

Zanesville Metropolitan Housing Authority

Basic financial statements

For the Year Ended June 30, 2004



**Auditor of State
Betty Montgomery**

Board of Trustees
Zanesville Metropolitan Housing Authority
407 Pershing Road
Zanesville, Ohio 43701

We have reviewed the Independent Auditor's Report of the Zanesville Metropolitan Housing Authority, Muskingum County, prepared by Salvatore Consiglio, CPA, 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 Zanesville Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

June 2, 2005

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ZANESVILLE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2004

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Statement of Net Assets	11-12
Statement of Revenue, Expenses and Change in Net Assets	13
Statement of Cash Flows	14-15
Notes to the Basic Financial Statements	16-29
Supplemental Data:	
Financial Data Schedules	30-35
PHA Statement and Certification of Actual Modernization Cost	36-38
Schedule of Expenditures of Federal Awards	39
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	40-41
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	42-43
Schedule of Findings and Questioned Costs	44
Schedule of Prior Audit Findings	45

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Independent Auditors' Report

Board of Directors
Zanesville Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying financial statements of Zanesville Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Zanesville Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these basic financial statements based on my audit.

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

The financial statements referred to above include only the primary government of the Zanesville Metropolitan Housing Authority, Ohio, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Authority's legal entity. The financial statement do not include financial data for the Authority's legally separate component unit, which accounting principles generally accepted in the United State of America requires to be reported with the financial data of the Authority's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the Zanesville Metropolitan Housing Authority, Ohio, as of June 30, 2004, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United State of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position for the primary government of the Zanesville Metropolitan Housing Authority, Ohio, as of June 30, 2004 and the respective changes in financial positions and cash flows, where applicable, thereof for the year than ended in conformity with accounting principles generally accepted in the United State of America.

As described in Note 1 of the basic financial statements, the Authority adopted the provisions of Government Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as of July 1, 2003. This results in a change to the Authority’s format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued a report dated February 4, 2005, on my consideration of Zanesville Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the result of 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. I have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion thereon.

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



Salvatore Consiglio, CPA, Inc.

February 4, 2005

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2004

UNAUDITED

The following discussion and analysis of the Zanesville Metropolitan Housing Authority (the "Authority") is to provide an introduction to the basic financial statements for the fiscal year ended June 30, 2004 with selected comparative information for the fiscal year ended June 30, 2003. This discussion has been prepared by management and should be read in conjunction with the financial statements, notes to the financial statements, and supplementary information found in the report. This information taken collectively is designed to provide readers with an understanding of the Authority's finances.

Financial Highlights

The assets of the Authority exceeded its liabilities at the close of fiscal year 2004 by \$13,334,641 (net assets). Of this amount, \$1,425,641 (unrestricted net assets) may be used to meet the Authority's ongoing obligations to citizens and creditors.

Capital assets decreased by \$470,912 from the depreciation of fixed assets and capital fund asset additions.

Net assets decreased by \$557,369 for the fiscal year ended June 30, 2004. This was due primarily to capital contributions decreasing by \$188,550 and operating expenses increasing between the years.

Operating revenues increased \$437,691 due to operating subsidies increasing for public housing and capital grant activity.

Nonoperating revenue decreased due to interest rates declining. Capital contributions from HUD decreased \$188,550 due to less capital asset activity during the current year for the capital fund program.

Overview of the Financial Statements

The Authority is a special purpose governmental entity and accounts for its financial activities as an enterprise fund. The financial statements are prepared on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when incurred. Capital assets are capitalized and depreciated, except for land, over their useful lives. See notes to the financial statements for a summary of the Authority's significant accounting policies and practices.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2004

UNAUDITED

Authority Activity Highlights

Description of programs

The following are the various programs that the Authority operates. These programs are included in the single enterprise fund:

Public Housing Program

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

Capital Fund Program

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

Housing Choice Voucher Program

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

Public Housing Drug Elimination Program

The Authority administers the Public Housing Drug Elimination Program to provide its communities with services such as community policing, drug education intervention, and drug prevention programs for youths. Funding for the services is provided by grants from HUD and the services from local youth organizations.

Shelter Plus Care

The Shelter Plus Care program is designed to link rental assistance to supportive services for hard to serve homeless persons with disabilities. 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 household income.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2004

UNAUDITED

Resident Opportunity and Supportive Services

A grant funded by the Department of Housing and Urban Development that is intended to enable public housing residents to obtain self sufficiency and economic independence and move from welfare to work.

Section 8 New Construction Program

The Authority administers a Housing Assistance Payments contract on behalf of HUD through which HUD subsidizes the rents of low to moderate-income families when those families rent from a private landlord. That rental assistance is provided similarly to how it is under the Housing Choice Voucher program except the rental assistance is tied to the dwelling units, and the assistance is provided to the families renting those units selected by HUD.

State and Local Fund

The Authority administered a contract with Muskingum County Department of Job and Family Services to provide a Youth Employment Service Program to resident youths. Also, the Authority administers a wellness program through a contract with the Muskingum County Board of Health and a home maintenance program through a contract with the City of Zanesville.

Business Activity

The Business Activity Fund was set-up to separate the HUD funded program with non-HUD activities. This fund is mainly used to account for the rental income received from the daycare facility known as Carey Street Day Care Center and the expenses of the maintenance and utilities of the building, and repayment of the construction loan.

Financial Position

The statement of net assets presents the financial position of the Authority at the end of the fiscal year. The statement includes all assets and liabilities of the Authority. Net assets is the difference between total assets and total liabilities and is an indicator of the current fiscal health of the Authority. The following is a summarized comparison of the Authority's assets, liabilities, and net assets at June 30, 2004 and 2003:

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2004

UNAUDITED

Table 1 - Condensed Statement of Net Assets Compared to Prior Year

	<u>2004</u>	RESTATED <u>2003</u>
Current and Other Assets	\$ 2,141,612	\$ 2,220,608
Capital Assets	<u>12,703,232</u>	<u>13,174,144</u>
 Total Assets	 <u>\$ 14,844,844</u>	 <u>\$ 15,394,752</u>
 Current Liabilities	 \$ 598,312	 \$ 531,821
Long-Term Liabilities	<u>911,891</u>	<u>970,921</u>
 Total Liabilities	 <u>1,510,203</u>	 <u>1,502,742</u>
 Net Assets:		
Investment in Capital Assets, net of Related Debt	11,908,762	12,356,667
Unrestricted Net Assets	<u>1,425,879</u>	<u>1,535,343</u>
 Total Net Assets	 <u>13,334,641</u>	 <u>13,892,010</u>
 Total Liabilities and Net Assets	 <u>\$ 14,844,844</u>	 <u>\$ 15,394,752</u>

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

Revenues and Expenses

The following is a summary of the results of operations of the Authority for the fiscal years ended June 30, 2004 and 2003:

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2004

UNAUDITED

Table 2 - Statement of Revenue, Expenses & Changes in Net Assets

	<u>2004</u>	RESTATED <u>2003</u>
Operating Revenue	\$ 7,562,809	\$ 7,125,118
Operating Expenses	<u>8,555,722</u>	<u>8,224,998</u>
Total Operating Loss	(992,913)	(1,099,880)
Nonoperating:		
Revenue	37,148	23,625
Expenses	(49,012)	(61,887)
Capital Contributions	<u>447,408</u>	<u>635,958</u>
Change in Net Assets	(557,369)	(502,184)
Total Net Assets - Beginning of Year, Restated	<u>13,892,010</u>	<u>14,394,194</u>
Total Net Assets - End of Year	<u><u>\$ 13,334,641</u></u>	<u><u>\$ 13,892,010</u></u>

Rental income increased as a result of more families paying increased portions of their rent and lower numbers receiving utility reimbursements.

Housing Units Managed

The following table shows housing units managed by the Authority for the fiscal years ended June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Owned by Authority	674	674
Units under vouchers (Over leased 2004)	919	907
Units under Shelter Plus Care	8	4
Units under NC SR	<u>96</u>	<u>96</u>
Total housing units managed	1,697	1,681

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2004

UNAUDITED

The Housing Choice Voucher lease up rate averaged 101.1% during FY 2004. It is anticipated that the program lease-up will decrease to at least 97% during FY 2005. No further increase in additional housing units is expected.

Capital Assets

Capital assets is the largest asset reflected on the Authority's statement of net assets. The following is a summary of capital assets owned by the Authority at June 30, 2004:

Table 3 - Condensed Statement of Changes in Capital Assets

	<u>2004</u>
Land and Land Rights	\$ 1,150,687
Building & Improvements	27,743,608
Equipment - Administrative	621,384
Equipment - Dwelling	279,516
Accumulated Depreciation	<u>(17,091,963)</u>
 Total	 \$ <u><u>12,703,232</u></u>
 Capital Assets Activity:	
Capital asset, net at June 30, 2003	\$ 13,174,144
Depreciation expense	(921,757)
Capital asset additions	454,922
Disposals, net book value	<u>(4,077)</u>
 Capital assets, net at June 30, 2004	 \$ <u><u>12,703,232</u></u>

Changes in Net Assets

Total net assets decreased from the previous year by \$557,369. The decrease is a result of less capital asset additions than the depreciation expense for the year. The largest component of net assets is *invested in capital assets, net of related debt*. The following table shows how this amount is calculated for the fiscal years ended June 30, 2004 and 2003:

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2004

UNAUDITED

Table 4 - Investment in Capital Assets, Net of Debt

	<u>2004</u>	<u>2003</u>
Investment in Capital Assets, Net of Debt	\$ 29,795,195	\$ 29,365,641
Less:		
Capital related debt	(794,470)	(817,477)
Accumulated depreciation	<u>(17,091,963)</u>	<u>(16,191,497)</u>
Investment in Capital Assets, Net of Debt	<u><u>\$ 11,908,762</u></u>	<u><u>\$ 12,356,667</u></u>

Debt Administration

Zanesville Metropolitan Housing Authority obtained a loan in the amount of \$843,000 on June 1, 2002. The proceeds were used for the Zanesville Carey Metro Childcare, Inc. building payable in monthly installments of \$5,689.93. The maturity date is July 1, 2022.

Table 5 - Outstanding Debt Balance

Outstanding principal balance as of June 30, 2003	\$	817,477
Less:		
Principal payments made during the year		<u>(23,007)</u>
Outstanding principal balance as of June 30, 2004	\$	<u><u>794,470</u></u>

Economic Factors

The economic outlook for ZMHA is uncertain at this time. According to the most current information available on changes pending at the U.S. Department of Housing and Urban Development, Public Housing operating subsidy may be increased by 3.4%. At this time there is no further inflationary adjustments forecasted. Section 8 administrative fees decreased retroactively to January 1, 2004 by 2.25 percent and additional cuts are possible. Locally we are being impacted by negative employment factors such as stagnant job growth and a sluggish market.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2004

UNAUDITED

Requests for Information

The annual financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to Teresa Brandford, Finance Director, Zanesville Metropolitan Housing Authority.

Zanesville Metropolitan Housing Authority
Statement of Net Assets
Proprietary Funds
June 30, 2004

ASSETS

Current assets

Cash and cash equivalents	\$ 611,318
Investments	719,025
Receivables, net	412,904
Inventories, net	219,317
Prepaid expenses and other assets	93,968
Interprogram due from	85,080
Total current assets	<u>2,141,612</u>

Noncurrent assets

Capital assets:	
Land	1,150,687
Building and equipment	28,644,508
Less accumulated depreciation	<u>(17,091,963)</u>
Total Capital assets, net	<u>12,703,232</u>
Total assets	<u>\$ 14,844,844</u>

LIABILITIES

Current liabilities

Bank overdraft	\$ 52,765
Accounts payable	77,437
Accrued liabilities	138,767
Intergovernmental payables	34,679
Tenant security deposits	142,422
Deferred revenue	42,162
Bonds, notes, and loans payable	25,000
Interprogram due to	85,080
Total current liabilities	<u>598,312</u>

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

Zanesville Metropolitan Housing Authority
Statement of Net Assets (Continued)
Proprietary Funds
June 30, 2004

Noncurrent liabilities

Bonds, notes, and loans payable	882,580
Noncurrent liabilities - other	29,311
Total noncurrent liabilities	<u>911,891</u>
Total liabilities	<u>\$ 1,510,203</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 11,908,762
Unrestricted net assets	1,425,879
Total net assets	<u>\$ 13,334,641</u>

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

Zanesville Metropolitan Housing Authority
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2004

OPERATING REVENUES

Tenant Revenue	\$ 1,199,829
Government operating grants	6,243,872
Other revenue	119,108
Total operating revenues	<u>7,562,809</u>

OPERATING EXPENSES

Administrative	1,716,297
Tenant services	13,254
Utilities	646,290
Maintenance	1,080,303
Protective services	271,850
General	251,334
Housing assistance payment	3,645,695
Other operating expenses	8,942
Depreciation	921,757
Total operating expenses	<u>8,555,722</u>
Operating income (loss)	<u>(992,913)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	37,148
Loss on sale of assets	(4,070)
Interest expense	(44,942)
Total nonoperating revenues (expenses)	<u>(11,864)</u>
Income (loss) before contributions and transfers	(1,004,777)

Capital grants	447,408
Change in net assets	(557,369)
Prior period adjustment	118,119
Total net assets - beginning	13,773,891
Total net assets - ending	<u>\$ 13,334,641</u>

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

Zanesville Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Operating grants received	\$6,056,126
Tenant revenue received	1,199,801
Other revenue received	225,923
General and administrative expenses paid	(3,708,975)
Housing assistance payments	<u>(3,645,695)</u>

Net cash provided (used) by operating activities 127,180

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned received	<u>26,563</u>
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Net cash provided (used) by investing activities 26,563

CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES

Capital grant funds received	447,408
Property and equipment purchased	<u>(454,922)</u>

Net cash provided (used) by capital and related activities (7,514)

CASH FLOWS FROM FINANCING ACTIVITIES

Cash proceeds from debt	
Interest Payment	(44,942)
Principal Payment	<u>(23,007)</u>

Net cash provided (used) by financing activities (67,949)

Net increase (decrease) in cash 78,280

Cash and cash equivalents - Beginning of year (Restated) 533,038

Cash and cash equivalents - End of year \$611,318

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

Zanesville Metropolitan Housing Authority
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2004

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Operating Income (Loss)	(\$992,913)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	921,757
- Prior Period Adjustments Affecting Net Operating Loss	118,119
- (Gain) Loss on Disposal of Assets	4,070
 (Increases) Decreases in:	
- Accounts Receivables, net of allowance	82,295
- Inventory, net of allowance	19,659
- Prepaid Assets	(64,139)
 Increases (Decreases) in:	
- Accounts Payable	43,987
- Intergovernmental Payable	(24,273)
- Accrued Expenses Payable	(24,830)
- Deferred Revenue	32,580
- Tenant Security Deposits	10,868
	10,868
 Net cash provided by operating activities	\$127,180

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

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Zanesville Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

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

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

The more significant of the Authority’s accounting policies are described below.

Reporting Entity

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

The accompanying basic financial statements do not comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements only include the activities and functions of Zanesville Metropolitan Housing Authority and not of its component unit, Zanesville Housing Development Corporation. This is a departure from GASB 14, which requires that the report includes all activities considered by management to be part of the Authority

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The accompanying financial statements present only Authority's financial statements and do not include the financial statements of the Zanesville Housing Development Corporation. The auditor believes by this departure the Authority financial statements are incomplete.

It is Management stand that the Corporation is a separate, stand alone entity and should not be part of the financial statements presented in this report. The accounting records are not commingled in anyways. The Corporation as a separate accounting staff that maintain its accounting records. With the exception of the Executive Director, no other Authority staffs have any

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

function related to the Corporation. When the Corporation was first created, the intend was that the two Agencies be separate and stand alone from each other. Management will be taking appropriate steps to separate the two Boards so that this issue will not be a concern in future audits.

Basis of Presentation

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

Fund Accounting

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

Proprietary Fund Types

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

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

Measurement Focus/Basis of Accounting

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

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Description of programs

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

A. Public Housing Program

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

B. Capital Fund Program

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

C. Housing Choice Voucher Program

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

D. Public Housing Drug Elimination Program

The Authority administers the Public Housing Drug Elimination Program to provide its communities with services such as community policing, drug education intervention, and drug prevention programs for youths. Funding for the services is provided by grants from HUD and the services from local youth organizations.

E. Shelter Plus Care

The Shelter Plus Care program is designed to link rental assistance to supportive services for hard to serve homeless persons with disabilities.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 household income.

F. Resident Opportunity and Supportive Services

A grant funded by the Department of Housing and Urban Development that is intended to enable public housing residents to obtain self sufficiency and economic independence and move from welfare to work.

G. Section 8 New Construction Program

The Authority administers a Housing Assistance Payments contract on behalf of HUD through which HUD subsidizes the rents of low to moderate-income families when those families rent from a private landlord. That rental assistance is provided similarly to how it is under the Housing Choice Voucher program except the rental assistance is tied to the dwelling units, and the assistance is provided to the families renting those units selected by HUD.

H. State and Local Fund

The Authority administered a contract with Muskingum County Department of Job and Family Services to provide a Youth Employment Service Program to resident youths. Also, the Authority administers a wellness program through a contract with the Muskingum County Board of Health and a home maintenance program through a contract with the City of Zanesville.

I. Business Activity

The Business Activity Fund was set-up to separate the HUD funded program with non-HUD activities. This fund is mainly used to account for the rental income received from the daycare facility known as Carey Street Day Care Center and the expenses of the maintenance and utilities of the building, and repayment of the construction loan.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending June 30, 2004 totaled \$37,148.

Fixed Assets

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

Net Assets

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

Operating Revenues and Expenses

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

Capital Contributions

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

Cash and Cash Equivalents

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

Inventory

Inventory are stated at cost. The allowance for obsolete inventory was \$20,000 at June 30, 2004.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

Budgetary Accounting

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

Estimates

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

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2004
 (CONTINUED)

NOTE 2: CASH AND INVESTMENTS

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

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

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

Category 3 – Uncollateralized.

Deposits, categorized by level of risk, are:

<u>DESCRIPTION</u>	<u>BANK BALANCE</u>	<u>CATEGORY</u>			<u>CARRYING AMOUNT</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Cash and Cash Equivalents:					
Unrestricted Cash	\$ 666,325	\$ 666,325	\$0	\$0	\$ 611,319
Total Deposits	\$ 666,325	\$ 666,325	\$0	\$0	\$ 611,319

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

- Direct Obligations of the Federal Government;
- Obligations of Federal Government Agencies;
- Securities of Government-Sponsored Agencies; and
- Demand and Savings Deposits and Certificates of Deposit.

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

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

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2004
 (CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

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

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

The PHA's had investments of certificate of deposits and are summarized as follows:

<u>DESCRIPTION</u>	<u>BANK BALANCE</u>	<u>CATEGORY</u>			<u>CARRYING AMOUNT</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Investments	\$ 745,848	\$ 745,848	\$0	\$0	\$ 719,025
Total Deposits	\$ 745,848	\$ 745,848	\$0	\$0	\$ 719,025

NOTE 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 fiscal year ending June 30, 2004 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.

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.

NOTE 4: FIXED ASSETS

The following is a summary:

Land	\$1,150,687
Buildings	24,202,765
Furniture and Equipment	900,900
Leasehold Improvement	<u>3,540,843</u>
Total Fixed Assets	29,795,195
Accumulated Depreciation	<u>(17,091,963)</u>
Net Fixed Assets	<u>\$12,703,232</u>

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2004
 (CONTINUED)

NOTE 4: FIXED ASSETS (Continued)

	Balance 06/30/03	Additions	Adjust. / Disposal	Balance 06/30/04
Land	\$1,150,687	\$0	\$0	\$1,150,687
Buildings	23,993,377	209,388	0	24,202,765
Furnt, Mach. and Equip.	888,849	37,419	(25,368)	900,900
Leasehold Improvement	3,332,728	208,115	0	3,540,843
Total Fixed Assets	<u>\$29,365,641</u>	<u>\$454,922</u>	<u>(\$25,368)</u>	<u>\$29,795,195</u>

The depreciation expense for the year ended June 30, 2004 was \$921,757.

**NOTE 5: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES
 RETIREMENT SYSTEM**

All full-time employees of the authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement systems administered by the Public Employees Retirement Board.

OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2003 employer pension contribution rate for the authority was 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The authority required contributions to OPERS for the years ended June 30, 2004, 2003, and 2002 were \$227,654, \$252,689 and \$203,934 respectively. Ninety-Two percent has been contributed for 2004. All required contributions for the two previous years have been paid.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(CONTINUED)

**NOTE 6: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio Service credit and to primary survivor recipients of such retirants.

Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No.12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2002 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2004 was 5.0 percent of covered payroll, which amounted to \$84,005. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range for 0.51 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

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

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(CONTINUED)

NOTE 7: LONG-TERM DEBT

Loan Payable – Bank One

Zanesville Metropolitan Housing Authority has an outstanding note payable with Bank One of \$794,470 as of June 30, 2004. The original note was for \$843,000 dated June 1, 2002 to be used for the construction of a daycare facility known as Carey Street Day Care Center. The note contains an interest rate of 5.27% fixed for five years. The loan is amortized over 20 year period with 3 five year balloons payments. The first balloon payment is due in 60 months from the date of the original loan.

The following is a summary of changes in long-term debt for the year ended June 30, 2004:

<u>DESCRIPTION</u>	<u>BALANCE</u> <u>06/30/03</u>	<u>ISSUED</u>	<u>RETIRED</u>	<u>BALANCE</u> <u>06/30/04</u>
Loan Payable	\$817,477	\$-0-	\$23,007	\$794,470
TOTAL	<u>\$817,477</u>	<u>\$-0-</u>	<u>\$23,007</u>	<u>\$794,470</u>

Debt maturities for the next five years are estimated as follows:

<u>YEAR</u>	<u>AMOUNT</u>
June 30, 2005	\$25,000
2006	28,000
2007	741,470
2008	0
2009	<u>0</u>
Total	<u>\$794,470</u>

NOTE 8: 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 awards programs. The schedule has been prepared on the accrual basis of accounting.

NOTE 9: PRIOR PERIOD ADJUSTMENT

The following prior period adjustment in the sum of \$118,119 was necessary to properly state the beginning net asset balance:

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(CONTINUED)

NOTE 9: PRIOR PERIOD ADJUSTMENT (Continued)

Business Activities:

- Adjustment to record cash from bank account not previously reported.	\$23,544
- Transfer from Public Housing of the loan balance on daycare facility building.	(794,470)
- Transfer from Public Housing of the net book value of the daycare facility building.	1,405,262

Section 8 New Construction:

- June 30, 2003 year end settlement adjustments made by HUD on form HUD-52681	(207)
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Low Rent Public Housing:

- Correction to compensated absence balance previously reported	39,500
- Write off of PILOT payable not owed due to agreement with the City of Zanesville	36,401
- Transfer to Business Activity of the loan balance on daycare facility building.	794,470
- Transfer to Business Activity of the net book value of the daycare facility building.	(1,405,262)
- Unexplained variance need to balance	47

Housing Choice Voucher:

- June 30, 2003 year end settlement adjustments made by HUD on form HUD-52681	5,832
- Write off of stale dated checks	4,502
- Correction to compensated absence balance previously reported	8,500

Total Prior Period Adjustments	<u><u>\$118,119</u></u>
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NOTE 10: CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year ended September 30, 2004 the Authority implemented Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus; and GASB Statement No. 38, "Certain Financial Statement Note Disclosures.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004
(CONTINUED)

NOTE 10: CHANGE IN ACCOUNTING PRINCIPLES (Continued)

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

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

	Contributed Capital	Retained Earning,	Invested in Capital Assets, Net Of Debt	Unrestricted Net Assets	Total
Beginning Balance	\$10,993,134	\$2,780,757	\$0	\$0	\$13,773,891
Reclassification- GASB 34	(10,993,134)	(2,780,757)	12,356,667	1,417,224	0
Restated Beginning Balance	0	0	12,356,667	1,417,224	13,773,891
Fixed Assets Addition	0	0	447,408	0	447,408
Prior Period Adjust	0	0	0	118,119	118,119
Depreciation Expense	0	0	(921,757)	0	(921,757)
Disposal of Assets, Net	0	0	(4,070)	0	(4,070)
Unrestricted Net Assets used for Fixed Assets	0	0	7,514	(7,514)	0
Current Year (Loss)	0	0		(78,950)	(78,950)
Debt Principal Payment	0	0	23,007	(23,007)	0
Reconciling Adjustment	0	0	(7)	7	0
Ending Net Assets	\$0	\$0	\$11,908,762	\$1,425,879	\$13,334,641

NOTE 11: CONTINGENCIES

Litigations and Claims

In the normal course of operations the PHA may be subject to litigation and claims. At June 30, 2004 the PHA was involved in such matters. While the outcome of these matters cannot presently be determined, management believes that their ultimate resolution will not have a material effect on the financial statements.

Zanesville Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
June 30, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
111	Cash - Unrestricted	\$54,672	\$84,814	\$0	\$196,407	\$0	\$0	\$0	\$0	\$0	\$335,893
113	Cash - Other Restricted	\$0	\$0	\$0	\$246,114	\$0	\$0	\$29,311	\$0	\$0	\$275,425
100	Total Cash	\$54,672	\$84,814	\$0	\$442,521	\$0	\$0	\$29,311	\$0	\$0	\$611,318
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$0	\$0	\$4,467	\$337,165	\$0	\$0	\$341,632
124	Accounts Receivable - Other Government	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$18,864	\$18,864
125	Accounts Receivable - Miscellaneous	\$0	\$0	\$0	\$7,967	\$0	\$0	\$1,874	\$0	\$0	\$9,841
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$0	\$0	\$10,556	\$0	\$0	\$0	\$0	\$0	\$10,556
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	(\$3,150)	\$0	\$0	\$0	\$0	\$0	(\$3,150)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128	Fraud Recovery	\$0	\$0	\$0	\$0	\$0	\$0	\$39,372	\$0	\$0	\$39,372
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	\$0	\$0	\$0	(\$39,372)	\$0	\$0	(\$39,372)
129	Accrued Interest Receivable	\$0	\$0	\$0	\$35,161	\$0	\$0	\$0	\$0	\$0	\$35,161
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$0	\$0	\$50,534	\$0	\$4,467	\$339,039	\$0	\$18,864	\$412,904
131	Investments - Unrestricted	\$0	\$0	\$0	\$719,025	\$0	\$0	\$0	\$0	\$0	\$719,025
142	Prepaid Expenses and Other Assets	\$0	\$0	\$0	\$93,968	\$0	\$0	\$0	\$0	\$0	\$93,968
143	Inventories	\$0	\$0	\$0	\$239,317	\$0	\$0	\$0	\$0	\$0	\$239,317
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	(\$20,000)	\$0	\$0	\$0	\$0	\$0	(\$20,000)
144	Interprogram Due From	\$23,337	\$0	\$0	\$23,331	\$0	\$0	\$0	\$26,992	\$11,420	\$85,080
150	Total Current Assets	\$78,009	\$84,814	\$0	\$1,548,696	\$0	\$4,467	\$368,350	\$26,992	\$30,284	\$2,141,612
161	Land	\$0	\$0	\$0	\$1,150,687	\$0	\$0	\$0	\$0	\$0	\$1,150,687

Zanesville Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
June 30, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
162	Buildings	\$1,466,077	\$0	\$0	\$21,996,673	\$0	\$0	\$0	\$740,015	\$0	\$24,202,765
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$0	\$174,426	\$0	\$0	\$0	\$105,090	\$0	\$279,516
164	Furniture, Equipment & Machinery - Administration	\$4,292	\$0	\$0	\$450,038	\$0	\$0	\$22,661	\$144,393	\$0	\$621,384
165	Leasehold Improvements	\$0	\$0	\$0	\$3,148,567	\$0	\$0	\$0	\$392,276	\$0	\$3,540,843
166	Accumulated Depreciation	(\$103,557)	\$0	\$0	(\$16,846,645)	\$0	\$0	(\$6,468)	(\$135,293)	\$0	(\$17,091,963)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$1,366,812	\$0	\$0	\$10,073,746	\$0	\$0	\$16,193	\$1,246,481	\$0	\$12,703,232
190	Total Assets	\$1,444,821	\$84,814	\$0	\$11,622,442	\$0	\$4,467	\$384,543	\$1,273,473	\$30,284	\$14,844,844
311	Bank Overdraft	\$0	\$0	\$0	\$0	\$0	\$0	\$52,765	\$0	\$0	\$52,765
312	Accounts Payable <= 90 Days	\$0	\$267	\$0	\$71,354	\$0	\$0	\$5,816	\$0	\$0	\$77,437
321	Accrued Wage/Payroll Taxes Payable	\$0	\$128	\$0	\$56,693	\$0	\$0	\$12,541	\$0	\$0	\$69,362
322	Accrued Compensated Absences - Current Portion	\$0	\$3,500	\$0	\$45,000	\$0	\$0	\$15,000	\$0	\$0	\$63,500
331	Accounts Payable - HUD PHA Programs	\$0	\$34,679	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$34,679
341	Tenant Security Deposits	\$0	\$0	\$0	\$142,422	\$0	\$0	\$0	\$0	\$0	\$142,422
342	Deferred Revenues	\$0	\$0	\$0	\$3,750	\$0	\$0	\$0	\$26,992	\$11,420	\$42,162
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$25,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$25,000
346	Accrued Liabilities - Other	\$0	\$0	\$0	\$5,905	\$0	\$0	\$0	\$0	\$0	\$5,905
347	Interprogram Due To	\$0	\$0	\$0	\$61,749	\$0	\$4,467	\$0	\$0	\$18,864	\$85,080
310	Total Current Liabilities	\$25,000	\$38,574	\$0	\$386,873	\$0	\$4,467	\$86,122	\$26,992	\$30,284	\$598,312
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$769,470	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$769,470
352	Long-term Debt, Net of Current - Operating Borrowings	\$0	\$2,781	\$0	\$96,718	\$0	\$0	\$13,611	\$0	\$0	\$113,110

Zanesville Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change in Retained Earnings
FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
June 30, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
703	Net Tenant Rental Revenue	\$0	\$0	\$0	\$1,175,138	\$0	\$0	\$0	\$0	\$0	\$1,175,138
704	Tenant Revenue - Other	\$0	\$0	\$0	\$24,691	\$0	\$0	\$0	\$0	\$0	\$24,691
705	Total Tenant Revenue	\$0	\$0	\$0	\$1,199,829	\$0	\$0	\$0	\$0	\$0	\$1,199,829
706	HUD PHA Operating Grants	\$0	\$431,976	\$28,735	\$959,123	\$37,985	\$59,642	\$3,736,482	\$813,084	\$0	\$6,067,027
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$447,408	\$0	\$447,408
708	Other Government Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$176,845	\$176,845
711	Investment Income - Unrestricted	\$25,813	\$107	\$0	\$10,366	\$0	\$0	\$862	\$0	\$0	\$37,148
714	Fraud Recovery	\$0	\$0	\$0	\$0	\$0	\$0	\$20,951	\$0	\$0	\$20,951
715	Other Revenue	\$96,949	\$0	\$0	\$478	\$0	\$0	\$730	\$0	\$0	\$98,157
716	Gain/Loss on Sale of Fixed Assets	\$0	\$0	\$0	\$0	\$0	\$0	(\$4,070)	\$0	\$0	(\$4,070)
700	Total Revenue	\$122,762	\$432,083	\$28,735	\$2,169,796	\$37,985	\$59,642	\$3,754,955	\$1,260,492	\$176,845	\$8,043,295
911	Administrative Salaries	\$0	\$3,304	\$0	\$384,580	\$0	\$41,977	\$328,880	\$338,989	\$123,464	\$1,221,194
912	Auditing Fees	\$0	\$500	\$0	\$2,406	\$0	\$0	\$2,500	\$0	\$0	\$5,406
914	Compensated Absences	\$0	(\$1,397)	\$0	(\$39,345)	\$0	\$0	(\$9,425)	\$0	\$0	(\$50,167)
915	Employee Benefit Contributions - Administrative	\$0	\$1,345	\$0	\$177,626	\$0	\$7,936	\$113,283	\$33,805	\$25,829	\$359,824
916	Other Operating - Administrative	\$23,355	\$3,077	\$0	\$69,273	\$0	\$0	\$56,783	\$0	\$27,552	\$180,040
924	Tenant Services - Other	\$0	\$0	\$0	\$13,254	\$0	\$0	\$0	\$0	\$0	\$13,254
931	Water	\$0	\$0	\$0	\$73,096	\$0	\$0	\$0	\$0	\$0	\$73,096
932	Electricity	\$0	\$0	\$0	\$154,746	\$0	\$0	\$0	\$0	\$0	\$154,746
933	Gas	\$0	\$0	\$0	\$221,849	\$0	\$0	\$0	\$0	\$0	\$221,849
935	Labor	\$0	\$0	\$0	\$29,234	\$0	\$0	\$0	\$0	\$0	\$29,234
937	Employee Benefit Contributions - Utilities	\$0	\$0	\$0	\$13,489	\$0	\$0	\$0	\$0	\$0	\$13,489
938	Other Utilities Expense	\$0	\$0	\$0	\$153,876	\$0	\$0	\$0	\$0	\$0	\$153,876
941	Ordinary Maintenance and Operations - Labor	\$0	\$0	\$0	\$566,355	\$0	\$0	\$0	\$0	\$0	\$566,355
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$0	\$0	\$156,883	\$0	\$0	\$0	\$0	\$0	\$156,883

Zanesville Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change in Retained Earnings
FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
June 30, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$713	\$0	\$79,948	\$0	\$0	\$14,381	\$0	\$0	\$95,042
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$0	\$0	\$261,548	\$0	\$0	\$0	\$0	\$0	\$261,548
952	Protective Services - Other Contract Costs	\$0	\$0	\$0	\$0	\$37,985	\$9,729	\$0	\$223,279	\$0	\$270,993
953	Protective Services - Other	\$0	\$0	\$0	\$857	\$0	\$0	\$0	\$0	\$0	\$857
961	Insurance Premiums	\$0	\$0	\$0	\$98,739	\$0	\$0	\$3,924	\$0	\$0	\$102,663
962	Other General Expenses	\$0	\$0	\$0	\$23,154	\$0	\$0	\$102,293	\$0	\$0	\$125,447
964	Bad Debt - Tenant Rents	\$0	\$0	\$0	\$23,224	\$0	\$0	\$0	\$0	\$0	\$23,224
967	Interest Expense	\$44,942	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$44,942
969	Total Operating Expenses	\$68,297	\$7,542	\$0	\$2,464,792	\$37,985	\$59,642	\$612,619	\$596,073	\$176,845	\$4,023,795
970	Excess Operating Revenue over Operating Expenses	\$54,465	\$424,541	\$28,735	(\$294,996)	\$0	\$0	\$3,142,336	\$664,419	\$0	\$4,019,500
971	Extraordinary Maintenance	\$0	\$0	\$0	\$475	\$0	\$0	\$0	\$0	\$0	\$475
973	Housing Assistance Payments	\$0	\$409,287	\$28,735	\$0	\$0	\$0	\$3,207,673	\$0	\$0	\$3,645,695
974	Depreciation Expense	\$38,450	\$0	\$0	\$794,331	\$0	\$0	\$4,362	\$84,614	\$0	\$921,757
975	Fraud Losses	\$0	\$0	\$0	\$0	\$0	\$0	\$8,942	\$0	\$0	\$8,942
900	Total Expenses	\$106,747	\$416,829	\$28,735	\$3,259,598	\$37,985	\$59,642	\$3,833,596	\$680,687	\$176,845	\$8,600,664
1001	Operating Transfers In	\$0	\$0	\$0	\$217,012	\$0	\$0	\$0	\$0	\$0	\$217,012
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$217,012)	\$0	(\$217,012)
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$217,012	\$0	\$0	\$0	(\$217,012)	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$16,015	\$15,254	\$0	(\$872,790)	\$0	\$0	(\$78,641)	\$362,793	\$0	(\$557,369)
1103	Beginning Equity	\$0	\$28,412	\$0	\$12,546,485	\$0	\$0	\$315,306	\$883,688	\$0	\$13,773,891

Zanesville Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change in Retained Earnings
FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
June 30, 2004

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$634,336	(\$207)	\$0	(\$534,844)	\$0	\$0	\$18,834	\$0	\$0	\$118,119
	Ending Equity	\$650,351	\$43,459	\$0	\$11,138,851	\$0	\$0	\$255,499	\$1,246,481	\$0	\$13,334,641
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$531,115	\$0	\$0	\$0	\$0	\$3,452,710	\$0	\$0	\$3,983,825
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$226,522	\$0	\$0	\$0	\$0	\$335,376	\$0	\$0	\$561,898
1116	Total Annual Contributions Available	\$0	\$757,637	\$0	\$0	\$0	\$0	\$3,788,086	\$0	\$0	\$4,545,723
1120	Unit Months Available	0	1,152	84	8,088	0	0	10,908	0	0	20,232
1121	Number of Unit Months Leased	0	1,152	99	8,088	0	0	11,026	0	0	20,365

Zanesville Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
June 30, 2004

Capital Fund Program Number OH16P00950101

1. The Program Costs are as follows:

Funds Approved	\$1,387,940
Funds Expended	<u>1,387,940</u>
Excess (Deficiency) of Funds Approved	<u>\$ -0-</u>
Funds Advanced	\$1,387,940
Funds Expended	<u>1,387,940</u>
Excess (Deficiency) of Funds Advanced	<u>\$ -0-</u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on August 23, 2003.
4. The final costs on the certification agree to the Authority's records.

Zanesville Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
June 30, 2004

Capital Fund Program Number OH16P00950102

1. The Program Costs are as follows:

Funds Approved	\$1,318,773
Funds Expended	<u>1,318,773</u>
Excess (Deficiency) of Funds Approved	<u>\$ -0-</u>
Funds Advanced	\$1,318,773
Funds Expended	<u>1,318,773</u>
Excess (Deficiency) of Funds Advanced	<u>\$ -0-</u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on September 21, 2004.
4. The final costs on the certification agree to the Authority's records.

Zanesville Metropolitan Housing Authority
PHA's Statement and Certification of Actual Cost
June 30, 2004

Resident Opportunity and Supportive Service Grant Number OHOORSF009P0080

5. The Program Costs are as follows:

Funds Approved	\$150,000
Funds Expended	<u>150,000</u>
Excess (Deficiency) of Funds Approved	<u>\$ -0-</u>
Funds Advanced	\$150,000
Funds Expended	<u>150,000</u>
Excess (Deficiency) of Funds Advanced	<u>\$ -0-</u>

6. All costs have been paid and there are no outstanding obligations.
7. The Final Financial Status Report was signed and filed on October 06, 2004.
8. The final costs on the certification agree to the Authority's records.

Zanesville Metropolitan Housing Authority
 Schedule of Expenditures of Federal Award
 For the Year Ended June 30, 2004

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Section 8 New Construction	14-182	\$431,976
Shelter Plus Care	14.238	28,735
Low Rent Public Housing	14.850a	959,123
Drug Elimination Grant	14.854	37,985
Resident Opportunity and Supportive Services	14.870	59,642
Housing Choice Vouchers	14.871	3,736,482
Public Housing Capital Fund Program	14.872	<u>1,260,492</u>
Total Expenditure of Federal Award		<u><u>\$6,514,435</u></u>



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

Board of Directors
Zanesville Metropolitan Housing Authority

I have audited the basic financial statements of the Zanesville Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2004, and have issued my report thereon dated February 4, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Zanesville Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal component does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of the Zanesville Metropolitan Housing Authority, Ohio, in a separate letter dated February 4, 2005.

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



Salvatore Consiglio, CPA, Inc.

February 4, 2005



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

Board of Directors
Zanesville Metropolitan Housing Authority

Compliance

I have audited the compliance of the Zanesville Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Zanesville Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Zanesville Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Zanesville Metropolitan Housing Authority, Ohio's compliance based on my audit.

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

In my opinion, Zanesville Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

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



Salvatore Consiglio, CPA, Inc.

February 4, 2005

Zanesville Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 June 30, 2004

1. SUMMARY OF AUDITOR'S 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):	CFDA # 14.7871 Housing Choice Voucher
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There are no Findings or questioned costs for the year ended June 30, 2004.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no Findings or questioned costs for the year ended June 30, 2004.

Zanesville Metropolitan Housing Authority
Schedule of Prior Audit Findings
June 30, 2004

The audit report for the fiscal year ending June 30, 2003 contained no audit findings.



**Auditor of State
Betty Montgomery**

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ZANESVILLE METROPOLITAN HOUSING AUTHORITY

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 14, 2005**