

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

of the

**ALLEN METROPOLITAN
HOUSING AUTHORITY**

for the

Year Ended June 30, 2007



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, 2006 through June 30, 2007. 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

December 6, 2007

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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, 2007, 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, 2007, 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 September 19, 2007 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.
September 19, 2007

much more than an accounting firm

Allen Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007
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, 2007 with selected comparative information for the fiscal year ended June 30, 2006. 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 2007 by \$13,447,701 (net assets). Of this amount, \$3,656,365 (unrestricted net assets) may be used to meet the Authority's ongoing obligations to citizens and creditors.
- Capital assets decreased by \$61,724.
- Net assets decreased by \$165,230 for the fiscal year ended June 30, 2007.
- Operating revenues decreased \$316,179 primarily due to decreased funding.
- 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 and a gain on sale of properties help account for this increase of \$89,824.

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, 2007 and 2006:

	2007	Restated 2006
Operating revenues	\$ 7,467,698	\$ 7,783,877
Operating expenses	8,383,483	7,712,257
Operating income (loss)	(915,785)	71,620
Nonoperating:		
Revenue	189,770	99,946
Expenses	-	-
Capital contributions	560,785	342,164
Change in net assets	(165,230)	513,730
Total Net Assets- Beginning of year	13,612,931	13,099,023
Prior period adjustments	-	178
Total Net Assets- Beginning of year, restated	13,612,931	13,099,201
Total Net Assets- End of year	\$ 13,447,701	\$ 13,612,931

Allen Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007
UNAUDITED

Housing Units Managed

The following table shows housing units managed by the Authority for the fiscal years ended June 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Owned by Authority	249	251
Units under vouchers	1,041	1,041
Units under NC SR	386	386
Total Housing Units Managed	<u>1,676</u>	<u>1,678</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 Capital Assets

Total capital assets decreased from the previous year by \$61,724. 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, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Capital assets	\$ 19,955,139	\$ 19,352,158
Less:		
Accumulated depreciation	<u>(9,998,706)</u>	<u>(9,334,001)</u>
Total capital assets, net	<u>\$ 9,956,433</u>	<u>\$ 10,018,157</u>

Allen Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007
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, 2007 and 2006.

	<u>2007</u>	<u>Restated 2006</u>
Assets:		
Current assets	\$ 3,955,724	\$ 3,948,740
Capital assets	<u>9,956,433</u>	<u>10,018,157</u>
Total Assets	<u>13,912,157</u>	<u>13,966,897</u>
Liabilities:		
Current liabilities	256,442	308,618
Long-term liabilities	<u>208,014</u>	<u>45,348</u>
Total Liabilities	<u>464,456</u>	<u>353,966</u>
Net Assets:		
Invested in capital assets, net of related debt	9,791,336	10,018,157
Unrestricted	<u>3,656,365</u>	<u>3,594,774</u>
Total net assets	<u>\$ 13,447,701</u>	<u>\$ 13,612,931</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, 2007:

Land	\$ 955,092
Building and Improvements	18,447,988
Furniture and equipment	<u>552,059</u>
	19,955,139
Less: accumulated depreciation	<u>(9,998,706)</u>
Capital assets, net	<u>\$ 9,956,433</u>

Debt Administration

During 2007, the Authority received funding through the U.S. Department of Housing and Urban Development's State of Ohio FAF Sharer's Program for the purpose of rehabilitating rental housing projects located on scattered sites in Allen County. The funding is in the form of a \$168,154 non-recourse note secured by various real estate owned by the MHA. The term of the interest free loan is ten years unless the MHA defaults on the loan covenants, then the total balance of the loan becomes due, including accrued interest at two percent per annum.

Allen Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007
UNAUDITED

Economic Factors

The economic outlook for AMHA remains cautious. According to the most current information, Public Housing operating subsidy will remain stagnant. Administrative funding for the Section 8 Housing Choice Voucher program is expected to remain the same or less as the previous fiscal year.

AMHA will continue to make 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 tax credit projects adding to our administrative income for FY2008. Capital Fund monies will 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, Executive Director, Allen Metropolitan Housing Authority.

Allen Metropolitan Housing Authority
Statement of Net Assets
June 30, 2007

ASSETS

Cash and cash equivalents		\$ 3,527,972
Investments		248,583
Receivables - net of allowance		67,831
Inventories - net of allowance		33,035
Prepaid expenses and other assets		<u>42,550</u>
TOTAL CURRENT ASSETS		3,919,971
Land		955,092
Capital assets - net		<u>9,001,341</u>
TOTAL CAPITAL ASSETS		9,956,433
Mortgage receivable - noncurrent		<u>35,753</u>
TOTAL ASSETS		13,912,157

LIABILITIES

Accounts payable		5,087
Accrued payroll and taxes		31,705
Accrued compensated absences		34,054
Intergovernmental payables		71,479
Tenant security deposits		45,206
Deferred revenue		<u>68,911</u>
TOTAL CURRENT LIABILITIES		256,442
Accrued compensated absences		16,463
FSS liability		23,397
Notes payable		<u>168,154</u>
TOTAL LONG-TERM LIABILITIES		208,014
TOTAL LIABILITIES		464,456

NET ASSETS

Invested in capital assets - net of related debt		9,791,336
Unrestricted net assets		<u>3,656,365</u>
NET ASSETS		\$ 13,447,701

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, 2007**

OPERATING REVENUE		
Tenant revenue	\$	242,030
HUD operating grants		7,171,905
Other revenues		<u>53,763</u>
TOTAL OPERATING REVENUE		7,467,698
OPERATING EXPENSES		
Administrative		904,630
Tenant services		6,206
Utilities		69,886
Maintenance		470,018
General		114,621
Housing assistance payments		6,080,767
Depreciation		733,034
Bad debts		<u>4,321</u>
TOTAL OPERATING EXPENSES		<u>8,383,483</u>
OPERATING LOSS		(915,785)
NON-OPERATING REVENUE		
Gain on sale of properties		63,170
Interest income		126,600
HUD capital grants		<u>560,785</u>
CHANGE IN NET ASSETS		(165,230)
NET ASSETS BEGINNING OF YEAR - RESTATED		<u>13,612,931</u>
NET ASSETS END OF YEAR		<u><u>\$ 13,447,701</u></u>

See accompanying notes to the basic financial statements

**Allen Metropolitan Housing Authority
Statement of Cash Flows
Year Ended June 30, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from tenants	\$ 261,645
Cash received from HUD	7,171,905
Cash payments for other operating expenses	<u>(7,737,518)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(303,968)
 CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Capital grants received for capital assets	560,785
Acquisition of capital assets	(728,438)
Proceeds from debt	168,154
Proceeds from sale of property	<u>84,545</u>
NET CASH PROVIDED BY CAPITAL AND FINANCIAL ACTIVITIES	85,046
 CASH FLOWS FROM INVESTING ACTIVITIES	
Investment activity	<u>114,737</u>
(DECREASE) IN CASH AND CASH EQUIVALENTS	(104,185)
 CASH AND CASH EQUIVALENTS, BEGINNING	 <u>3,632,157</u>
 CASH AND CASH EQUIVALENTS, ENDING	 <u><u>\$ 3,527,972</u></u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED FOR) OPERATING ACTIVITIES	
Operating (loss)	\$ (915,785)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	733,034
(Increase) decrease in:	
Receivables - net of allowance	(32,971)
Inventories - net of allowance	(18,190)
Prepaid expenses and other assets	(12,392)
Increase (decrease) in:	
Accounts payable	(3,277)
Accrued payroll and taxes	(27,771)
Intergovernmental payables	(19,951)
Accrued compensated absences	(10,215)
Tenant security deposits	(1,177)
FSS liabilities	<u>4,727</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (303,968)</u></u>

See accompanying notes to the basic financial statements

Allen Metropolitan Housing Authority
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2007

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 accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, and Statement No. 39, *Determining Whether Certain Organizations are Component Units*, in that the financial statements include all organizations, activities, and functions for which the Authority is financially accountable. Financial accountability is defined by the component unit being fiscally dependent on the Authority. 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.

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:

Allen Metropolitan Housing Authority
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 2). Investments are valued at market value. Interest income earned in fiscal year 2007 totaled \$126,600. The \$248,583 balance of investments at June 30, 2007 consists of a savings account.

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.

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.

Allen Metropolitan Housing Authority
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a 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, 2007.

Inventories

Inventories are stated at cost, (first-in, first-out method). Inventory consists of supplies and maintenance parts. The allowance for obsolete inventory was \$3,700 at June 30, 2007.

Accounting and Reporting for Nonexchange Transactions

The Authority previously adopted GASB 33. Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of nonexchange transactions as follows:

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

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

Allen Metropolitan Housing Authority
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Deferred Revenue

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

2. CASH AND INVESTMENTS

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

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

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

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

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

At fiscal year end June 30, 2007, the carrying amount of the Authority's deposits totaled \$3,776,555 and its bank balance was \$3,791,857. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2007, \$3,491,857 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.

Allen Metropolitan Housing Authority
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2007

2. CASH - CONTINUED

Investments

HUD, State Statute and Board Resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose or arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The Authority had investments in the amount of \$248,583 at June 30, 2007.

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

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.

The Authority participates in the State Housing Authorities Risk Pool (SHARP), a public entity risk plan that operates as a common risk management and insurance program for housing authorities. The authority pays insurance premiums directly to SHARP.

4. CAPITAL ASSETS

The following is a summary:

	Balance 6/30/06	Additions	Deletions	Balance 6/30/07
CAPITAL ASSETS, NOT BEING DEPRECIATED				
Land	\$ 962,830	\$ -	\$ (7,738)	\$ 955,092
CAPITAL ASSETS, BEING DEPRECIATED				
Buildings and improvements	17,861,478	704,229	(117,719)	18,447,988
Furniture and equipment	527,850	24,209		552,059
			-	
Totals at Historical Costs	<u>18,389,328</u>	<u>728,438</u>	<u>(117,719)</u>	<u>19,000,047</u>
ACCUMULATED DEPRECIATION				
Buildings and improvements	(8,873,619)	(689,320)	68,329	(9,494,610)
Furniture and equipment	(460,382)	(43,714)	-	(504,096)
	<u>(9,334,001)</u>	<u>(733,034)</u>	<u>68,329</u>	<u>(9,998,706)</u>
TOTAL CAPITAL ASSETS, NET BEING DEPRECIATED	<u>9,055,327</u>	<u>(4,596)</u>	<u>(49,390)</u>	<u>9,001,341</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 10,018,157</u>	<u>\$ (4,596)</u>	<u>\$ (57,128)</u>	<u>\$ 9,956,433</u>

The depreciation expense for the year then ended June 30, 2007 was \$733,034.

Allen Metropolitan Housing Authority
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2007

5. PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

The Authority contributes to the Public Employees' Retirement System of Ohio ("OPERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the State. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish an amend benefits is provided by State Statute per Chapter 145 of the Ohio Revised Code. The Public Employees' Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Authority's contributions to OPERS, representing 100% of employer contributions, was \$115,971, \$103,294, and \$105,486 for the years ended June 30, 2007, 2006, and 2005, respectively.

Other postemployment benefits for health care costs provided by OPERS are as follows:

- OPERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*. A portion of each contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2006 employer contribution rate for state employers was 13.54% of covered payroll; 4.5% was the portion that was used to fund health care for the year. These rates are the actuarially determined contribution requirement for OPERS. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.
- The assumptions and calculations below were based on the OPERS'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 annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2006 was 6.50%. An annual increase of 4.00% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate, plus an additional factor ranging from 0.5% to 6% for increase 4% (the projected wage inflation rate).
- OPEB are advance-funded on an actuarially determined basis. As of December 31, 2005, the actuarial value of the OPERS's net assets available for OPEB was \$11.1 billion. The number of active contributing participants was 369,214. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan ("HCCP") adopted by the OPERS Retirement Board on September 9, 2004, is effective January 1, 2007. In addition to the HCCP, 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. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

The Health Care Preservation Plan adopted by the OPERS Retirement Board is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Allen Metropolitan Housing Authority
Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2007

5. PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

OP&F provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending full-time or on a 2/3 basis. The ORC provides that health care cost paid from the funds of the OP&F shall be included in the employer's contribution rate, as disclosed above.

Health care funding and accounting is on a pay-as-you-go basis for the plan as a whole. Currently, 7.75% of covered payroll, the Board-defined allocation, is used to pay retiree health expenses. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The total health care costs paid by the retirement plan were \$108.0 million net of member contributions of \$55.3 million, for the year ended December 31, 2005, the date of the last available actuarial valuation.

6. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended June 30, 2007, 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.

7. NET ASSETS AND PRIOR PERIOD ADJUSTMENT

	Total	Investments in Fixed Assets	Unrestricted Net Assets
Beginning Balance	\$ 13,612,753	\$ 10,018,157	\$ 3,594,596
Correction of receivables on Section 8	178	-	178
Beginning Balance, Corrected	\$ 13,612,931	\$ 10,018,157	\$ 3,594,774

8. DEBT

During 2007, the Authority received funding through the U.S. Department of Housing and Urban Development's State of Ohio FAF Sharer's Program for the purpose of rehabilitating rental housing projects located on scattered sites in Allen County. The funding is in the form of a \$168,154 non-recourse note secured by various real estate owned by the MHA. The loan is for 0% interest, 10-year deferred/forgivable unless the MHA defaults on the loan covenants, then the total balance of the loan becomes due, including accrued interest at two percent per annum.

9. MORTGAGES RECEIVABLE

On July 11, 2006, the Authority sold a house to an eligible family under a Section 5(b) Homeownership Program. Under this program, the new homeowner is obligated to live in the home for a 10-year period or else repay the \$35,753 loan to the Authority. After 61 months, the loan will be forgiven at the rate of 1/60th of the original balance. The interest free loan will begin to accrue interest at 10 percent per annum upon default by the homeowner.

Allen Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
June 30, 2007

FDS Line Item No.	Account Description	14.850 Public & Indian Hsg	14.871 Section 8 Vouchers	14.238 Shelter Plus Care	14.182 Section 8 NC/SR	14.870 Ross Grant	14.850b Develop	14.872 Capital Fund	Other Business Activity	TOTAL
	ASSETS									
111	Cash - unrestricted	\$ 1,628,105	\$ 1,508,211	\$ -	\$ -	\$ -	\$ 68,911	\$ -	\$ 9,820	\$ 3,215,047
113	Cash - other restricted	-	22,524	-	-	-	-	-	-	22,524
114	Cash - tenant security deposits	45,206	-	-	-	-	-	-	-	45,206
115	Cash - Restricted for payment of current liabilities	125,722	74,657	-	44,816	-	-	-	-	245,195
100	TOTAL CASH	1,799,033	1,605,392	-	44,816	-	68,911	-	9,820	3,527,972
122	Accounts receivable - HUD other proj	-	-	9,513	14,707	-	-	40,310	-	64,530
125	Accounts receivable - miscellaneous	-	-	-	-	-	-	-	-	-
126	A/R Tenants - dwelling rents	3,501	-	-	-	-	-	-	-	3,501
126.1	Allowance for doubtful acct	(200)	-	-	-	-	-	-	-	(200)
127	Notes and mortgages rec - current	5,432	-	-	-	-	-	-	-	5,432
127.1	Allowance for notes	(5,432)	-	-	-	-	-	-	-	(5,432)
120	TOTAL ACCOUNTS RECEIVABLE	3,301	-	9,513	14,707	-	-	40,310	-	67,831
131	Investments - unrestricted	-	-	-	-	-	-	-	248,583	248,583
142	Prepaid expenses and other assets	42,550	-	-	-	-	-	-	-	42,550
143	Inventories	36,735	-	-	-	-	-	-	-	36,735
143.1	Allowance for obsolete inventory	(3,700)	-	-	-	-	-	-	-	(3,700)
144	Interprogram due from	65,543	101,857	-	-	-	-	-	-	167,400
150	TOTAL CURRENT ASSETS	1,943,462	1,707,249	9,513	59,523	-	68,911	40,310	258,403	4,087,371
161	Land	756,182	-	-	-	-	198,910	-	-	955,092
162	Buildings	14,793,789	-	-	-	-	2,535,642	393,154	168,154	17,890,739
163	Furniture and equipment - dwellings	74,788	-	-	-	-	-	-	-	74,788
164	Furniture and equipment - admin	375,771	70,715	-	-	-	6,075	24,710	-	477,271
165	Leasehold improvements	179,824	-	-	-	-	-	377,425	-	557,249
166	Accumulated depreciation	(8,938,635)	(58,255)	-	-	-	(963,520)	(35,239)	(3,057)	(9,998,706)
160	TOTAL FIXED ASSETS, NET	7,241,719	12,460	-	-	-	1,777,107	760,050	165,097	9,956,433
172	Notes and mortgages receivable	35,753	-	-	-	-	-	-	-	35,753
180	TOTAL NON-CURRENT ASSETS	7,277,472	12,460	-	-	-	1,777,107	760,050	165,097	9,992,186
190	TOTAL ASSETS	\$ 9,220,934	\$ 1,719,709	\$ 9,513	\$ 59,523	\$ -	\$ 1,846,018	\$ 800,360	\$ 423,500	\$ 14,079,557

See independent auditors' report

Allen Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
June 30, 2007

FDS Line Item No.	Account Description	14.850 Public & Indian Hsg	14.871 Section 8 Vouchers	14.238 Shelter Plus Care	14.182 Section 8 NC/SR	14.870 Ross Grant	14.850b Develop	14.872 Capital Fund	Other Business Activity	TOTAL
LIABILITIES										
312	Accounts payable <=90 days	\$ 2,692	\$ 2,395	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,087
321	Accrued wages/payroll taxes	-	31,705	-	-	-	-	-	-	31,705
322	Accrued compensated absences	18,730	15,324	-	-	-	-	-	-	34,054
331	Accounts payable - HUD PHA programs	-	-	-	59,523	-	-	-	-	59,523
333	Accounts payable - other govt	11,956	-	-	-	-	-	-	-	11,956
341	Tenant security deposits	45,206	-	-	-	-	-	-	-	45,206
342	Deferred revenue	-	-	-	-	-	68,911	-	-	68,911
347	Interprogram due to	92,344	25,233	9,513	-	-	-	40,310	-	167,400
310	TOTAL CURRENT LIABILITIES	170,928	74,657	9,513	59,523	-	68,911	40,310	-	423,842
351	Long term portion of debt	-	-	-	-	-	-	-	168,154	168,154
353	Noncurrent liabilities - other	873	22,524	-	-	-	-	-	-	23,397
354	Accrued compensated absences - noncurrent	4,183	12,280	-	-	-	-	-	-	16,463
350	TOTAL NONCURRENT LIABILITIES	5,056	34,804	-	-	-	-	-	-	39,860
300	TOTAL LIABILITIES	175,984	109,461	9,513	59,523	-	68,911	40,310	168,154	631,856
513	TOTAL EQUITY	9,044,950	1,610,248	-	-	-	1,777,107	760,050	255,346	13,447,701
600	TOTAL LIABILITIES AND EQUITY	\$ 9,220,934	\$ 1,719,709	\$ 9,513	\$ 59,523	\$ -	\$ 1,846,018	\$ 800,360	\$ 423,500	\$ 14,079,557

See independent auditors' report

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, 2007

FDS Line Item No.	Account Description	14.850 Public & Indian Hsg	14.871 Section 8 Vouchers	14.238 Shelter Plus Care	14.182 Section 8 NC/SR	14.870 Ross Grant	14.850b Develop	14.872 Capital Fund	Other Business Activity	TOTAL
REVENUE										
703	Net tenant revenue	\$ 242,030	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 242,030
704	Tenant revenue - other	-	-	-	-	-	-	-	-	-
705	TOTAL TENANT REVENUE	242,030	-	-	-	-	-	-	-	242,030
706	PHA HUD grants	607,484	4,740,210	74,041	1,556,467	37,170	-	156,533	-	7,171,905
706.1	Capital contributions	-	-	-	-	-	-	560,785	-	560,785
711	Investment income - unrestricted	76,306	38,361	-	-	-	-	-	11,933	126,600
714	Fraud recovery	-	35,924	-	-	-	-	-	-	35,924
715	Other revenue	17,839	-	-	-	-	-	-	-	17,839
	Gain on sale of properties	63,170	-	-	-	-	-	-	-	63,170
700	TOTAL REVENUE	1,006,829	4,814,495	74,041	1,556,467	37,170	-	717,318	11,933	8,218,253
EXPENSES										
911	Administrative salaries	272,222	279,368	-	77,500	31,000	-	-	-	660,090
912	Auditing fees	475	-	-	1,232	-	-	-	-	1,707
914	Compensated absences	(18,082)	215	-	-	-	-	-	-	(17,867)
915	Employee benefit contrib - admin	(6,170)	48,394	-	14,500	6,170	-	-	-	62,894
916	Other operating - administrative	33,521	116,384	8,440	36,594	-	-	-	2,867	197,806
924	Tenant services - other	6,206	-	-	-	-	-	-	-	6,206
931	Water	17,918	-	-	-	-	-	-	-	17,918
932	Electricity	27,483	-	-	-	-	-	-	-	27,483
933	Gas	24,485	-	-	-	-	-	-	-	24,485
941	Ord maintenance/op - labor	125,760	-	-	-	-	-	-	-	125,760
942	Ord maintenance/op - materials	55,898	-	-	-	-	-	76,533	-	132,431
943	Ord maintenance/op - cont costs	43,823	-	-	-	-	-	-	-	43,823
945	Emp benefit contrib - ord main	168,004	-	-	-	-	-	-	-	168,004

See independent auditors' report

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, 2007

FDS Line Item No.	Account Description	14.850 Public & Indian Hsg	14.871 Section 8 Vouchers	14.238 Shelter Plus Care	14.182 Section 8 NC/SR	14.870 Ross Grant	14.850b Develop	14.872 Capital Fund	Other Business Activity	TOTAL
	EXPENSES - CONTINUED									
961	Insurance premiums	\$ 97,407	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,407
963	PILOT	17,214	-	-	-	-	-	-	-	17,214
964	Bad debts - tenant rents	4,321	-	-	-	-	-	-	-	4,321
969	TOTAL OPERATING EXPENSES	870,485	444,361	8,440	129,826	37,170	-	76,533	2,867	1,569,682
970	EXCESS OPERATING REVENUE OVER EXPENSES	136,344	4,370,134	65,601	1,426,641	-	-	640,785	9,066	6,648,571
971	Extraordinary Maintenance	-	-	-	-	-	-	-	-	-
973	Housing Assistance Payments	-	4,588,525	65,601	1,426,641	-	-	-	-	6,080,767
974	Depreciation expense	599,404	5,946	-	-	-	95,826	28,801	3,057	733,034
900	TOTAL EXPENSES	1,469,889	5,038,832	74,041	1,556,467	37,170	95,826	105,334	5,924	8,383,483
1001	Operating transfers in	80,000	-	-	-	-	-	-	-	80,000
1002	Operating transfers out	-	-	-	-	-	-	(80,000)	-	(80,000)
	EXCESS OF REVENUE OVER EXPENSES	(383,060)	(224,337)	-	-	-	(95,826)	531,984	6,009	(165,230)
1103	Beginning equity	8,792,172	1,834,407	-	-	-	1,872,933	863,904	249,337	13,612,753
1104	Section 8 A/R correction	-	178	-	-	-	-	-	-	178
1104	Transfer of closed capital fund proj.	635,838	-	-	-	-	-	(635,838)	-	-
	ENDING EQUITY	\$ 9,044,950	\$ 1,610,248	\$ -	\$ -	\$ -	\$ 1,777,107	\$ 760,050	\$ 255,346	\$ 13,447,701

See independent auditors' report

**Allen Metropolitan Housing Authority
Cost Certification**

	<u>501-04</u>
TOTAL EXPENDED	<u>\$ 474,914</u>
TOTAL RECEIVED	<u>\$ 474,914</u>

1. The actual cost certificate was signed by the Authority.
2. All costs have been paid through June 30, 2007 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, 2007**

	FEDERAL CFDA NUMBER	FUNDS EXPENDED
<u>FROM U.S. DEPARTMENT OF HUD</u>		
<u>DIRECT PROGRAMS</u>		
PHA Owned Housing:		
Public and Indian Housing	14.850a	\$ 607,484
Public Housing Capital Fund	14.872	717,318
Resident Opportunities and Self Sufficiency	14.870	37,170
Housing Assistance Payments:		
Annual Contribution -		
Section 8 Housing Choice Vouchers	14.871	4,740,210
Section 8 - NC/SR	14.182	1,556,467
Shelter Plus Care	14.238	74,041
Total - All Programs		\$ 7,732,690



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**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, 2007, and have issued our report thereon dated September 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Allen Metropolitan Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Allen Metropolitan Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*

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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.

A handwritten signature in cursive script that reads "Jones, Cochenour & Co.".

**Jones, Cochenour & Co.
September 19, 2007**



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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
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, 2007. Allen Metropolitan Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings. 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, 2007.

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.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a significant deficiency, or combination of significant deficiencies in internal controls in which there is more than a remote likelihood 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.

A handwritten signature in cursive script that reads "Jones, Cochenour & Co.".

Jones, Cochenour & Co.
September 19, 2007

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

**Allen Metropolitan Housing Authority
June 30, 2007**

1. SUMMARY OF AUDITORS' RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any 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):	Section 8 CFDA # 14.871
Dollar Threshold: Type A/B Programs	\$300,000
Low Risk Auditee?	Yes

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

**Allen Metropolitan Housing Authority
June 30, 2007**

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings or questioned costs for the year ended June 30, 2007.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended June 30, 2007.

The Board of Directors
Allen Metropolitan Housing Authority
Lima, Ohio

Auditing standards require that certain matters related to the conduct of an audit be communicated to those having responsibility for oversight of the Entity's financial reporting process. Among the matters are the following:

1. **The Auditors' Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards.**

As stated in our engagement letter, our responsibility as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Allen Metropolitan Housing Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Allen Metropolitan Housing Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

2. **Significant Changes in or New Accounting Policies** – None.
3. **Management Judgments and Accounting Estimates** - None
4. **Significant Audit Adjustments** – None.
5. **Other Information in Documents Containing Audited Financial Statements** - None.
6. **Disagreements with Management Related to Auditing, Accounting or Disclosure Matters** - None.
7. **Consultation with Other Accountants** – None.
8. **Major Issues Discussed with Management Prior to Retention** – None.
9. **Difficulties Encountered in Performing the Audit** - None.

This report is intended solely for the information and use of the Board of Directors and the management of Allen Metropolitan Housing Authority and is not intended to be used and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Jones, Cochenour & Co." The signature is written in a cursive style with a large initial 'J'.

**Jones, Cochenour & Co.
September 19, 2007**



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
DECEMBER 18, 2007**