620)
Non-Operating Revenues (Expenses)		
Interest	473	
Total Non-Operating Income		473
Change in Net Assets		(19,147)
Net Assets at July 1, 2003		96,156
Net Assets at June 30, 2004		$ 77,009

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

Marion Metropolitan Housing Authority
Statement of Cash Flows
Year Ended June 30, 2004

Cash flows from operating activities:	
Cash received from HUD	$ 2,364,351
Cash received from other sources	200
Cash payments to employees for services	(262,369)
Cash payments for goods or services - HUD	(2,207,650)
Cash payments for goods or services	(66,276)
Net cash used in operating activities	(171,744)
Cash flows from capital and related financial activities:	
Acquisition of assets	(7,732)
Net cash used in capital and related financing activities	(7,732)
Cash flows from investing activities:	
Receipt of interest	473
Net cash provided by investing activities	473
Net change in cash and cash equivalents	(179,003)
Cash and cash equivalents at July 1, 2003	185,869
Cash and cash equivalents at June 30, 2004	$ 6,866
Cash flows from operating activity	
Operating deficit	$ (19,620)
Adjustments to reconcile operating income to net cash used in operating activities	
Depreciation expense	5,802
Changes in assets and liabilties	
Accounts receivable	(170,689)
Prepaid expenses	616
Accounts payable	(5,671)
Accrued wages and payroll taxes	49
Accrued compensated absences	(1,586)
Deferred revenue	19,355
Net cash used in operating activities	$ (171,744)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate. The accompanying basic financial statements comply with the provisions of GASB Statement 39, *Determining Whether Organizations are Component Units*, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Excluded Entity

An entity that conducts activities for the benefit of the Authority or its residents is excluded from the combined financial statements. This entity is:

Marion Housing Development Association, Inc. – In accordance with housing subsidy contracts, the Authority has designated this organization as a Section 8 nonprofit corporation to serve as an instrumentality of the Authority to assist in the development and financing of housing projects. The Board of the Authority appoints the Board of Trustees of the Marion Housing Development Association, Inc. the members of which are all the same. The Authority's Board of Commissioners must approve all actions of the instrumentality and, upon their dissolution, all assets and residual receipts are to be distributed to the Authority. This Section 8 nonprofit corporation has no employees, performs no day-to-day functions, and the officers thereof serve in a non-paid status. There are no assets or liabilities in this corporation and there were no revenues earned or expenses incurred during 2004.

Fund Accounting

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

Proprietary Fund Types:

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

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

The Authority accounts for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general pubic on a continuing basis be financed or recovered primarily through user charges.

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary Fund Accounting, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Fixed Assets

Fixed assets are stated at cost and depreciation is computed using the straight line method over the estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The capitalization threshold used by the Authority is $500. The following are the useful lives used for depreciation purposes:

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

Cash and Cash Equivalents

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

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the fiscal year end by those employees who currently are eligible to receive termination payments. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Net Assets

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

Estimates

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

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

Cash and cash equivalents included in the Authority's cash position at June 30, 2004 are as follows:

Demand Deposits			
Bank balance – General	$ 17,767	Bank balance – HAP	$10,632
Items-in-transit	(14,827)	Items-in-transit	(6,731)
Carrying balance	$ 2,940	Carrying balance	$ 3,901

Of the year-end cash balance, all deposits were covered by federal depository insurance and $25 was maintained in petty cash funds.

3. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year 2004, the Authority contracted with Cincinnati Insurance for vehicle, health, general insurance, building contents, and real property insurance.

Vehicle insurance carries a $100 comprehensive deductible and $250 collision deductible. Property insurance carries a $250 deductible. The deductible for general liability and electronic data processing insurance are $250 each. The deductible for public officials liability insurance is $2,500.

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

4. FIXED ASSETS

The following is a summary of fixed assets at June 30, 2004:

	Balance June 30, 2003	Additions	Disposals	Balance June 30, 2004
Governmental Activities - Cost				
Furniture, fixtures, and equipment	$ 26,773	$ 7,732	$ -	$ 34,505
Vehicles	9,060	-	-	9,060
Total at cost	35,833	7,732	-	43,565
Less: accumulated depreciation				
Furniture, fixture, and equipment	18,128	3,990	-	22,118
Vehicles	906	1,812	-	2,718
Total accumulated depreciation	19,034	5,802	-	24,836
Capital assets, net	$ 16,799	$ 1,930	$ -	$ 18,729

5. DEFINED BENEFIT PENSION PLANS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

All employees participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple employer public employee retirement system administered by the Public Employee Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established and amended by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the Authority was required to contribute 13.55 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Authority's required contributions to PERS are equal to 100% of the dollar amount billed (13.55% of covered payroll). The Authority's required contributions to PERS for the years ended June 30, 2002, 2003, and 2004 were $21,514, $25,663, and $25,976, respectively, which are equal to the required contributions for each year. In fiscal year 2004, the Authority paid the employees share of PERS which totaled $16,295.

6. POSTRETIREMENT EMPLOYEE BENEFITS

PERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit, and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available under PERS. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB). A portion of each employer's PERS contribution is set aside for the funding of postretirement health care. The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to PERS. The number of active contributing participants was 368,996 as of December 31, 2003.

As required by state statute, a portion of each employer's contribution to PERS is used for the funding of the postemployment health care. Based on the employer's contribution of 13.55% of covered payroll; 5.00% was used to fund health care for the year. Employer contributions are advance-funded on an actuarially determined basis and are determined by state statue.

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actual 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 to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2002 was 8 percent.

PERS (assuming the number of active employees remains constant) assumes an annual increase of 4.00% compounded annually for the base portion of an individual's pay increase. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.3%.

As of December 31, 2002, the audited estimated net assets available for future OPEB payments were $10.0 billion. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were $18.7 billion and $8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under PERS after January 1, 2004, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit.

The benefit recipients will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

7. RELATED PARTY TRANSACTIONS

During fiscal year 2004, the Authority disbursed $13,767 in housing assistance payments to related parties. The Authority has acquired permission from HUD to allow these related parties to receive housing assistance payments.

Marion Metropolitan Housing Authority
Statement of Net Assets
FDS Schedule Submitted to HUD
June 30, 2004

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers Program	14.239 Home Program	Total
	Current Assets			
	Cash			
111	Cash - Unrestricted	$ 6,866	$ -	$ 6,866
100	Total Cash	6,866	-	6,866
	Accounts Receivable			
121	Accounts receivable - HUD	170,832	-	170,832
125	Accounts receivable - Miscellaneous	89	-	89
128	Fraud Recovery	2,076	-	2,076
120	Total Accounts Receivable	172,997	-	172,997
	Investments and Other Assets			
142	Prepaid Expenses and Other Assets	4,547	-	4,547
144	Interprogram Due From	-	9,328	9,328
	Total Investments and Other Assets	4,547	9,328	13,875
150	Total Current Assets	184,410	9,328	193,738
	Noncurrent Assets			
	Fixed Assets			
164	Furniture and Equipment - Administration	43,565	-	43,565
166	Accumulated Depreciation	(24,836)	-	(24,836)
160	Total Fixed Assets, net of accumulated depreciation	18,729	-	18,729
180	Total Noncurrent Assets	18,729	-	18,729
190	Total Assets	$ 203,139	$ 9,328	$ 212,467

Marion Metropolitan Housing Authority
Statement of Net Assets
FDS Schedule Submitted to HUD
June 30, 2004

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers Program	14.239 Home Program	Total
	Current Liabilities			
312	Accounts Payable	$ 87,664	$ -	$ 87,664
321	Accrued Wages and Payroll Taxes	2,121	-	2,121
322	Accrued Compensated Absences	14,914	-	14,914
342	Deferred Revenue	10,027	9,328	19,355
347	Interprogram Due To	9,328	-	9,328
310	Total Current Liabilities	124,054	9,328	133,382
353	Non-Current Liabilities - Other	2,076	-	2,076
350	Total Non-Current Liabilities	2,076	-	2,076
300	Total Liabilities	126,130	9,328	135,458
	Net Assets			
508.1	Invested in Capital Assets	18,729	-	18,729
512.1	Unrestricted Net Assets	58,280	-	58,280
	Total Net Assets	77,009	-	77,009
600	Total Liabilities and Net Assets	$ 203,139	$ 9,328	$ 212,467

Reconciliation

1. Accounts Receivable Interprogram are eliminated on the financial statements, but are recorded on the FDS as both a current asset and current liability in the amount of $9,328.

Marion Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Net Assets
FDS Schedule Submitted to HUD
Year ended June 30, 2004

FDS Line Item	Account Description	14.871 Housing Choice	14.239 Home Program	Total
	Revenue			
706	HUD Grants	$ 2,372,828	$ 162,355	$ 2,535,183
711	Investment Income - Unrestricted	473	-	473
714	Fraud Recovery	100	-	100
715	Other Revenue	-	59,422	59,422
	Total Revenue	2,373,401	221,777	2,595,178
	Expenses			
911	Administrative Salaries	133,942	57,759	191,701
912	Auditing Fees	6,023	-	6,023
914	Compensated Absences	(1,586)	-	(1,586)
915	Employee Benefit Contribution - Administrative	48,266	20,294	68,560
916	Other Operating - Administrative	114,775	1,583	116,358
942	Ordinary Maintenance and Operation - Materials and Other	9,529	-	9,529
961	Insurance Premiums	10,288	-	10,288
	Total Operating Expenses	321,237	79,636	400,873
970	Excess Operating Revenue Over Operating Expenses	2,052,164	142,141	2,194,305
	Other Expenses			
973	Housing Assistance Payments	2,065,509	142,141	2,207,650
974	Depreciation Expense	5,802	-	5,802
	Total Other Expenses	2,071,311	142,141	2,213,452
900	Total Expenses	2,392,548	221,777	2,614,325
1000	Excess of Revenues over Expenses	(19,147)	-	(19,147)
1103	Beginning Net Assets	96,156	-	96,156
	Ending Net Assets	$ 77,009	$ -	$ 77,009

Marion Metropolitan Housing Authority

Schedule of Federal Awards Expenditures
Year Ended June 30, 2004

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Expenditures For The Year Ended
U.S. Department of Housing and Urban Development		
Housing Choice Vouchers	14.871	$ 2,392,548
Passed through the City of Marion		
Home Program	14.239	221,777
Total Federal Award Expenditures		$ 2,614,325

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

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

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

Board of Directors
Marion Metropolitan Housing Authority
150 Park Ave. West
Mansfield, Ohio 44901

We have audited the financial statements of Marion Metropolitan Housing Authority, Marion County, Ohio (the Authority) as of and for the year ended June 30, 2004 and have issued our report thereon dated November 18, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud 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 the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with

Wilson, Shannon & Snow, Inc.
CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

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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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors, the Auditor of State, 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.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
November 18, 2004

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

Board of Directors
Marion Metropolitan Housing Authority
150 Park Ave. West
Mansfield, Ohio 44901

Compliance

We have audited the compliance of Marion Metropolitan Housing Authority, Marion County, (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

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CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
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Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
November 18, 2004

Marion Metropolitan Housing Authority

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505

June 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	Housing Choice Vouchers/14.871
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted

Auditor of State
Betty Montgomery

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

MARION METROPOLITAN HOUSING AUTHORITY

MARION 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
DECEMBER 30, 2004