

**BASIC FINANCIAL STATEMENTS  
AND SINGLE AUDIT**

**of the**

**ALLEN METROPOLITAN  
HOUSING AUTHORITY**

**for the**

**Year Ended June 30, 2005**





**Auditor of State  
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Allen Metropolitan Housing Authority, Allen County, prepared by Jones, Cochenour, & Co., for the audit period July 1, 2004 through June 30, 2005. 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.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

February 2, 2006

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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, 2005, 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, 2005, 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 1, 2005 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 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 1, 2005

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**Allen Metropolitan Housing Authority**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2005**  
**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, 2005 with selected comparative information for the fiscal year ended June 30, 2004. 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 2005 by \$12,625,167 (net assets). Of this amount, \$2,214,058 (unrestricted net assets) may be used to meet the Authority's ongoing obligations to citizens and creditors.
- Capital assets decreased by \$196,686 primarily from net additions/deletion of \$470,577 and decreased depreciation change of \$667,263.
- Net assets decreased by \$56,336 for the fiscal year ended June 30, 2005. This was due primarily to operating subsidy for various programs decreasing and capital contributions increasing.
- Operating revenues decreased \$686,304 primarily due to operating subsidies decreasing.
- Nonoperating revenue increased due to capital contributions. Capital contributions from HUD increased \$114,195 due to more activity during the current year for the capital fund program.

**Overview of the Financial Statements**

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

**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, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Operating revenues	\$ 7,236,774	\$ 7,923,078
Operating expenses	<u>7,897,601</u>	<u>8,444,424</u>
Operating loss	(660,827)	(521,346)
Nonoperating:		
Revenue	71,841	46,737
Expenses	-	(26,760)
Capital contributions	<u>497,106</u>	<u>382,911</u>
Change in net assets	(91,880)	(118,458)
Total Net Assets- Beginning of year	12,625,503	12,882,598
Prior period adjustments	<u>35,544</u>	<u>(138,637)</u>
Total Net Assets- Beginning of year, restated	<u>12,661,047</u>	<u>12,743,961</u>
Total Net Assets- End of year	<u>\$ 12,569,167</u>	<u>\$ 12,625,503</u>



**Allen Metropolitan Housing Authority**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2005**  
**UNAUDITED**

**Housing Units Managed**

The following table shows housing units managed by the Authority for the fiscal years ended June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Owned by Authority	\$ 251	\$ 251
Units under vouchers	1,041	1,041
Units under Mod Rehab	-	-
Units under NC SR	386	386
Total Housing Units Managed	<u>\$ 1,678</u>	<u>\$ 1,678</u>

The Section 8 Voucher lease up rate averaged 95 percent during FY 2005. It is anticipated that the program lease-up will improve to at least 98% during FY 2006. No further increase in additional housing units is expected.

**Changes in Net Assets**

Total net assets decreased from the previous year by \$197 thousand. 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, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Capital assets	\$ 18,988,414	18,517,837
Less:		
Capital related debt	-	-
Accumulated depreciation	<u>(8,633,305)</u>	<u>(7,966,042)</u>
Total capital assets, net	<u>\$ 10,355,109</u>	<u>\$ 10,551,795</u>

**Allen Metropolitan Housing Authority**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2005**  
**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, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
<b>Assets:</b>		
Current assets	\$ 3,059,144	\$ 2,632,294
Capital assets	10,355,109	10,551,795
Total Assets	<u>13,414,253</u>	<u>13,184,089</u>
<b>Liabilities:</b>		
Current liabilities	772,768	445,634
Long-term liabilities	<u>72,318</u>	<u>112,952</u>
Total Assets	<u>845,056</u>	<u>558,586</u>
<b>Net Assets:</b>		
Invested in capital assets, net of realted debt	10,355,109	10,551,795
Unrestricted	<u>2,214,058</u>	<u>2,073,708</u>
Total net assets	<u>\$ 12,569,167</u>	<u>\$ 12,625,503</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, 2005:

Land	\$ 962,830
Building and Improvements	17,537,559
Furniture and equipment	488,025
	<u>18,988,414</u>
Less: accumulated depreciation	<u>(8,633,305)</u>
Capital assets, net	<u>\$ 10,355,109</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, 2005**

**UNAUDITED**

**Economic Factors**

The economic outlook for AMHA is uncertain at this time. According to the most current information available on changes pending at the U.S. Department of Housing and Urban Development, Public Housing operating subsidy may be decreased by 9%.

In addition, there is an anticipated decrease in tenant rents, creating a need for additional subsidy. This is primarily due to increased utility costs. Gas rates have risen 49%, with utility allowance adjustments taking effect in September of 2005. Congress has just decreased Section 8 subsidies by 1% and additional cuts are possible. AMHA has adapted to these decreases by cutting expenses, streamlining internal procedures and not replacing personnel due to attrition. In addition, capital funding supplements operations because of increased costs in changing technology and software and the agency continues to investigate additional income opportunities. Locally we are being impacted by negative employment factors such as stagnant job growth and a sluggish market. Recent EIV procedures have made eligibility screening more time consuming and therefore impacts the turnover percentages in administering the voucher program.

**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, 2005**

**ASSETS**

Cash and cash equivalents	\$	2,679,472
Investments		228,179
Receivables - net of allowance		46,968
Inventories - net of allowance		14,959
Prepaid expenses and other assets		89,566
		3,059,144
	<b>TOTAL CURRENT ASSETS</b>	
Land		962,830
Capital assets - net		9,392,279
		10,355,109
	<b>TOTAL CAPITAL ASSETS</b>	
		13,414,253
	<b>TOTAL ASSETS</b>	

**LIABILITIES**

Accounts payable		8,360
Accrued Liabilities		72,875
Intergovernmental payables		283,566
Tenant security deposits		46,360
Deferred revenue		361,607
		772,768
	<b>TOTAL CURRENT LIABILITIES</b>	
Accrued compensated absences		17,645
FSS liability		54,673
		72,318
	<b>TOTAL LONG-TERM LIABILITIES</b>	
		845,086
	<b>TOTAL LIABILITIES</b>	

**NET ASSETS**

Invested in capital assets - net of related debt		10,355,109
Unrestricted net assets		2,214,058
		12,569,167
	<b>NET ASSETS</b>	
		\$ 12,569,167

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, 2005**

<b>OPERATING REVENUE</b>	
Tenant revenue	\$ 257,334
HUD operating grants	6,944,544
Other revenues	<u>34,896</u>
<b>TOTAL OPERATING REVENUE</b>	<b>7,236,774</b>
 <b>OPERATING EXPENSES</b>	
Administrative	1,106,701
Tenant services	8,202
Utilities	66,692
Maintenance	418,112
General	136,226
Pilot	19,064
Bad debts	4,438
Extraordinary maintenance	7,072
Housing assistance payments	5,434,543
Depreciation	<u>696,551</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>7,897,601</u></b>
<b>OPERATING LOSS</b>	<b>(660,827)</b>
 <b>NON-OPERATING REVENUE</b>	
Interest income	27,951
Gain on sale of fixed assets	43,890
HUD capital grants	<u>497,106</u>
<b>CHANGE IN NET ASSETS</b>	<b>(91,880)</b>
<b>NET ASSETS BEGINNING OF YEAR - RESTATED</b>	<b><u>12,661,047</u></b>
<b>NET ASSETS END OF YEAR</b>	<b><u><u>\$ 12,569,167</u></u></b>

See accompanying notes to the basic financial statements

**Allen Metropolitan Housing Authority  
Statement of Cash Flows  
Year Ended June 30, 2005**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from tenants	\$ 256,728
Cash received from HUD	7,556,266
Cash payments for administrative	(1,534,964)
Cash payments for other operating expenses	<u>(5,434,543)</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES** 843,487

**CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES**

Capital grants received for capital assets	497,106
Acquisition of capital assets	(524,064)
Cash from sale of fixed assets	<u>68,089</u>

**NET CASH PROVIDED BY CAPITAL AND FINANCIAL ACTIVITIES** 41,131

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment activity	<u>27,951</u>
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**INCREASE IN CASH AND CASH EQUIVALENTS** 912,569

**CASH AND CASH EQUIVALENTS, BEGINNING** 1,766,903

**CASH AND CASH EQUIVALENTS, ENDING** \$ 2,679,472

**RECONCILIATION OF OPERATING INCOME (LOSS)  
TO NET CASH (USED FOR) OPERATING ACTIVITIES**

Operating (loss)	\$ (660,827)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	696,551
Prior period adjustments affecting residual receipts	35,544
(Increase) decrease in:	
Receivables - net of allowance	321,494
Inventories - net of allowance	1,324
Investments	(4,472)
Prepaid expenses and other assets	8,840
Increase (decrease) in:	
Accounts payable	(105,041)
Accrued liabilities	46,755
Intergovernmental payables	256,434
Accrued compensated absences- Non Current	5,763
Tenant security deposits	(1,576)
Deferred revenue	289,095
FSS liabilities	<u>(46,397)</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES** \$ 843,487

See accompanying notes to the basic financial statements

Allen Metropolitan Housing Authority  
Notes to the Basic Financial Statements

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

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 2005 totaled \$27,951. The interest income earned on the general fund investments in the Section 8 program is required to be returned to HUD and this amount was \$1,508 for the year ended June 30, 2005.

**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

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, 2005.

Inventories

Inventories are stated at cost. The allowance for obsolete inventory was \$1,700 at June 30, 2005.

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

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

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.

The Authority's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its safekeeping agent in the Authority's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the Authority's name. Category 3 includes uninsured and uncollateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the Authority's name.

**Deposits:** The carrying amount of the Authority's deposits totaled \$2,907,651 which includes \$300 petty cash and \$228,179 in certificate of deposits that exceeded three months. The corresponding bank balances totaled \$2,958,491.

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

Category 1:	\$343,003 was covered by federal depository insurance
Category 2:	\$2,615,488 was covered by specific collateral pledged by the financial institution 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 6/30/04	Net Additions / Deletions	Balance 6/30/05
<b>CAPITAL ASSETS, NOT BEING DEPRECIATED</b>			
Land	\$ 964,356	\$ (1,526)	\$ 962,830
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>\$ 964,356</b>	<b>\$ (1,526)</b>	<b>\$ 962,830</b>
<b>CAPITAL ASSETS, BEING DEPRECIATED</b>			
Buildings and Improvements	\$ 17,101,178	\$ 436,381	\$ 17,537,559
Furniture and equipment	452,303	35,722	488,025
Totals at Historical Costs	17,553,481	472,103	18,025,584
Less: Accumulated Depreciation	(7,966,042)	(667,263)	(8,633,305)
<b>TOTAL CAPITAL ASSETS, NET BEING DEPRECIATED</b>	<b>\$ 9,587,439</b>	<b>\$ (195,160)</b>	<b>\$ 9,392,279</b>

The depreciation expense for the year then ended June 30, 2005 was \$696,551.

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

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing multiple-employer defined benefit pension plan. The member-directed plan is 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 the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtaining by writing to the OPERS 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to combine 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The Authority's contribution rate for pension benefits for 2004 was 8.55%, except for those plan members in law enforcement or public safety. For those classifications, the Authority's pension contributions were 11.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Authority's required contributions, including the pick up portion of certain employees for the years ended June 30, 2005, 2004 and 2003 were \$105,486, \$102,793 and \$108,073 respectively. All required payments of contributions have been made through June 30, 2005.

**6. POST RETIREMENT BENEFIT PLAN**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed pan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Post Employment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plan is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 40% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

Allen Metropolitan Housing Authority  
Notes to the Basic Financial Statements

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

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund post employment benefits were \$6,593. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2003 (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

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

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

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at 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 options 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, 2005, 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	\$ 12,625,503	\$ 10,551,795	\$ 2,073,708
Correction of Insurance Proceeds	39,286	-	39,286
Correction of Hud Reports	(3,742)	-	(3,742)
Beginning Balance, Corrected	12,661,047	10,551,795	2,109,252
Net Income (Loss) 2005	(91,880)	(196,686)	104,806
Ending Balance	<u>\$ 12,569,167</u>	<u>\$ 10,355,109</u>	<u>\$ 2,214,058</u>

Allen Metropolitan Housing Authority  
Balance Sheet  
FDS Schedule Submitted to HUD  
Proprietary Fund Type  
Enterprise Fund  
June 30, 2005

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	\$ 774,348	\$ 487,132	\$ 60,556	\$ -	\$ -	\$ 18,547	\$ 1,340,583
113	Cash - other restricted	572,398	54,673	-	-	-	-	627,071
114	Cash - tenant security deposits	46,238	-	-	-	-	-	46,238
115	Cash - Restricted for payment of current liabilities	119,116	546,464	-	-	-	-	665,580
100	TOTAL CASH	<u>1,512,100</u>	<u>1,088,269</u>	<u>60,556</u>	<u>-</u>	<u>-</u>	<u>18,547</u>	<u>2,679,472</u>
122	Accounts receivable - HUD other proj	-	-	15,377	-	29,611	-	44,988
125	Accounts receivable - miscellaneous	1,247	-	-	-	-	-	1,247
126	A/R Tenants - dwelling rents	933	-	-	-	-	-	933
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	<u>1,980</u>	<u>-</u>	<u>15,377</u>	<u>-</u>	<u>29,611</u>	<u>-</u>	<u>46,968</u>
131	Investments - unrestricted	-	-	-	-	-	228,179	228,179
142	Prepaid expenses and other assets	89,566	-	-	-	-	-	89,566
143	Inventories	16,659	-	-	-	-	-	16,659
143.1	Allowance for obsolete inventory	(1,700)	-	-	-	-	-	(1,700)
144	Interprogram due from	29,611	-	-	68,911	-	-	98,522
150	TOTAL CURRENT ASSETS	<u>1,648,216</u>	<u>1,088,269</u>	<u>75,933</u>	<u>68,911</u>	<u>29,611</u>	<u>246,726</u>	<u>3,157,666</u>
161	Land	763,920	-	-	198,910	-	-	962,830
162	Buildings	14,372,336	-	-	2,535,642	546,408	-	17,454,386
163	Furniture and equipment - dwellings	52,130	-	-	-	1,080	-	53,210
164	Furniture and equipment - admin	340,362	70,715	-	6,075	17,663	-	434,815
165	Leasehold improvements	74,525	-	-	-	8,648	-	83,173
166	Accumulated depreciation	(7,787,902)	(44,409)	-	(777,374)	(23,620)	-	(8,633,305)
160	TOTAL FIXED ASSETS, NET	<u>7,815,371</u>	<u>26,306</u>	<u>-</u>	<u>1,963,253</u>	<u>550,179</u>	<u>-</u>	<u>10,355,109</u>
180	TOTAL NON-CURRENT ASSETS	<u>7,815,371</u>	<u>26,306</u>	<u>-</u>	<u>1,963,253</u>	<u>550,179</u>	<u>-</u>	<u>10,355,109</u>
190	TOTAL ASSETS	<u>\$ 9,463,587</u>	<u>\$ 1,114,575</u>	<u>\$ 75,933</u>	<u>\$ 2,032,164</u>	<u>\$ 579,790</u>	<u>\$ 246,726</u>	<u>\$ 13,512,775</u>

See independent auditors' report

Allen Metropolitan Housing Authority  
Balance Sheet  
FDS Schedule Submitted to HUD  
Proprietary Fund Type  
Enterprise Fund  
June 30, 2005

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	\$ 5,424	\$ 2,936	\$ -	\$ -	\$ -	\$ -	\$ 8,360
321	Accrued wages/payroll taxes	11,979	25,026					37,005
322	Accrued compensated absences	20,430	13,840	-	-	-	-	34,270
331	Accounts payable - HUD PHA programs	-	210,366	60,828	-	-	-	271,194
333	Accounts payable - other govt	12,372	-	-	-	-	-	12,372
341	Tenant security deposits	46,360	-	-	-	-	-	46,360
342	Deferred revenue	-	292,696	-	68,911	-	-	361,607
346	Accrued Liabilities - Other	-	1,600	-	-	-	-	1,600
347	Interprogram due to	68,911	-	-	-	29,611	-	98,522
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>165,476</b>	<b>546,464</b>	<b>60,828</b>	<b>68,911</b>	<b>29,611</b>	<b>-</b>	<b>871,290</b>
353	Noncurrent liabilities - other	-	54,673	-	-	-	-	54,673
354	Accrued compensated absences - noncurrent	10,520	7,125	-	-	-	-	17,645
350	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>10,520</b>	<b>61,798</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>72,318</b>
300	<b>TOTAL LIABILITIES</b>	<b>175,996</b>	<b>608,262</b>	<b>60,828</b>	<b>68,911</b>	<b>29,611</b>	<b>-</b>	<b>943,608</b>
513	<b>TOTAL EQUITY</b>	<b>9,287,591</b>	<b>506,313</b>	<b>15,105</b>	<b>1,963,253</b>	<b>550,179</b>	<b>246,726</b>	<b>12,569,167</b>
600	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 9,463,587</b>	<b>\$ 1,114,575</b>	<b>\$ 75,933</b>	<b>\$ 2,032,164</b>	<b>\$ 579,790</b>	<b>\$ 246,726</b>	<b>\$ 13,512,775</b>

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, 2005**

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	\$ 257,334	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 257,334
704	Tenant revenue - other	-	-	-	-	-	-	-
705	<b>TOTAL TENANT REVENUE</b>	<b>257,334</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>257,334</b>
706	PHA HUD grants	743,923	4,567,718	1,520,040	2,076	110,787	-	6,944,544
706.1	Capital contributions	-	-	-	133,623	363,483	-	497,106
711	Investment income - unrestricted	18,029	1,508	-	-	-	3,914	23,451
714	Fraud recovery	-	22,156	-	-	-	-	22,156
715	Other revenue	12,740	-	-	-	-	-	12,740
	Gain on sale of properties	43,890	-	-	-	-	-	43,890
720	Investment income - restricted	4,500	-	-	-	-	-	4,500
700	<b>TOTAL REVENUE</b>	<b>1,080,416</b>	<b>4,591,382</b>	<b>1,520,040</b>	<b>135,699</b>	<b>474,270</b>	<b>3,914</b>	<b>7,805,721</b>
<b>EXPENSES</b>								
911	Administrative salaries	302,870	242,459	77,500	-	-	-	622,829
912	Auditing fees	3,995	5,950	1,105	-	-	-	11,050
914	Compensated absences	9,899	4,083	-	-	-	-	13,982
915	Employee benefit contrib - admin	104,147	159,271	24,500	-	-	-	287,918
916	Other operating - administrative	28,673	127,553	13,574	-	-	1,122	170,922
924	Tenant services - other	8,202	-	-	-	-	-	8,202
931	Water	13,141	-	-	-	-	-	13,141
932	Electricity	28,234	-	-	-	-	-	28,234
933	Gas	25,317	-	-	-	-	-	25,317
941	Ord maintenance/op - labor	124,960	-	-	-	-	-	124,960
942	Ord maintenance/op - materials	94,988	-	-	2,076	110,787	-	207,851
943	Ord maintenance/op - cont costs	48,392	-	-	-	-	-	48,392
945	Emp benefit contrib - ord main	36,909	-	-	-	-	-	36,909

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, 2005

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	\$ 128,261	\$ 7,965	\$ -	\$ -	\$ -	\$ -	\$ 136,226
963	PILOT	19,064	-	-	-	-	-	19,064
964	Bad debts - tenant rents	4,438	-	-	-	-	-	4,438
969	<b>TOTAL OPERATING EXPENSES</b>	<b>981,490</b>	<b>547,281</b>	<b>116,679</b>	<b>2,076</b>	<b>110,787</b>	<b>1,122</b>	<b>1,759,435</b>
970	<b>EXCESS OPERATING REVENUE OVER EXPENSES</b>	<b>98,926</b>	<b>4,044,101</b>	<b>1,403,361</b>	<b>133,623</b>	<b>363,483</b>	<b>2,792</b>	<b>6,046,286</b>
971	Extraordinary Maintenance	7,072	-	-	-	-	-	7,072
973	Housing Assistance Payments	-	4,031,128	1,403,415	-	-	-	5,434,543
974	Depreciation expense	579,316	8,381	-	90,320	18,534	-	696,551
900	<b>TOTAL EXPENSES</b>	<b>1,567,878</b>	<b>4,586,790</b>	<b>1,520,094</b>	<b>92,396</b>	<b>129,321</b>	<b>1,122</b>	<b>7,897,601</b>
	<b>EXCESS OF REVENUE OVER EXPENSES</b>							
1000		(487,462)	4,592	(54)	43,303	344,949	2,792	(91,880)
1103	Beginning equity	9,373,535	505,463	15,159	1,919,950	567,462	243,934	12,625,503
1104	HUD year end settlement report adj.		(3,742)					(3,742)
1104	Equity transfer for closed capital fund	362,232				(362,232)		-
1104	Correction of Insurance Proceeds	39,286	-	-	-	-	-	39,286
	<b>ENDING EQUITY</b>	<b>\$ 9,287,591</b>	<b>\$ 506,313</b>	<b>\$ 15,105</b>	<b>\$ 1,963,253</b>	<b>\$ 550,179</b>	<b>\$ 246,726</b>	<b>\$ 12,569,167</b>

See independent auditors' report

**Allen Metropolitan Housing Authority  
Cost Certification**

<b>OH16-P044-10:</b>	
Administration	\$ 15,000
Planning	15,000
Site acquisition	184,150
Site improvements	15,000
Non-Dwelling equipment	<u>2,500</u>
<b>TOTAL EXPENDED</b>	<u><u>\$ 231,650</u></u>
<b>TOTAL RECEIVED</b>	<u><u>\$ 231,650</u></u>

1. The actual cost certificate was signed on February 25, 2005.
2. All costs have been paid through June 30, 2005 and there are no outstanding liabilities.
3. The final costs on the certificates agrees to the Authority's records.

**Allen Metropolitan Housing Authority  
Schedule of Federal Awards Expenditures  
Year Ended June 30, 2005**

	<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	\$ 743,923
Public Housing Development Grant	14.850b	135,699
Public Housing Capital Fund	14.872	474,270
<b>Housing Assistance Payments:</b>		
<b>Annual Contribution -</b>		
Section 8 Housing Choice Vouchers	14.871	4,567,718
Section 8 - NC/SR	14.182	1,520,040
<b>Total - All Programs</b>		<b>\$ 7,441,650</b>



**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, 2005, and have issued our report thereon dated December 1, 2005. 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 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*.

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 1, 2005



**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, 2005. 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, 2005.

**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.

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

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

A handwritten signature in cursive script that reads "Jones, Cochenour & Co." followed by a period.

Jones, Cochenour & Co.  
December 1, 2005

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

**Allen Metropolitan Housing Authority**  
**June 30, 2005**

<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>Section 8 Vouchers CFDA #14.871</b> <b>Development CFDA #14.850B</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, 2005**

**2. FINDINGS RELATED TO FINANCIAL STATEMENTS**

**There are no findings or questioned costs for the year ended June 30, 2005.**

**3. FINDINGS RELATED TO FEDERAL AWARDS**

**There are no findings or questioned costs for the year ended June 30, 2005.**





**Auditor of State  
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

**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  
FEBRUARY 16, 2006**