

AUDITED BASIC FINANCIAL STATEMENTS
OF THE
DELAWARE METROPOLITAN HOUSING AUTHORITY
OCTOBER 1, 2004 – SEPTEMBER 30, 2005



**Auditor of State
Betty Montgomery**

Board of Directors
Delaware Metropolitan Housing Authority
P. O. Box 1292
Delaware, Ohio 43015

We have reviewed the *Independent Auditor's Report* of the Delaware Metropolitan Housing Authority, Delaware County, prepared by Wilson, Shannon & Snow, Inc., for the audit period October 1, 2004 through September 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 Delaware Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

April 27, 2006

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DELAWARE METROPOLITAN HOUSING AUTHORITY
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Board of Directors
Delaware Metropolitan Housing Authority
222 Curtis Street
Delaware, Ohio 43015

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the Delaware Metropolitan Housing Authority, Delaware County, Ohio (the Authority) as of and for the fiscal year ended September 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing 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 financial statements referred to above present fairly, in all material respects, the financial position of the Delaware Metropolitan Housing Authority, Delaware County as of September 30, 2005, and the changes in its financial position and its cash flows, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 9, the Authority restated net assets for improperly recording certain accounts payable. In addition, the Authority adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures* as disclosed in Note 10.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 24, 2006, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 read in conjunction with this report in considering the results of our audit.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
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Board of Directors
Independent Auditors' Report

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

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

Wilson, Sherman & Snow, Inc.

Newark, Ohio
February 24, 2006

**DELAWARE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005
(UNAUDITED)**

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

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

FINANCIAL HIGHLIGHTS

- During fiscal year 2005, the Authority's net assets increased by \$64,145 (or 45%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$142,498 (as restated) and \$206,643 for fiscal year 2004 and fiscal year 2005, respectively.
- The revenue increased by \$87,344 (or 3.67%) during fiscal year 2005, and was \$2,382,861 and \$2,470,205 for fiscal year 2004 and fiscal year 2005, respectively.
- The total expenses of the Authority increased by \$40,793 (or 1.72%). Total expenses were \$2,365,267 and \$2,406,060 for fiscal year 2004 (as restated) and fiscal year 2005, respectively.

**DELAWARE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005
(UNAUDITED)**

USING THIS ANNUAL REPORT

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

| |
|---|
| <p style="text-align: center;">MD&A ~ Management Discussion and Analysis ~</p> |
|---|

| |
|---|
| <p style="text-align: center;">Basic Financial Statements ~ Basic Financial Statements – pgs 12-14 ~ ~ Notes to Financial Statements – pgs 15-22 ~</p> |
|---|

| |
|--|
| <p style="text-align: center;">Other Required Supplementary Information ~ Required Supplementary Information – none ~ (other than MD&A)</p> |
|--|

The primary focus of the Authority's financial statement is on both the Authority as a whole and its respective financial position. This perspective allows the user to address relevant questions, broaden a basis for comparison (year-to-year or Authority-to-Authority) and enhance the Authority's accountability.

**DELAWARE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005
(UNAUDITED)**

Authority-Wide Financial Statements

The Authority-wide financial statements are designed to be corporate-like and present the results of operations.

These Statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equals "Net Assets", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

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

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

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

Finally, Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

**DELAWARE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005
(UNAUDITED)**

The Authority's Funds

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

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

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

HOME Activities – represents other HUD resources developed from contracts with the City and County of Delaware.

Business Activities – represents non-HUD resources developed from a variety of activities, including services to other entities.

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**DELAWARE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005
(UNAUDITED)**

AUTHORITY-WIDE STATEMENT

Statement of Net Assets

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

TABLE 1

STATEMENT OF NET ASSETS

| | <u>2005</u> | (Restated) <u>2004</u> |
|----------------------------|------------------|---------------------------|
| Current and Other Assets | \$ 357,697 | \$ 297,357 |
| Capital Assets | <u>17,730</u> | <u>24,084</u> |
| Total Assets | <u>375,427</u> | <u>321,441</u> |
| | | |
| Current Liabilities | 5,358 | 63,105 |
| Non-Current Liabilities | <u>163,426</u> | <u>115,838</u> |
| Total Liabilities | <u>168,784</u> | <u>178,943</u> |
| | | |
| Net Assets: | | |
| Invested in Capital Assets | 17,730 | 24,084 |
| Unrestricted | <u>188,913</u> | <u>118,414</u> |
| Total Net Assets | <u>\$206,643</u> | <u>\$142,498</u> |

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

Major Factors Affecting the Statement of Net Assets

Current assets increased by \$60,340 in fiscal year 2005, while total liabilities decreased by \$10,159, which includes a prior period adjustment for \$7,785. \$151,439 of cash is restricted for Family Self-Sufficiency program participants (see Note 5 for further details regarding the FSS program). In addition, HUD Receivables totaled \$56,780 at September 30, 2005, which indicates the Authority is owed more monies for housing assistance payments than it received; in contrast, at September 30, 2004, the Authority had a payable to HUD for \$63,105.

No capital assets were purchased or debt incurred during fiscal year 2005. For more detail, see "Capital Assets and Debt Administration" below.

**DELAWARE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005
(UNAUDITED)**

TABLE 2

CHANGE OF UNRESTRICTED NET ASSETS

| | | |
|---|--------------|-------------------|
| Unrestricted Net Assets October 1, 2004 (1) | | \$ 118,414 |
| Results of Operations | \$ 64,145 | |
| Adjustments: | | |
| Depreciation (2) | <u>6,354</u> | |
| Adjusted Results from Operations | | <u>70,499</u> |
| Unrestricted Net Assets September 30, 2005 | | \$ <u>188,913</u> |

(1) Balance includes a prior period adjustment of \$7,785 for Accounts Receivable owed the Housing and Urban Development.

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

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

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**DELAWARE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005
(UNAUDITED)**

TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

| | <u>2005</u> | (Restated) <u>2004</u> |
|-----------------------------|------------------|---------------------------|
| Revenues | | |
| HUD PHA Operating Grants | \$2,457,568 | \$2,374,275 |
| Investment Income | 734 | 685 |
| Service Income | 9,659 | 7,762 |
| Fraud Recovery | <u>2,244</u> | <u>139</u> |
| Total Revenues | <u>2,470,205</u> | <u>2,382,861</u> |
| Expenses | | |
| Administrative | 268,571 | 273,012 |
| Maintenance | 6,492 | 7,308 |
| General | 7,264 | 7,600 |
| Housing Assistance Payments | 2,117,379 | 2,071,818 |
| Depreciation | <u>6,354</u> | <u>5,529</u> |
| Total Expenses | <u>2,406,060</u> | <u>2,365,267</u> |
| Net Increase | <u>\$ 64,145</u> | <u>\$ 17,594</u> |

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

HUD PHA Grants increased by \$83,293 due to the funding of the Homeownership Coordinator fee from HUD for \$43,839 through the Housing Choice Voucher Program and the increased funding from the City and County HOME program funds.

Last fiscal year, a total of 5,133 unit months were leased, which represents a 97.66% leasing rate. This fiscal year, 5,174 unit months were leased, which is a 41 unit month increase, or a 98.44% leasing rate. Beginning in January 2005, HUD no longer bases administrative fees to the Authority on current leasing levels, but rather as a lump sum per calendar year.

Most other expenses fluctuated moderately due to inflation and need.

**DELAWARE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005
(UNAUDITED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2005, the Authority had \$17,730 invested in capital assets, as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation).

TABLE 4

**CAPITAL ASSETS AT FISCAL YEAR-END
(NET OF DEPRECIATION)**

| | Business-Type Activities | |
|----------------------------|-----------------------------|------------------|
| | <u>2005</u> | <u>2004</u> |
| Equipment – Administrative | \$55,968 | \$62,538 |
| Accumulated Depreciation | (38,238) | (38,454) |
| Total | <u>\$17,730</u> | <u>\$ 24,084</u> |

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 20 of the notes.

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**DELAWARE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005
(UNAUDITED)**

TABLE 5

CHANGE IN CAPITAL ASSETS

| | <u>Business-Type Activities</u> |
|-------------------|-------------------------------------|
| Beginning Balance | \$ 24,084 |
| Depreciation | <u>(6,354)</u> |
| Ending Balance | \$ <u>17,730</u> |

Disposals for fiscal year 2005 totaled \$6,570 of fully depreciated assets.

Debt Outstanding

As of September 30, 2005, the Authority has no outstanding debt.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

The individual to be contacted regarding this report is Marsha K. Inscho, Finance Manager for the Delaware Metropolitan Housing Authority, at (419) 526-1622. Specific requests may be submitted to the Authority at P.O. Box 1292, Delaware, OH 43015.

DELAWARE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

Assets

Current Assets

| | | |
|-----------------------------|----|---------|
| Cash and Cash Equivalents | \$ | 127,076 |
| Accounts Receivable - HUD | | 56,780 |
| Accounts Receivable - Other | | 12,369 |
| Prepaid Items | | 2,998 |
| | | 199,223 |
| Total Current Assets | | 199,223 |

Non-Current Assets

| | | |
|---|--|----------|
| Restricted Cash - Family Self-Sufficiency | | 151,439 |
| Accounts Receivable - Fraud Recovery | | 7,035 |
| Capital Assets: | | |
| Furniture and Equipment | | 55,968 |
| Accumulated Depreciation | | (38,238) |
| | | 17,730 |
| Total Capital Assets | | 17,730 |

| | | |
|--------------------------|--|---------|
| Total Non-Current Assets | | 176,204 |
|--------------------------|--|---------|

| | | |
|--------------|--|---------|
| Total Assets | | 375,427 |
|--------------|--|---------|

Liabilities

Current Liabilities

| | | |
|---------------------------------|--|-------|
| Accounts Payable | | 2,894 |
| Accrued Wages and Payroll Taxes | | 1,480 |
| Accrued Compensated Absences | | 984 |
| | | 5,358 |
| Total Current Liabilities | | 5,358 |

Non-Current liabilities

| | | |
|--|--|---------|
| Accrued Compensated Absences | | 4,952 |
| Family Self-Sufficiency Deposits Payable | | 151,439 |
| Other Non-Current Liabilities | | 7,035 |
| | | 163,426 |
| Total Non-Current Liabilities | | 163,426 |

| | | |
|-------------------|--|---------|
| Total Liabilities | | 168,784 |
|-------------------|--|---------|

Net Assets

| | | |
|----------------------------|----|---------|
| Invested in Capital Assets | | 17,730 |
| Unrestricted | | 188,913 |
| | | 206,643 |
| Total Net Assets | \$ | 206,643 |

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

**DELAWARE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

Operating Revenues

| | |
|--------------------------------|----------------------|
| HUD Grants | \$ 2,457,568 |
| Other Income - Service Revenue | 9,659 |
| Other Income - Fraud Recovery | <u>2,244</u> |
| Total Operating Revenue | <u>2,469,471</u> |

Operating Expenses

| | | |
|----------------------------------|--------------|----------------------|
| Housing Assistance Payments | \$ 2,117,379 | |
| Administrative Salaries | 85,162 | |
| Employee Benefits | 44,584 | |
| Other Administrative | 138,825 | |
| Material and Labor - Maintenance | 6,492 | |
| Depreciation | 6,354 | |
| General | <u>7,264</u> | |
| Total Operating Expenses | | <u>2,406,060</u> |

| | |
|------------------|---------------|
| Operating Income | <u>63,411</u> |
|------------------|---------------|

Non-Operating Revenues

| | |
|--|------------------------------|
| Interest | <u>734</u> |
| Change in Net Assets | 64,145 |
| Net Assets at October 1, 2004 (Restated, see Note 9) | <u>142,498</u> |
| Net Assets at September 30, 2005 | <u><u>\$ 206,643</u></u> |

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

DELAWARE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

Cash flows from operating activities

| | |
|---|--------------|
| Cash received from HUD Programs | \$ 2,392,272 |
| Cash received from other sources | 11,903 |
| Cash payments to employees for services | (128,856) |
| Cash payments for goods and services - HUD Programs | (2,117,379) |
| Cash payments for goods and services | (158,860) |
| | (920) |

Net cash used in operating activities (920)

Cash flows from investing activities

| | |
|----------|-----|
| Interest | 734 |
| | 734 |

Net cash provided by investing activities 734

Net change in cash and cash equivalents (186)

Cash and cash equivalents at October 1, 2004 278,701

Cash and cash equivalents at September 30, 2005 \$ 278,515

Cash flows from operating activities:

| | |
|--|-----------|
| Operating Income | \$ 63,411 |
| Adjustments to reconcile operating income to net cash used in operating activities | |
| Depreciation Expense | 6,354 |
| Changes in assets and liabilities | |
| Accounts Receivable | (71,544) |
| Prepaid Items | 11,018 |
| Accounts Payable | (57,085) |
| Accrued Wages and Payroll Taxes | (94) |
| Accrued Compensated Absences | 984 |
| Other Liabilities | 46,036 |
| | 46,036 |

Net Cash Used in Operating Activities \$ (920)

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

**DELAWARE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

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

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

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

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

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

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

DELAWARE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Excluded Entity

The following entity is excluded from the Reporting Entity; however, the entity does conduct activities for the benefit of the Authority.

Delaware Housing Development Association - This organization was formed as an instrumentality of the Authority to assist in the development and financing of housing projects. The Board of the Association is legally separate from the Delaware Metropolitan Housing Authority and is independently elected.

The Delaware Housing Development Association was formed as a result of a Development Agreement that was created in October of 1996. The parties to this agreement are listed below:

1. Delaware Metropolitan Housing Authority - Servicer
2. Partnership Equities, Inc. - Developer
3. Wallick Properties, Inc. - Property Manager
4. Hidden Ridge Limited Partnership - An Ohio Limited Partnership

The responsibility of the Delaware Metropolitan Housing Authority was to make application to the State of Ohio, Ohio Department of Development pursuant to their Energy, Home Investment Partnership, and Section 403 planning grant programs, and the Ohio Housing Finance Agency for their compensating balance and interim development loan programs in order to obtain grants or deferred loans for the development of the Project. The Hidden Ridge Limited Partnership is comprised of 60 units and is occupied by households whose income at the time of initial occupancy is at or below 50% of the area median income. As of September 30, 2005, the project has been completed and no further projects exist.

The Delaware Metropolitan Housing Authority leases office space from the Hidden Ridge Limited Partnership for \$1 per year. The terms of the lease are described in Note 8. In addition, as of September 30, 2005, 29 of the 60 units were occupied by individuals that participate in the Housing Choice Voucher Program that is administered by the Delaware Metropolitan Housing Authority.

Fund Accounting

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

Proprietary Fund Types:

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

DELAWARE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

Measurement Focus/Basis of Accounting

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

Capital Assets

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

| | <u>Years</u> |
|--------------------------|--------------|
| Furniture – dwelling | 7 |
| Furniture – non-dwelling | 7 |
| Equipment – dwelling | 5 |
| Equipment – non-dwelling | 7 |
| Computer hardware | 3 |
| Computer software | 3 |
| Vehicles | 5 |

Cash and Cash Equivalents

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

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the 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.

DELAWARE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005
(CONTINUED)

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 fund liability.

Net Assets

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

Estimates

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

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Authority had restricted assets for Family Self-Sufficiency Deposits and certain accounts receivable. See Note 5 for additional information concerning restricted assets.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are for Housing and Urban Development Grants and other income. Operating expenses are necessary costs to provide the goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenues.

**DELAWARE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005
(CONTINUED)**

2. CASH AND CASH EQUIVALENTS

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

All monies are deposited into banks as determined by the Authority. Funds are deposited in either interest bearing or non-interest bearing accounts at the Authority’s discretion. Security shall be furnished for all accounts in the Authority’s name.

Cash and cash equivalents included in the Authority's cash position at September 30, 2005 are as follows:

Demand deposits:

| | | | |
|-------------------------|------------------|------------------------|-------------------|
| Bank balance - Checking | \$ 84,097 | Bank balance - Savings | \$ 211,332 |
| Items-in-transit | (16,939) | Items-in-transit | _____ |
| Carrying balance | \$ <u>67,158</u> | Carrying balance | \$ <u>211,332</u> |

Of the fiscal year-end cash balance, \$67,158 of the checking account balance and \$100,000 of the savings was covered by federal deposit insurance, \$25 was maintained in petty cash funds and the remaining balance of \$111,332 was covered by pledged securities held by third-party trustees maintaining collateral for all public funds on deposit.

Based on the Authority having only demand deposits at September 30, 2005, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

3. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year 2005, the Authority contracted with KMU Insurance for public officials and employment practices liability; and Westfield Companies for general insurance, property, crime, electronic equipment, and automobile insurance

Public officials liability and employment practices liability insurance each carries a \$1,000 deductible. Property and electronic equipment insurance each carries a \$250 deductible. Crime insurance carries a \$100 deductible.

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

DELAWARE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005
(CONTINUED)

4. CAPITAL ASSETS

The following is a summary of capital assets at September 30, 2005:

| | <u>Balance</u> <u>September 30, 2004</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <u>September 30, 2005</u> |
|---|---|-----------------------|------------------|---|
| <u>Capital Assets - Cost</u> | | | | |
| Furniture, fixtures, and equipment | \$ 26,683 | \$ - | \$ (6,570) | \$ 20,113 |
| Vehicles | <u>35,855</u> | <u>-</u> | <u>-</u> | <u>35,855</u> |
| Total at cost | <u>62,538</u> | <u>-</u> | <u>(6,570)</u> | <u>55,968</u> |
| <u>Less: accumulated depreciation</u> | | | | |
| Furniture, fixture, and equipment | (19,711) | (2,814) | 6,570 | (15,955) |
| Vehicles | <u>(18,743)</u> | <u>(3,540)</u> | <u>-</u> | <u>(22,283)</u> |
| Total accumulated depreciation | <u>(38,454)</u> | <u>(6,354)</u> | <u>6,570</u> | <u>(38,238)</u> |
| Capital assets, net | \$ <u>24,084</u> | \$ <u>(6,354)</u> | \$ <u>-</u> | \$ <u>17,730</u> |

5. FSS ESCROW PAYABLE

The Authority is involved in the Family Self-Sufficiency program through the Housing Choice Vouchers Program. Each month contributions are deposited into the Authority's savings account on behalf of the program participants. Participants are limited to a five year contract at which time, they either meet their program goals and may withdraw their money earned from the savings account, or they fail to meet their goals and forfeit their money. If a forfeiture occurs, the money earned is used by the Authority to reinvest into the Voucher Program.

6. DEFINED BENEFIT PENSION PLANS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the Authority was required to contribute 13.55 percent through September 30. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Authority's required contributions to OPERS for the years ended 2003, 2004 and 2005 were \$8,337, \$7,741, and \$16,667 respectively, which were equal to the required contributions for each year. In fiscal year 2005, the Authority resolved to pick up the employees' share of OPERS that totaled \$2,111.

DELAWARE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005
(CONTINUED)

7. POSTRETIREMENT EMPLOYEE BENEFITS

OPERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit, and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available under OPERS. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB). A portion of each employer's OPERS contribution is set aside for the funding of postretirement health care. The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to OPERS. The number of active contributing participants was 369,885 as of December 31, 2004 (most recent information available).

As required by state statute, a portion of each employer's contribution to OPERS is used for the funding of the postemployment health care. Based on the employer's contribution of 13.55% of covered payroll; 4.00% was used to fund health care for the year. Employer contributions are advance-funded on an actuarially determined basis and are determined by state statute.

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2003. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actual gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2003 was 8 percent.

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

As of December 31, 2003, the audited estimated net assets available for future OPEB payments were \$10.5 billion. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were \$26.9 billion and \$16.4 billion, respectively.

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

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

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.

DELAWARE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005
(CONTINUED)

7. POSTRETIREMENT EMPLOYEE BENEFITS – (CONTINUED)

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.

8. LEASES

The Delaware Metropolitan Housing Authority leases office space under a long-term lease that expires on the 30th day of April 2008. The Authority pays the lessor, the Hidden Ridge Limited Partnership, \$1 per year for the office space.

9. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$7,785 was made to reduce the fiscal year 2004 Account Payable due HUD, as a result of changes made to the Authority's fiscal year end report. The changes were made by HUD as a result of funding restructuring which occurred. Net Assets at October 1, 2004 were restated from \$134,713 to \$142,498.

10. CHANGE IN ACCOUNTING PRINCIPLES

The Authority has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements*. Implementation of this GASB had no impact on the Authority's financial position or results of operation.

DELAWARE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

| FDS Line Item No. | Account Description | 14.871 Housing Choice Vouchers Program |
|--------------------------------------|---|---|
| | Current Assets | |
| | Cash | |
| 111 | Cash - Unrestricted | \$ 127,076 |
| 100 | Total Cash | <u>127,076</u> |
| | Accounts Receivable | |
| 122 | Accounts Receivable - HUD | 56,780 |
| 125 | Accounts receivable - Miscellaneous | <u>12,369</u> |
| 120 | Total Accounts Receivable | <u>69,149</u> |
| | Other Assets | |
| 142 | Prepaid Items | <u>2,998</u> |
| | Total Other Assets | <u>2,998</u> |
| 150 | Total Current Assets | <u>199,223</u> |
| | Non-Current Assets | |
| 113 | Cash - Other Restricted | 151,439 |
| 128 | Fraud Recovery | 7,035 |
| | Capital Assets | |
| 164 | Furniture and Equipment - Administration | 55,968 |
| 166 | Accumulated Depreciation | <u>(38,238)</u> |
| 160 | Total Capital Assets, net of accumulated depreciation | <u>17,730</u> |
| 180 | Total Non-Current Assets | <u>176,204</u> |
| 190 | Total Assets | \$ <u>375,427</u> |

DELAWARE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

| <u>FDS Line Item No.</u> | <u>Account Description</u> | <u>14.871 Housing Choice Vouchers Program</u> |
|------------------------------|----------------------------------|---|
| | Current Liabilities | |
| 312 | Accounts Payable | \$ 2,894 |
| 321 | Accrued Wages and Payroll Taxes | 1,480 |
| 322 | Accrued Compensated Absences | <u>984</u> |
| 310 | Total Current Liabilities | <u>5,358</u> |
| 354 | Accrued Compensated Absences | 4,952 |
| 353 | Noncurrent Liabilities - Other | <u>158,474</u> |
| 350 | Total Non-Current Liabilities | <u>163,426</u> |
| 300 | Total Liabilities | <u>168,784</u> |
| | Net Assets | |
| 508.1 | Invested in Capital Assets | 17,730 |
| 512.1 | Unrestricted Net Assets | <u>188,913</u> |
| | Total Net Assets | <u>206,643</u> |
| 600 | Total Liabilities and Net Assets | <u>\$ <u>375,427</u></u> |

DELAWARE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

| FDS Line Item No. | Account Description | 14.871 Housing Choice Vouchers Program | 14.239 Home Program | Business Activities | Total |
|--------------------------------------|--|---|--------------------------------|--------------------------------|-------------------|
| | Revenue | | | | |
| 706 | HUD Grants | \$ 2,365,933 | \$ 91,635 | \$ - | \$ 2,457,568 |
| 711 | Investment Income - Unrestricted | 734 | - | - | 734 |
| 714 | Fraud Recovery | 2,244 | - | - | 2,244 |
| 715 | Other Revenue | - | - | 9,659 | 9,659 |
| | Total Revenue | <u>2,368,911</u> | <u>91,635</u> | <u>9,659</u> | <u>2,470,205</u> |
| | Expenses | | | | |
| 911 | Administrative Salaries | 73,383 | 5,390 | 6,389 | 85,162 |
| 912 | Auditing Fees | 6,327 | - | - | 6,327 |
| 914 | Compensated Absences | 984 | - | - | 984 |
| 915 | Employee Benefit Contribution - Administrative | 38,333 | 1,997 | 3,270 | 43,600 |
| 916 | Other Operating - Administrative | 131,735 | 763 | - | 132,498 |
| 942 | Ordinary Maintenance and Operation - Materials and Other | 6,492 | - | - | 6,492 |
| 961 | Insurance Premiums | 7,264 | - | - | 7,264 |
| | Total Operating Expenses | <u>264,518</u> | <u>8,150</u> | <u>9,659</u> | <u>282,327</u> |
| 970 | Excess Operating Revenue Over Operating Expenses | <u>2,104,393</u> | <u>83,485</u> | <u>-</u> | <u>2,187,878</u> |
| | Other Expenses | | | | |
| 973 | Housing Assistance Payments | 2,033,894 | 83,485 | - | 2,117,379 |
| 974 | Depreciation | 6,354 | - | - | 6,354 |
| | Total Other Expenses | <u>2,040,248</u> | <u>83,485</u> | <u>-</u> | <u>2,123,733</u> |
| 900 | Total Expenses | <u>2,304,766</u> | <u>91,635</u> | <u>9,659</u> | <u>2,406,060</u> |
| 1000 | Excess of Revenues over Expenses | 64,145 | - | - | 64,145 |
| 1103 | Net Assets at October 1, 2004 | 134,713 | - | - | 134,713 |
| 1104 | Prior Period Adjustment | 7,785 | - | - | 7,785 |
| | Net Assets at September 30, 2005 | <u>\$ 206,643</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 206,643</u> |

**DELAWARE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF AWARDS EXPENDITURES
FRO THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

| <u>Federal Grantor/ Pass-Through Grantor Program Title</u> | <u>Pass-Through Number</u> | <u>CFDA Number</u> | <u>Federal Expenditures</u> |
|--|--------------------------------|--------------------|---------------------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| Section 8 Housing Choice Vouchers | N/A | 14.871 | \$ 2,304,766 |
| Passed through the City of Delaware | | | |
| Home Investment Partnership Program | N/A | 14.239 | 78,859 |
| Passed through Delaware County | | | |
| Home Investment Partnership Program | N/A | 14.239 | <u>12,776</u> |
| Total Federal Award Expenditures | | | <u><u>\$ 2,396,401</u></u> |

Notes to the Federal Schedule

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



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
Delaware Metropolitan Housing Authority
222 Curtis Street
Delaware, Ohio 43302

We have audited the financial statements of the Delaware Metropolitan Housing Authority, Delaware County, Ohio (the Authority) as of and for the fiscal year ended September 30, 2005, and have issued our report thereon dated February 24, 2006. As disclosed within Note 10, the Authority adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures* and restated net assets as disclosed in Note 9. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS

Ten West Locust Street

Newark, Ohio 43055

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Board of Directors
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*
Page 2

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
February 24, 2006



Report On Compliance with Requirements Applicable to Its Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Directors
Delaware Metropolitan Housing Authority
222 Curtis Street
Delaware, Ohio 43302

Compliance

We have audited the compliance of the Delaware Metropolitan Housing Authority, Delaware County, Ohio (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended September 30, 2005. As disclosed in Note 9, the Authority restated net assets and, as disclosed in Note 10, the Authority adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosure*. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended September 30, 2005.

Wilson, Shannon & Snow, Inc.

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Internal Control Over Compliance

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

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

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

Wilson, Shanna E. Snow, Inc.

Newark, Ohio
February 24, 2006

DELAWARE METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

1. SUMMARY OF AUDITOR'S RESULTS

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

DELAWARE METROPOLITAN HOUSING AUTHORITY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

DELAWARE METROPOLITAN HOUSING AUTHORITY

DELAWARE 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
MAY 9, 2006**