

**BASIC FINANCIAL STATEMENTS  
AND SINGLE AUDIT**

**of the**

**ALLEN METROPOLITAN  
HOUSING AUTHORITY**

**for the**

**Year Ended June 30, 2006**





Mary Taylor, CPA  
Auditor of State

Board of Directors  
Allen Metropolitan Housing Authority  
600 South Main Street  
Lima, Ohio 45804

We have reviewed the *Independent Auditors' Report* of the Allen Metropolitan Housing Authority, Allen County, prepared by Jones, Cochenour & Co., for the audit period July 1, 2005 through June 30, 2006. 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 Allen Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 26, 2007

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125 West Mulberry Street  
Lancaster, Ohio 43130

[www.JCCcpa.com](http://www.JCCcpa.com)

740.653.9581 tel

614.837.2921 tel

740.653.0983 fax

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Allen Metropolitan Housing Authority  
Lima, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited the accompanying financial statements of Allen Metropolitan Housing Authority, as of and for the year ended June 30, 2006, as listed in the table of contents. These basic financial statements are the responsibility of the Allen Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Allen Metropolitan Housing Authority, as of June 30, 2006, and the results of its operations and the cash flows of its proprietary fund type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2006 on our consideration of Allen Metropolitan Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in The United State of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion 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 supplemental data listed in the table of contents as the FDS Schedule and cost certifications are presented for purposes of additional analysis and are not a required part of the financial statements of the Allen Metropolitan Housing Authority. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Jones, Cochenour & Co.  
December 10, 2006

*much more than an accounting firm*

**Allen Metropolitan Housing Authority**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**  
**UNAUDITED**

The following discussion and analysis of the Allen Metropolitan Housing Authority (the "Authority") is to provide an introduction to the basic financial statements for the fiscal year ended June 30, 2006 with selected comparative information for the fiscal year ended June 30, 2005. 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 2006 by \$13,612,753 (net assets). Of this amount, \$3,594,596 (unrestricted net assets) may be used to meet the Authority's ongoing obligations to citizens and creditors.
- Capital assets decreased by \$336,952.
- Net assets increased by \$513,730 for the fiscal year ended June 30, 2006.
- Operating revenues increased \$17,247 primarily due to increased tenant rental revenues and additional Grant monies.
- Non operating revenue increased due to investment incomes and collections in both Public Housing and the Housing Choice Voucher program. Rising interest rates for both the money market, sweep, and CD accounts help account for this increase of \$28,105.

**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.

**Authority Activity Highlights**

**Revenues and Expenses**

The following is a summary of the results of operations of the Authority for the fiscal year ended June 30, 2006 and 2005:

	2006	Restated 2005
Operating revenues	\$ 7,783,877	\$ 7,766,630
Operating expenses	7,712,257	7,897,601
Operating income (loss)	71,620	(130,971)
Nonoperating:		
Revenue	99,946	71,841
Expenses	-	-
Capital contributions	342,164	497,106
Change in net assets	513,730	437,976
Total Net Assets- Beginning of year	13,099,023	12,625,503
Prior period adjustments	-	35,544
Total Net Assets- Beginning of year, restated	13,099,023	12,661,047
Total Net Assets- End of year	\$ 13,612,753	\$ 13,099,023

**Allen Metropolitan Housing Authority**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**  
**UNAUDITED**

**Housing Units Managed**

The following table shows housing units managed by the Authority for the fiscal years ended June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Owned by Authority	251	251
Units under vouchers	1,041	1,041
Units under Mod Rehab	-	-
Units under NC SR	<u>386</u>	<u>386</u>
Total Housing Units Managed	<u><u>1,678</u></u>	<u><u>1,678</u></u>

The Section 8 Voucher lease up rate averaged 95 percent during FY 2006. A huge push in lease up has the authority at 105% through November of FY 2007 with a drop anticipated through attrition to 99%. No further increase in additional housing units is expected.

**Changes in Net Assets**

Total net assets decreased from the previous year by \$336,952. 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, 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Capital assets	\$ 19,352,158	18,988,414
Less:		
Capital related debt	-	-
Accumulated depreciation	<u>(9,334,001)</u>	<u>(8,633,305)</u>
Total capital assets, net	<u><u>\$ 10,018,157</u></u>	<u><u>\$ 10,355,109</u></u>



**Allen Metropolitan Housing Authority**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**  
**UNAUDITED**

**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 are the difference between total assets and total liabilities and are 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, 2006 and 2005.

	<u>2006</u>	<u>Restated 2005</u>
<b>Assets:</b>		
Current assets	\$ 3,948,562	\$ 3,085,984
Capital assets	<u>10,018,157</u>	<u>10,355,109</u>
Total Assets	<u>13,966,719</u>	<u>13,441,093</u>
<b>Liabilities:</b>		
Current liabilities	308,618	269,752
Long-term liabilities	<u>45,348</u>	<u>72,318</u>
Total Liabilities	<u>353,966</u>	<u>342,070</u>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	10,018,157	10,355,109
Unrestricted	<u>3,594,596</u>	<u>2,743,914</u>
Total net assets	<u>\$ 13,612,753</u>	<u>\$ 13,099,023</u>

**Capital Assets**

Capital assets are 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, 2006:

Land	\$ 962,830
Building and Improvements	17,861,478
Furniture and equipment	<u>527,850</u>
	19,352,158
Less: accumulated depreciation	<u>(9,334,001)</u>
Capital assets, net	<u>\$ 10,018,157</u>

**Debt Administration**

The authority did not have any debt for the current fiscal year.

**Allen Metropolitan Housing Authority**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2006**  
**UNAUDITED**

**Economic Factors**

The economic outlook for AMHA remains cautious. According to the most current information available on changes pending at the U.S. Department of Housing and Urban Development, Public Housing operating subsidy will be decreased by 14%. Administrative funding for the Section 8 Housing Choice Voucher program is expected to be reduced by 8%.

AMHA will continue to approach these decreases by making sound financial decisions including cutting expenses, streamlining internal procedures and attempting to diversify our income through non-HUD sources. Negative employment factors such as stagnant job growth and a sluggish market continue to plague us locally. Additional sources of revenue will continue to be sought out with new ROSS grant funds and Shelter Plus Care Grant monies adding to our administrative income for FY2007. We are also in a partnership with a tax credit project that we hope will generate revenue. Our High Performer Status in the PHAS scoring continues to make Capital Fund monies available to supplement operations.

**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 Cindi Ring Parr, Executive Director, Allen Metropolitan Housing Authority.

**Allen Metropolitan Housing Authority  
Statement of Net Assets  
June 30, 2006**

**ASSETS**

Cash and cash equivalents	\$	3,632,157
Investments		236,720
Receivables - net of allowance		34,682
Inventories - net of allowance		14,845
Prepaid expenses and other assets		<u>30,158</u>
<b>TOTAL CURRENT ASSETS</b>		<b>3,948,562</b>
Land		962,830
Capital assets - net		<u>9,055,327</u>
<b>TOTAL CAPITAL ASSETS</b>		<b>10,018,157</b>
<b>TOTAL ASSETS</b>		<b>13,966,719</b>

**LIABILITIES**

Accounts payable		8,364
Accrued liabilities		93,530
Intergovernmental payables		91,430
Tenant security deposits		46,383
Deferred revenue		<u>68,911</u>
<b>TOTAL CURRENT LIABILITIES</b>		<b>308,618</b>
Accrued compensated absences		26,678
FSS liability		<u>18,670</u>
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>45,348</b>
<b>TOTAL LIABILITIES</b>		<b>353,966</b>

**NET ASSETS**

Invested in capital assets - net of related debt		10,018,157
Unrestricted net assets		<u>3,594,596</u>
<b>NET ASSETS</b>	<b>\$</b>	<b><u><u>13,612,753</u></u></b>

See accompanying notes to the basic financial statements

**Allen Metropolitan Housing Authority  
Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2006**

<b>OPERATING REVENUE</b>	
Tenant revenue	\$ 294,477
HUD operating grants	7,442,743
Other revenues	<u>46,657</u>
<b>TOTAL OPERATING REVENUE</b>	<b>7,783,877</b>
 <b>OPERATING EXPENSES</b>	
Administrative	1,002,157
Tenant services	6,357
Utilities	74,108
Maintenance	444,620
General	184,317
Housing assistance payments	5,300,002
Depreciation	<u>700,696</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>7,712,257</u></b>
<b>OPERATING INCOME</b>	<b>71,620</b>
 <b>NON-OPERATING REVENUE</b>	
Interest income	99,946
HUD capital grants	<u>342,164</u>
<b>CHANGE IN NET ASSETS</b>	<b>513,730</b>
<b>NET ASSETS BEGINNING OF YEAR - RESTATED</b>	<b><u>13,099,023</u></b>
<b>NET ASSETS END OF YEAR</b>	<b><u><u>\$ 13,612,753</u></u></b>

See accompanying notes to the basic financial statements

**Allen Metropolitan Housing Authority  
Statement of Cash Flows  
Year Ended June 30, 2006**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from tenants	\$ 292,319
Cash received from HUD	7,465,835
Cash payments for other operating expenses	<u>(6,875,294)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>882,860</b>
 <b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>	
Capital grants received for capital assets	342,164
Acquisition of capital assets	<u>(363,744)</u>
<b>NET CASH PROVIDED BY CAPITAL AND FINANCIAL ACTIVITIES</b>	<b>(21,580)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment activity	<u>91,405</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>952,685</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u><u>2,679,472</u></u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>\$ <u><u>3,632,157</u></u></b>
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED FOR) OPERATING ACTIVITIES</b>	
Operating income	\$ 71,620
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	700,695
(Increase) decrease in:	
Receivables - net of allowance	39,122
Inventories - net of allowance	114
Prepaid expenses and other assets	59,408
Increase (decrease) in:	
Accounts payable	4
Accrued liabilities	20,655
Intergovernmental payables	18,188
Accrued compensated absences	9,033
Tenant security deposits	24
FSS liabilities	<u>(36,003)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ <u><u>882,860</u></u></b>

See accompanying notes to the basic financial statements

Allen Metropolitan Housing Authority  
Notes to the Basic Financial Statements  
Fiscal Year Ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Allen Metropolitan Housing Authority (the “Authority”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after November 30, 1989, to its business-type activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the Authority’s accounting policies are described below.

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

- The financial statements include:
  - A Management Discussion and Analysis (MD&A) section providing analysis of the Authority’s overall financial position and results of operations.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Authority elected to implement the provisions of the Statement for the year ended June 30, 2004.

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 nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the “primary government”. A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability are the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity. The Authority is not a component unit of any larger entity.

Basis of Presentation

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

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

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

Fund Accounting

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

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

Allen Metropolitan Housing Authority  
Notes to the Basic Financial Statements  
Fiscal Year Ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Proprietary Fund Types**

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

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

**Measurement Focus/Basis of Accounting**

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

**Investments**

Investments are restricted by the provisions of the HUD Regulations (See Note 3). Investments are valued at market value. Interest income earned in fiscal year 2006 totaled \$99,946.

**Fixed Assets**

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

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

**Cash and Cash Equivalents**

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

**Interprogram payables/receivables**

These represent balances between the programs and are noted on the FDS schedule. The balances are eliminated on the basic financial statements.

Allen Metropolitan Housing Authority  
Notes to the Basic Financial Statements  
Fiscal Year Ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated Absences

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

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

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

Capital Contributions

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

Budgetary Accounting

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

Estimates

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

Receivables – net of allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for uncollectable receivables was \$200 at June 30, 2006.

Inventories

Inventories are stated at cost. The allowance for obsolete inventory was \$1,700 at June 30, 2006.

Accounting and Reporting for Nonexchange Transactions

The Authority adopted GASB 33 effective for the year ended June 30, 2002. Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of nonexchange transactions as follows:

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



Allen Metropolitan Housing Authority  
Notes to the Basic Financial Statements  
Fiscal Year Ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounting and Reporting for Nonexchange Transactions - Continued

- Voluntary nonexchange transactions: result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).

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

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

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

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

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

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

2. CASH

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

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

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

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

Allen Metropolitan Housing Authority  
Notes to the Basic Financial Statements  
Fiscal Year Ended June 30, 2006

2. CASH - CONTINUED

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

At fiscal year end June 30, 2006, the carrying amount of the Authority's deposits totaled \$3,868,877 and its bank balance was \$3,888,652. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2006, \$3,588,652 was exposed to custodial risk as discussed below, while \$300,000 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

3. RISK MANAGEMENT

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

4. CAPITAL ASSETS

The following is a summary:

	Balance 6/30/05	Net Additions / Deletions	Balance 6/30/06
<b>CAPITAL ASSETS, NOT BEING DEPRECIATED</b>			
Land	\$ 962,830	\$ -	\$ 962,830
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>\$ 962,830</b>	<b>\$ -</b>	<b>\$ 962,830</b>
<b>CAPITAL ASSETS, BEING DEPRECIATED</b>			
Buildings and Improvements	\$ 17,537,559	\$ 323,919	\$ 17,861,478
Furniture and equipment	488,025	39,825	527,850
Totals at Historical Costs	18,025,584	363,744	19,352,158
Less: Accumulated Depreciation	(8,633,305)	(700,696)	(9,334,001)
<b>TOTAL CAPITAL ASSETS, NET BEING DEPRECIATED</b>	<b>\$ 9,392,279</b>	<b>\$ (336,952)</b>	<b>\$ 9,055,327</b>

The depreciation expense for the year then ended June 30, 2006 was \$700,696.

Allen Metropolitan Housing Authority  
Notes to the Basic Financial Statements  
Fiscal Year Ended June 30, 2006

**5. DEFINED BENEFIT PENSION PLANS – PUBLIC EMPLOYEES RETIREMENT SYSTEM**

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

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members are required to contribute 8.5 percent of their annual covered payroll to fund pension obligations and the Authority was required to contribute 13.55 percent of covered payroll during 2006. The Authority's required contributions, including the pick up portion for certain employees for the years ended June 30, 2006, 2005 and 2004 were \$103,294, \$105,486, and \$102,793, respectively. All required payments of contributions have been made through June 30, 2006.

**6. POST RETIREMENT BENEFIT PLAN**

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

OPERS provides retirement, disability, survivor and post retirement health care benefits to qualifying members of both the Traditional and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by the Ohio Revised Code. The 2005 employer contribution rate was 13.55 percent of covered payroll, and 4.00 percent was used to fund health care for the year.

The assumptions and calculations below were based on the System's latest actuarial review performed as of December 31, 2005.

An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2005 was 8.00 percent. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay

Allen Metropolitan Housing Authority  
Notes to the Basic Financial Statements  
Fiscal Year Ended June 30, 2006

**6. POST RETIREMENT BENEFIT PLAN - CONTINUED**

increases over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4.00 percent (the projected wage inflation rate).

OPEBs are advance-funded on an actuarially determined basis. At December 31, 2005, the number of active contributing participants in the Traditional and Combined Plans totaled 376,109. The number of active contributing participants for both plans used in the December 31, 2004, actuarial valuation was 355,287. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2004 were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were, \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Prevention Plan (HCPP) with an effective date of January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

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

**7. FDS SCHEDULE SUBMITTED TO HUD**

For the fiscal year ended June 30, 2006, the Authority electronically submitted an unaudited version of the combining balance sheet, statement of revenues, expenses and changes in retained earnings and other data to HUD as required on the GAAP basis. The audited version of the FDS schedules are in the supplemental data. The schedules are presented in the manner prescribed by Housing and Urban Development.

**8. NET ASSETS AND PRIOR PERIOD ADJUSTMENTS**

	Total	Investments in Fixed Assets	Unrestricted Net Assets
Beginning Balance	\$ 12,569,167	\$ 10,355,109	\$ 2,214,058
Correction of classification of deferred revenue	292,696	-	292,696
Correction of Hud Reports	210,324	-	210,324
Administrative funds received for 2004	26,836		26,836
Beginning Balance, Corrected	<u>\$ 13,099,023</u>	<u>\$ 10,355,109</u>	<u>\$ 2,743,914</u>

Allen Metropolitan Housing Authority  
Balance Sheet  
FDS Schedule Submitted to HUD  
Proprietary Fund Type  
Enterprise Fund  
June 30, 2006

FDS Line Item No.	Account Description	14.850 Public & Indian Hsg	14.871 Section 8 Vouchers	14.182 Section 8 NC/SR	14.850b Develop	14.872 Capital Fund	Other Business Activity	TOTAL
<b>ASSETS</b>								
111	Cash - unrestricted	\$ 781,701	\$ 1,826,682	\$ (3,745)	\$ 68,911	\$ -	\$ 12,617	\$ 2,686,166
113	Cash - other restricted	585,674	18,670	-	-	-	-	604,344
114	Cash - tenant security deposits	54,412	-	-	-	-	-	54,412
115	Cash - Restricted for payment of current liabilities	131,679	79,313	76,243	-	-	-	287,235
100	TOTAL CASH	1,553,466	1,924,665	72,498	68,911	-	12,617	3,632,157
122	Accounts receivable - HUD other proj	-	-	3,745	-	28,046	-	31,791
125	Accounts receivable - miscellaneous	-	-	-	-	-	-	-
126	A/R Tenants - dwelling rents	3,091	-	-	-	-	-	3,091
126.1	Allowance for doubtful accts	(200)	-	-	-	-	-	(200)
127	Notes and mortgages rec - current	124,861	-	-	-	-	-	124,861
127.1	Allowance for notes	(124,861)	-	-	-	-	-	(124,861)
120	TOTAL ACCOUNTS RECEIVABLE	2,891	-	3,745	-	28,046	-	34,682
131	Investments - unrestricted	-	-	-	-	-	236,720	236,720
142	Prepaid expenses and other assets	30,158	-	-	-	-	-	30,158
143	Inventories	16,545	-	-	-	-	-	16,545
143.1	Allowance for obsolete inventory	(1,700)	-	-	-	-	-	(1,700)
144	Interprogram due from	53,046	-	-	-	-	-	53,046
150	TOTAL CURRENT ASSETS	1,654,406	1,924,665	76,243	68,911	28,046	249,337	4,001,608
161	Land	763,920	-	-	198,910	-	-	962,830
162	Buildings	14,372,336	-	-	2,535,642	742,082	-	17,650,060
163	Furniture and equipment - dwellings	73,709	-	-	-	1,080	-	74,789
164	Furniture and equipment - admin	340,362	70,715	-	6,075	35,909	-	453,061
165	Leasehold improvements	74,525	-	-	-	136,893	-	211,418
166	Accumulated depreciation	(8,361,939)	(52,308)	-	(867,694)	(52,060)	-	(9,334,001)
160	TOTAL FIXED ASSETS, NET	7,262,913	18,407	-	1,872,933	863,904	-	10,018,157
180	TOTAL NON-CURRENT ASSETS	7,262,913	18,407	-	1,872,933	863,904	-	10,018,157
190	TOTAL ASSETS	\$ 8,917,319	\$ 1,943,072	\$ 76,243	\$ 1,941,844	\$ 891,950	\$ 249,337	\$ 14,019,765

See independent auditors' report

Allen Metropolitan Housing Authority  
Balance Sheet  
FDS Schedule Submitted to HUD  
Proprietary Fund Type  
Enterprise Fund  
June 30, 2006

FDS Line Item No.	Account Description	14.850 Public & Indian Hsg	14.871 Section 8 Vouchers	14.182 Section 8 NC/SR	14.850b Develop	14.872 Capital Fund	Other Business Activity	TOTAL
	<b>LIABILITIES</b>							
312	Accounts payable <=90 days	\$ 5,312	\$ 3,052	\$ -	\$ -	\$ -	\$ -	\$ 8,364
321	Accrued wages/payroll taxes	17,269	34,554					51,823
322	Accrued compensated absences	25,000	16,707	-	-	-	-	41,707
331	Accounts payable - HUD PHA programs	-	-	76,243	-	-	-	76,243
333	Accounts payable - other govt	15,187	-	-	-	-	-	15,187
341	Tenant security deposits	46,383	-	-	-	-	-	46,383
342	Deferred revenue	-	-	-	68,911	-	-	68,911
347	Interprogram due to	-	25,000	-	-	28,046	-	53,046
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>109,151</b>	<b>79,313</b>	<b>76,243</b>	<b>68,911</b>	<b>28,046</b>	<b>-</b>	<b>361,664</b>
353	Noncurrent liabilities - other	-	18,670	-	-	-	-	18,670
354	Accrued compensated absences - noncurrent	15,996	10,682	-	-	-	-	26,678
350	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>15,996</b>	<b>29,352</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,348</b>
300	<b>TOTAL LIABILITIES</b>	<b>125,147</b>	<b>108,665</b>	<b>76,243</b>	<b>68,911</b>	<b>28,046</b>	<b>-</b>	<b>407,012</b>
513	<b>TOTAL EQUITY</b>	<b>8,792,172</b>	<b>1,834,407</b>	<b>-</b>	<b>1,872,933</b>	<b>863,904</b>	<b>249,337</b>	<b>13,612,753</b>
600	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 8,917,319</b>	<b>\$ 1,943,072</b>	<b>\$ 76,243</b>	<b>\$ 1,941,844</b>	<b>\$ 891,950</b>	<b>\$ 249,337</b>	<b>\$ 14,019,765</b>

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**Allen Metropolitan Housing Authority**  
**Statement of Revenues, Expenses and Changes in Retained Earnings**  
**FDS Schedule Submitted to HUD**  
**Proprietary Fund Type**  
**Enterprise Fund**  
**Year Ended June 30, 2006**

FDS Line Item No.	Account Description	14.850 Public & Indian Hsg	14.871 Section 8 Vouchers	14.182 Section 8 NC/SR	14.850b Develop	14.872 Capital Fund	Other Business Activity	TOTAL
	<b>REVENUE</b>							
703	Net tenant revenue	\$ 294,477	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 294,477
704	Tenant revenue - other	-	-	-	-	-	-	-
705	<b>TOTAL TENANT REVENUE</b>	<b>294,477</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>294,477</b>
706	PHA HUD grants	687,882	5,071,534	1,541,268	-	142,059	-	7,442,743
706.1	Capital contributions	-	-	-	-	342,164	-	342,164
711	Investment income - unrestricted	57,226	34,124	-	-	-	8,596	99,946
714	Fraud recovery	-	29,119	-	-	-	-	29,119
715	Other revenue	17,538	-	-	-	-	-	17,538
720	Investment income - restricted	-	-	-	-	-	-	-
700	<b>TOTAL REVENUE</b>	<b>1,057,123</b>	<b>5,134,777</b>	<b>1,541,268</b>	<b>-</b>	<b>484,223</b>	<b>8,596</b>	<b>8,225,987</b>
	<b>EXPENSES</b>							
911	Administrative salaries	262,506	284,211	77,500	-	-	-	624,217
912	Auditing fees	1,668	5,950	1,232	-	-	-	8,850
914	Compensated absences	10,046	6,425	-	-	-	-	16,471
915	Employee benefit contrib - admin	117,801	46,786	14,500	-	-	-	179,087
916	Other operating - administrative	41,116	91,943	39,238	-	-	1,236	173,533
924	Tenant services - other	6,357	-	-	-	-	-	6,357
931	Water	16,356	-	-	-	-	-	16,356
932	Electricity	26,921	-	-	-	-	-	26,921
933	Gas	30,831	-	-	-	-	-	30,831
941	Ord maintenance/op - labor	135,283	-	-	-	-	-	135,283
942	Ord maintenance/op - materials	64,515	-	-	-	117,059	-	181,574
943	Ord maintenance/op - cont costs	64,551	-	-	-	-	4,749	69,300
945	Emp benefit contrib - ord main	58,021	-	-	-	-	-	58,021

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**Allen Metropolitan Housing Authority**  
**Statement of Revenues, Expenses and Changes in Retained Earnings**  
**FDS Schedule Submitted to HUD**  
**Proprietary Fund Type**  
**Enterprise Fund**  
**Year Ended June 30, 2006**

FDS Line Item No.	Account Description	14.850 Public & Indian Hsg	14.871 Section 8 Vouchers	14.182 Section 8 NC/SR	14.850b Develop	14.872 Capital Fund	Other Business Activity	TOTAL
	<b>EXPENSES - CONTINUED</b>							
961	Insurance premiums	\$ 131,788	\$ 17,226	\$ -	\$ -	\$ -	\$ -	\$ 149,014
963	PILOT	22,038	-	-	-	-	-	22,038
964	Bad debts - tenant rents	13,265	-	-	-	-	-	13,265
969	<b>TOTAL OPERATING EXPENSES</b>	<b>1,003,063</b>	<b>452,541</b>	<b>132,470</b>	<b>-</b>	<b>117,059</b>	<b>5,985</b>	<b>1,711,118</b>
970	<b>EXCESS OPERATING REVENUE OVER EXPENSES</b>	<b>54,060</b>	<b>4,682,236</b>	<b>1,408,798</b>	<b>-</b>	<b>367,164</b>	<b>2,611</b>	<b>6,514,869</b>
971	Extraordinary Maintenance	442	-	-	-	-	-	442
973	Housing Assistance Payments	-	3,876,140	1,423,862	-	-	-	5,300,002
974	Depreciation expense	574,037	7,899	-	90,320	28,439	-	700,695
900	<b>TOTAL EXPENSES</b>	<b>1,577,542</b>	<b>4,336,580</b>	<b>1,556,332</b>	<b>90,320</b>	<b>145,498</b>	<b>5,985</b>	<b>7,712,257</b>
1001	Operating transfers in	25,000	-	-	-	-	-	25,000
1002	Operating transfers out	-	-	-	-	(25,000)	-	(25,000)
1000	<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>(495,419)</b>	<b>798,197</b>	<b>(15,064)</b>	<b>(90,320)</b>	<b>313,725</b>	<b>2,611</b>	<b>513,730</b>
1103	Beginning equity	9,287,591	506,313	15,105	1,963,253	550,179	246,726	12,569,167
1104	HUD year end settlement report adj.	-	-	(41)	-	-	-	(41)
1104	Change of classification	-	292,696	-	-	-	-	292,696
1104	Receipt of admin fund 2004	-	26,836	-	-	-	-	26,836
1104	Remove from HUD payable	-	210,365	-	-	-	-	210,365
	<b>ENDING EQUITY</b>	<b>\$ 8,792,172</b>	<b>\$ 1,834,407</b>	<b>\$ -</b>	<b>\$ 1,872,933</b>	<b>\$ 863,904</b>	<b>\$ 249,337</b>	<b>\$ 13,612,753</b>

See independent auditors' report



**Allen Metropolitan Housing Authority  
Cost Certifications**

	<u>501-02</u>	<u>501-03</u>	<u>502-03</u>
<b>TOTAL EXPENDED</b>	<u>\$ 498,402</u>	<u>\$ 410,079</u>	<u>\$ 81,726</u>
<b>TOTAL RECEIVED</b>	<u>\$ 498,402</u>	<u>\$ 410,079</u>	<u>\$ 81,726</u>

1. The actual cost certificates were signed by the Authority on February 7, 2006 (501-02), February 7, 2006 (501-03) and April 11, 2006 (502-03)
2. All costs have been paid through June 30, 2006 and there are no outstanding liabilities.
3. The final costs on the certificates agree with the Authority's records.

**Allen Metropolitan Housing Authority  
Schedule of Federal Awards Expenditures  
Year Ended June 30, 2006**

	<b>FEDERAL CFDA NUMBER</b>	<b>FUNDS EXPENDED</b>
<b><u>FROM U.S. DEPARTMENT OF HUD</u></b>		
<b><u>DIRECT PROGRAMS</u></b>		
<b>PHA Owned Housing:</b>		
Public and Indian Housing	14.850a	\$ 687,882
Public Housing Capital Fund	14.872	484,223
<b>Housing Assistance Payments:</b>		
<b>Annual Contribution -</b>		
Section 8 Housing Choice Vouchers	14.871	5,071,534
Section 8 - NC/SR	14.182	1,541,268
<b>Total - All Programs</b>		<b>\$ 7,784,907</b>



125 West Mulberry Street  
Lancaster, Ohio 43130

[www.JCCcpa.com](http://www.JCCcpa.com)

740.653.9581 tel

614.837.2921 tel

740.653.0983 fax

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

Board of Directors  
Allen Metropolitan Housing Authority  
Lima, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited the basic financial statements of Allen Metropolitan Housing Authority as of and for the year ended June 30, 2006, and have issued our report thereon dated December 10, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard 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 Allen Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 Allen Metropolitan Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted one matter that we have reported in a separate letter dated December 10, 2006.

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

Jones, Cochenour & Co.  
December 10, 2006

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125 West Mulberry Street  
Lancaster, Ohio 43130

[www.JCCcpa.com](http://www.JCCcpa.com)

740.653.9581 tel

614.837.2921 tel

740.653.0983 fax

**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  
Allen Metropolitan Housing Authority  
Lima, Ohio**

**Regional Inspector General of Audit  
Department of Housing and Urban  
Development**

**Compliance**

We have audited the compliance of Allen Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended June 30, 2006. Allen Metropolitan Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Allen Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Allen Metropolitan Housing Authority's compliance based on our audit.

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

In our opinion, Allen Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

**Internal Control Over Compliance**

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

*much more than an accounting firm*

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, Auditor of State, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Jones, Cochenour & Co.  
December 10, 2006

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

**Allen Metropolitan Housing Authority  
June 30, 2006**

<b>1. SUMMARY OF AUDITORS' RESULTS</b>
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<b>Type of Financial Statement Opinion</b>	<b>Unqualified</b>
<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	<b>No</b>
<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	<b>No</b>
<b>Type of Major Programs' Compliance Opinion</b>	<b>Unqualified</b>
<b>Are there any reportable findings under § .510?</b>	<b>No</b>
<b>Major Programs (list):</b>	<b>Public Housing CFDA #14.850 New Construction CFDA #14.182 Capital Grant Fund CFDA # 14.872</b>
<b>Dollar Threshold: Type A/B Programs</b>	<b>\$300,000</b>
<b>Low Risk Auditee?</b>	<b>Yes</b>

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

**Allen Metropolitan Housing Authority  
June 30, 2006**

<b>2. FINDINGS RELATED TO FINANCIAL STATEMENTS</b>
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**There are no findings or questioned costs for the year ended June 30, 2006.**

<b>3. FINDINGS RELATED TO FEDERAL AWARDS</b>
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**There are no findings or questioned costs for the year ended June 30, 2006.**







**Mary Taylor, CPA**  
Auditor of State

**ALLEN METROPOLITAN HOUSING AUTHORITY**

**ALLEN 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  
MARCH 8, 2007**