

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

of the

**ALLEN METROPOLITAN
HOUSING AUTHORITY**

for the

Year Ended June 30, 2004



**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, 2003 to June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Allen Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

January 4, 2005

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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 basic financial statements of Allen Metropolitan Housing Authority, as of and for the year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the 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, 2004, 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.

As described in Note 1 of the basic financial statement the authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, as of July 1, 2003. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 1, 2004 on our consideration of Allen Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the 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 Governmental Accounting Standards Board. 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 thereon.

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.
November 1, 2004

Allen Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004
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, 2004 with selected comparative information for the fiscal year ended June 30, 2003. This discussion has been prepared by management and should be read in conjunction with the financial statements, notes to the financial statements, and supplementary information found in the report. This information taken collectively is designed to provide readers with an understanding of the Authority's finances.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of fiscal year 2004 by \$12,625,503 (net assets). Of this amount, \$2,073,708 (unrestricted net assets) may be used to meet the Authority's ongoing obligations to citizens and creditors.
- Capital assets decreased by \$249,915 primarily from the depreciation of fixed assets.
- Net assets decreased by \$257,095 for the fiscal year ended June 30, 2004. This was due primarily to capital contributions decreasing by \$140,421 and operating subsidy for various programs decreasing.
- Operating revenues decreased \$380,069 primarily due to operating subsidies decreasing.
- Nonoperating revenue increased due to insurance proceeds from a casualty loss. Capital contributions from HUD decreased \$140,421 due to less 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 years ended June 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Operating revenues	\$ 7,923,078	\$ 8,303,147
Operating expenses	<u>8,444,424</u>	<u>8,789,017</u>
Operating loss	(521,346)	(485,870)
Nonoperating:		
Revenue	46,737	15,770
Expenses	(26,760)	(15,728)
Capital contributions	<u>382,911</u>	<u>523,332</u>
Change in net assets	(118,458)	37,504
Total Net Assets- Beginning of year	12,882,598	12,832,976
Prior period adjustments	<u>(138,637)</u>	<u>12,118</u>
Total Net Assets- Beginning of year, restated	<u>12,743,961</u>	<u>12,845,094</u>
Total Net Assets- End of year	<u>\$ 12,625,503</u>	<u>\$ 12,882,598</u>

Allen Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004
UNAUDITED

Operating revenues decreased by \$380 thousand as a result of program operating subsidies being reduced. Rental income increased \$57 thousand as a result of more families paying increased portions of their rent and lower numbers receiving utility reimbursements. Other income increased as a result of collections of fraud recovery.

Housing Units Managed

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

	<u>2004</u>	<u>2003</u>
Owned by Authority	251	251
Units under vouchers	1,041	920
Units under Mod Rehab	-	102
Units under NC SR	386	386
Total Housing Units Managed	<u><u>1,678</u></u>	<u><u>1,659</u></u>

The Section 8 Voucher lease up rate averaged 95 percent during FY 2004. It is anticipated that the program lease-up will improve to at least 98% during FY 2005. No further increase in additional housing units is expected.

Changes in Net Assets

Total net assets decreased from the previous year by \$250 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, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Capital assets	\$ 18,517,837	18,117,110
Less:		
Capital related debt	-	-
Accumulated depreciation	<u>(7,966,042)</u>	<u>(7,315,400)</u>
Total capital assets, net	<u><u>\$ 10,551,795</u></u>	<u><u>\$ 10,801,710</u></u>

Allen Metropolitan Housing Authority
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004
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 is the difference between total assets and total liabilities and is an indicator of the current fiscal health of the Authority. The following is a summarized comparison of the Authority's assets, liabilities, and net assets at June 30, 2004 and 2003:

	2004	2003
Assets:		
Current assets	\$ 2,632,294	\$ 2,625,824
Capital assets	10,551,795	10,801,710
Total assets	13,184,089	13,427,534
Liabilities:		
Current liabilities	445,634	454,429
Long-term liabilities	112,952	90,507
Total liabilities	558,586	544,936
Net Assets:		
Invested in capital assets, net of related debt	10,551,795	10,801,710
Unrestricted	2,073,708	2,080,888
Total net assets	\$ 12,625,503	\$ 12,882,598

Capital Assets

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

Land	\$	964,355
Building and Improvements		17,101,179
Furniture and equipment- dwellings		26,999
Furniture and equipment- administration		425,304
		18,517,837
Less: accumulated depreciation		(7,966,042)
Capital assets, net	\$	10,551,795

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, 2004

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 increased by 4.6%. At this time there is no further inflationary adjustments forecasted. Section 8 administrative fees decreased retroactively to January 1, 2004 by three percent and additional cuts are possible. Locally we are being impacted by negative employment factors such as stagnant job growth and a sluggish market.

Requests for Information

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

**Allen Metropolitan Housing Authority
Statement of Net Assets
June 30, 2004**

ASSETS

Cash and cash equivalents	\$	1,766,903
Investments		223,707
Intergovernmental receivables		367,615
Receivables - net of allowance		847
Due from other programs		158,533
Inventories - net of allowance		16,283
Deferred charges and other assets		98,406
		2,632,294
TOTAL CURRENT ASSETS		
Land		964,356
Other capital assets - net		9,587,439
		10,551,795
TOTAL CAPITAL ASSETS		
		13,184,089

LIABILITIES

Accounts payable		133,696
Due to other programs		158,533
Intergovernmental payables		6,837
Accrued compensated absences		26,050
Tenant security deposits		47,936
Deferred credits and other liabilities		72,582
		445,634
TOTAL CURRENT LIABILITIES		
Accrued compensated absences		11,882
FSS liability		101,070
		558,586
TOTAL LIABILITIES		

NET ASSETS

Invested in capital assets - net of debt		10,551,795
Unrestricted		2,073,708
		12,625,503
		\$ 12,625,503

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, 2004**

OPERATING REVENUE	
Tenant revenue	\$ 276,276
HUD operating grants	7,599,666
Operating revenues	<u>75,872</u>
TOTAL OPERATING REVENUE	7,951,814
 OPERATING EXPENSES	
Administrative	1,061,815
Tenant services	5,028
Utilities	64,614
Maintenance	422,217
Protective services	47,799
General	146,542
Bad debts	27,361
Extraordinary maintenance	3,955
Housing assistance payments	5,978,336
Casualty loss	26,760
Depreciation	<u>686,757</u>
TOTAL OPERATING EXPENSES	<u>8,471,184</u>
OPERATING LOSS	(519,370)
 NON-OPERATING REVENUE	
Interest income	18,001
HUD capital grants	<u>382,911</u>
CHANGE IN NET ASSETS	(118,458)
NET ASSETS BEGINNING OF YEAR, RESTATED	<u>12,743,961</u>
NET ASSETS END OF YEAR	<u><u>\$ 12,625,503</u></u>

See accompanying notes to the basic financial statements

**Allen Metropolitan Housing Authority
Statement of Cash Flows
Year Ended June 30, 2004**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from tenants	\$ 276,276
Cash received from HUD	2,477,270
Cash payments for administrative	(646,066)
Cash payments for other operating expenses	<u>(1,042,308)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(83,324)
 CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Capital grants received for capital assets	382,911
Acquisition of capital assets	(400,727)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>2,231</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(98,909)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,865,812</u>
CASH AND CASH EQUIVALENTS, ENDING	<u><u>\$ 1,766,903</u></u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED FOR) OPERATING ACTIVITIES	
Operating (loss)	\$ (519,370)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	686,757
(Increase) decrease in:	
Receivables - net of allowance	(527)
Due from other programs	(18,086)
Inventories - net of allowance	(925)
Investments	(4,125)
Deferred charges and other assets	(5,831)
Intergovernmental receivable	(75,885)
Increase (decrease) in:	
Accounts payable	105,680
Due to other programs	18,087
Intergovernmental payables	(269,613)
Accrued compensated absences	(8,889)
Tenant security deposits	(2,336)
Deferred credits and other liabilities	<u>11,739</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (83,324)</u></u>

See accompanying notes to the basic financial statements

Allen Metropolitan Housing Authority
Notes to the Basic Financial Statements - continued
June 30, 2004

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.

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.

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Enterprise Fund

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Conventional Public Housing (PH) – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income.

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on the size and age of the units.

Housing Choice Voucher Program (HCVP) and New Construction (NC) – Under the HCVP and NC, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an ACC with HUD. HUD provides funding to enable the Authority to structure a lease that requires the participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

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).
- **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 transactions.

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.

Allen Metropolitan Housing Authority
Notes to the Basic Financial Statements
June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Capital 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 Authority's capitalization policy 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.

Due From/To Other Programs

On the basic financial statements, receivables and payables resulting from the short-term interprogram loans are classified as due to/due from other programs.

Accrued Liabilities

All payables and accrued liabilities are reported in the basic financial statements.

Compensated Absences

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

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.

Allen Metropolitan Housing Authority
Notes to the Basic Financial Statements
June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2004 totaled \$18,001. 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 \$1,253 for the year ended June 30, 2004

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, 2004.

Inventories

Inventories are stated at cost. The allowance for obsolete inventory was \$1,800 at June 30, 2004.

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. There was no related debt as of June 30, 2004. Net assets are recorded as restricted when there are limitations imposed on their use either by internal or external restrictions.

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 tenant revenues, operating grants from HUD and other miscellaneous revenue.

Operating expenses are those expenses that are expended directly for the primary activity of the proprietary fund. For the Authority, these expenses are administrative, utilities, maintenance, PILOT, insurance, depreciation, bad debt and housing assistance payments.

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.

Allen Metropolitan Housing Authority
Notes to the Basic Financial Statements
June 30, 2004

2. CASH – CONTINUED

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

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

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 \$1,766,903. The corresponding bank balances totaled \$1,773,181.

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

Category 1:	\$300,000 was covered by federal depository insurance
Category 2:	\$1,473,181 was covered by specific collateral pledged by the financial institution in the name of the Authority.

HUD, State Statute and Board Resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose or arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The Authority had investments of Certificates of Deposits in excess of three month maturities in the amount of \$223,707 at June 30, 2004

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.

**Allen Metropolitan Housing Authority
Notes to the Basic Financial Statements
June 30, 2004**

4. CAPITAL ASSETS

The following is a summary:

	<u>Balance 6/30/03</u>	<u>Net Additions / Deletions</u>	<u>Balance 6/30/04</u>
CAPITAL ASSETS, NOT BEING DEPRECIATED			
Land	\$ 964,356	\$ -	\$ 964,356
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>\$ 964,356</u>	<u>\$ -</u>	<u>\$ 964,356</u>
CAPITAL ASSETS, BEING DEPRECIATED			
Buildings and Improvements	\$ 16,734,322	\$ 366,856	\$ 17,101,178
Furniture and equipment	418,432	33,871	452,303
Totals at Historical Costs	17,152,754	400,727	17,553,481
Less: Accumulated Depreciation	<u>(7,315,400)</u>	<u>(650,642)</u>	<u>(7,966,042)</u>
TOTAL CAPITAL ASSETS, NET BEING DEPRECIATED	<u>\$ 9,837,354</u>	<u>\$ (249,915)</u>	<u>\$ 9,587,439</u>

The depreciation expense for the year then ended June 30, 2004 was \$686,757.

5. DEFINED BENEFIT PENSION PLANS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members are required to contribute 8.5 percent of their annual covered payroll to fund pension obligations and the Authority was required to contribute 13.55 percent of covered payroll during 2004. The Authority's required contributions, including the pick up portion for certain employees for the years ended June 30, 2004, 2003, and 2002 were \$102,793, \$108,073, and \$94,201, respectively. All required payments of contributions have been made through June 30, 2004.

Allen Metropolitan Housing Authority
Notes to the Basic Financial Statements
June 30, 2004

6. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

OPERS provides retirement, disability, survivor and post retirement health benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age and services retirees must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by the Ohio Revised Code. The 2003 employer contribution rate was 13.55 percent of covered payroll, and 5.0 percent was used to fund health care for the year.

The assumptions and calculations below were based on the System's latest actuarial review performed as of December 31, 2002.

An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfounded actuarial accrued liability. All investments are carried as market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2002 was 8.00 percent. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase 4.00% annually.

OPEBs are advance-funded on an actuarially determined basis. At year-end 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The Authority's actual contributions for 2004 that were used to fund post-employment benefits were \$38,000. The actuarial value of the Retirement System's net assets available for OPED at December 31, 2002 were \$10 billion. The actuarially accrued liability and the unfounded actuarial accrued liability, based on the actuarial cost method used were \$18.7 billion and \$8.7 billion, respectively.

7. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended June 30, 2004, 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 on pages 16-19. The schedules are presented in the manner prescribed by Housing and Urban Development. These schedules can be used to tie the total assets and liabilities into the combined statements.

Allen Metropolitan Housing Authority
Notes to the Basic Financial Statements
June 30, 2004

8. CHANGES IN ACCOUNTING PRINCIPLES, RECLASSIFICATION AND RESTATEMENT OF PRIOR YEAR'S FUND EQUITY

	<u>Total</u>	<u>Net HUD PHA Contributions</u>	<u>Undesignated Retained Earnings</u>	<u>Invested in Capital Assets - Net of Debt</u>	<u>Unrestricted Net Assets</u>
Net Assets, Beginning of Year	\$ 12,882,598	\$ 9,394,599	\$ 3,487,999	\$ -	\$ -
Reclassification of Equity A/P overstated	- 4,146	(9,394,599) -	(3,487,999) -	10,801,710 -	2,080,888 4,146
HUD corrections on Section 8 year end reports	<u>(142,783)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(142,783)</u>
Prior period adjustments/reclassifications	<u>(138,637)</u>	<u>-</u>	<u>-</u>	<u>10,801,710</u>	<u>1,942,251</u>
Net Assets, Beginning of Year, Restated	12,743,961	-	-	10,801,710	1,942,251
Fixed asset additions	400,727 *	-	-	400,727	-
Current loss/Depreciation expense	<u>(519,185) *</u>	<u>-</u>	<u>-</u>	<u>(650,642)</u>	<u>131,457</u>
Net Assets, End of Year	<u>\$ 12,625,503</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,551,795</u>	<u>\$ 2,073,708</u>

* = \$(118,458)

9. NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

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

Allen Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
June 30, 2004

FDS Line Item No.	Account Description	14.850 Public & Indian Hsg	14.852 CIAP	14.871 Section 8 Vouchers	14.182 Section 8 NC/SR	14.856 Section 8 Mod Rehab	14.854 Drug Elim.	14.850b Develop	14.872 Capital Fund	Other Business Activity	TOTAL
	ASSETS										
111	Cash - unrestricted	\$ 591,026	\$ -	\$ 279,101	\$ 15,159	\$ -	\$ -	\$ 72,512	\$ -	\$ 20,227	\$ 978,025
113	Cash - other restricted	506,332	-	101,070	-	-	-	-	-	-	607,402
114	Cash - tenant security deposits	52,821	-	-	-	-	-	-	-	-	52,821
115	Cash - Restricted for payment of current liabilities	116,724	-	11,931	-	-	-	-	-	-	128,655
100	TOTAL CASH	1,266,903	-	392,102	15,159	-	-	72,512	-	20,227	1,766,903
122	Accounts receivable - HUD other proj	-	-	98,572	106,822	-	11,165	-	151,056	-	367,615
125	Accounts receivable - miscellaneous	720	-	-	-	-	-	-	-	-	720
126	A/R Tenants - dwelling rents	327	-	-	-	-	-	-	-	-	327
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	847	-	98,572	106,822	-	11,165	-	151,056	-	368,462
131	Investments - unrestricted	-	-	-	-	-	-	-	-	223,707	223,707
142	Prepaid expenses and other assets	98,406	-	-	-	-	-	-	-	-	98,406
143	Inventories	18,083	-	-	-	-	-	-	-	-	18,083
143.1	Allowance for obsolete inventory	(1,800)	-	-	-	-	-	-	-	-	(1,800)
144	Interprogram due from	58,548	-	99,985	-	-	-	-	-	-	158,533
150	TOTAL CURRENT ASSETS	1,440,987	-	590,659	121,981	-	11,165	72,512	151,056	243,934	2,632,294
161	Land	765,445	-	-	-	-	-	198,911	-	-	964,356
162	Buildings	14,092,596	-	-	-	-	-	2,408,094	524,841	-	17,025,531
163	Furniture and equipment - dwellings	26,999	-	-	-	-	-	-	-	-	26,999
164	Furniture and equipment - admin	315,058	-	70,715	-	-	-	-	39,531	-	425,304
165	Leasehold improvements	43,914	-	-	-	-	-	-	31,733	-	75,647
166	Accumulated depreciation	(7,214,316)	-	(36,028)	-	-	-	(687,055)	(28,643)	-	(7,966,042)
167	Construction in progress	-	-	-	-	-	-	-	-	-	-
160	TOTAL FIXED ASSETS, NET	8,029,696	-	34,687	-	-	-	1,919,950	567,462	-	10,551,795
180	TOTAL NON-CURRENT ASSETS	8,029,696	-	34,687	-	-	-	1,919,950	567,462	-	10,551,795
190	TOTAL ASSETS	\$ 9,470,683	\$ -	\$ 625,346	\$ 121,981	\$ -	\$ 11,165	\$ 1,992,462	\$ 718,518	\$ 243,934	\$ 13,184,089

See independent auditors' report

Allen Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
June 30, 2004

FDS Line Item No.	Account Description	14.850 Public & Indian Hsg	14.852 CIAP	14.871 Section 8 Vouchers	14.182 Section 8 NC/SR	14.856 Section 8 Mod Rehab	14.854 Drug Elim.	14.850b Develop	14.872 Capital Fund	Other Business Activity	TOTAL
	LIABILITIES										
312	Accounts payable <=90 days	\$ 7,797	\$ -	\$ 1,872	\$ -	\$ -	\$ -	\$ -	\$ 103,732	\$ -	\$ 113,401
322	Accrued compensated absences	16,050	-	10,000	-	-	-	-	-	-	26,050
331	Accounts payable - HUD PHA programs	-	-	-	6,837	-	-	-	-	-	6,837
333	Accounts payable - other govt	20,295	-	-	-	-	-	-	-	-	20,295
341	Tenant security deposits	47,936	-	-	-	-	-	-	-	-	47,936
342	Deferred revenue	-	-	-	-	-	-	72,512	-	-	72,512
346	Accrued Liabilities - Other	70	-	-	-	-	-	-	-	-	70
347	Interprogram due to	-	-	59	99,985	-	11,165	-	47,324	-	158,533
310	TOTAL CURRENT LIABILITIES	92,148	-	11,931	106,822	-	11,165	72,512	151,056	-	445,634
353	Noncurrent liabilities - other	-	-	101,070	-	-	-	-	-	-	101,070
354	Accrued compensated absences - noncurrent	5,000	-	6,882	-	-	-	-	-	-	11,882
350	TOTAL NONCURRENT LIABILITIES	5,000	-	107,952	-	-	-	-	-	-	112,952
300	TOTAL LIABILITIES	97,148	-	119,883	106,822	-	11,165	72,512	151,056	-	558,586
513	TOTAL EQUITY	9,373,535	-	505,463	15,159	-	-	1,919,950	567,462	243,934	12,625,503
600	TOTAL LIABILITIES AND EQUITY	\$ 9,470,683	\$ -	\$ 625,346	\$ 121,981	\$ -	\$ 11,165	\$ 1,992,462	\$ 718,518	\$ 243,934	\$ 13,184,089

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, 2004

FDS Line Item No.	Account Description	14.850 Public & Indian Hsg	14.852 CIAP	14.871 Section 8 Vouchers	14.182 Section 8 NC/SR	14.856 Section 8 Mod Rehab	14.854 Drug Elim.	14.850b Develop	14.872 Capital Fund	Other Business Activity	TOTAL
REVENUE											
703	Net tenant revenue	\$ 276,276	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 276,276
704	Tenant revenue - other	-	-	-	-	-	-	-	-	-	-
705	TOTAL TENANT REVENUE	276,276	-	-	-	-	-	-	-	-	276,276
706	PHA HUD grants	747,282	-	5,035,950	1,591,714	-	47,799	3,761	173,160	-	7,599,666
706.1	Capital contributions	-	-	-	-	-	-	69,054	313,857	-	382,911
711	Investment income - unrestricted	7,699	-	1,253	375	-	-	-	-	4,174	13,501
714	Fraud recovery	-	-	14,815	-	-	-	-	-	-	14,815
715	Other revenue	57,271	-	3,666	-	-	-	-	-	120	61,057
720	Investment income - restricted	4,500	-	-	-	-	-	-	-	-	4,500
700	TOTAL REVENUE	1,093,028	-	5,055,684	1,592,089	-	47,799	72,815	487,017	4,294	8,352,726
EXPENSES											
911	Administrative salaries	295,970	-	153,524	77,500	-	-	-	-	-	526,994
912	Auditing fees	1,451	-	5,900	1,199	-	-	-	-	-	8,550
914	Compensated absences	(2,183)	-	(4,556)	-	-	-	-	-	-	(6,739)
915	Employee benefit contrib - admin	84,675	-	84,986	24,500	-	-	-	-	-	194,161
916	Other operating - administrative	25,757	-	287,157	14,997	-	-	-	9,997	941	338,849
924	Tenant services - other	5,028	-	-	-	-	-	-	-	-	5,028
931	Water	15,409	-	-	-	-	-	-	-	-	15,409
932	Electricity	26,557	-	-	-	-	-	-	-	-	26,557
933	Gas	22,648	-	-	-	-	-	-	-	-	22,648
941	Ord maintenance/op - labor	133,082	-	-	-	-	-	-	-	-	133,082
942	Ord maintenance/op - materials	54,952	-	-	-	-	-	-	143,163	-	198,115
943	Ord maintenance/op - cont costs	49,216	-	-	-	-	-	3,761	-	-	52,977
945	Emp benefit contrib - ord main	38,043	-	-	-	-	-	-	-	-	38,043
952	Protective services - other cont costs	-	-	-	-	-	47,799	-	-	-	47,799

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, 2004

FDS Line Item No.	Account Description	14.850 Public & Indian Hsg	14.852 CIAP	14.871 Section 8 Vouchers	14.182 Section 8 NC/SR	14.856 Section 8 Mod Rehab	14.854 Drug Elim.	14.850b Develop	14.872 Capital Fund	Other Business Activity	TOTAL
	EXPENSES - CONTINUED										
961	Insurance premiums	\$ 125,376	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,376
963	PILOT	21,166	-	-	-	-	-	-	-	-	21,166
964	Bad debts - tenant rents	27,361	-	-	-	-	-	-	-	-	27,361
969	TOTAL OPERATING EXPENSES	924,508	-	527,011	118,196	-	47,799	3,761	153,160	941	1,775,376
970	EXCESS OPERATING REVENUE OVER EXPENSES	168,520	-	4,528,673	1,473,893	-	-	69,054	333,857	3,353	6,577,350
971	Extraordinary Maintenance	3,955	-	-	-	-	-	-	-	-	3,955
972	Casualty Loss- Not Capitalized	26,760	-	-	-	-	-	-	-	-	26,760
973	Housing Assistance Payments	-	-	4,503,982	1,474,354	-	-	-	-	-	5,978,336
974	Depreciation expense	571,026	-	7,906	-	-	-	86,312	21,513	-	686,757
900	TOTAL EXPENSES	1,526,249	-	5,038,899	1,592,550	-	47,799	90,073	174,673	941	8,471,184
1001	Operating transfers in	20,000	-	-	-	-	-	-	-	-	20,000
1002	Operating transfers out	-	-	-	-	-	-	-	(20,000)	-	(20,000)
	EXCESS OF REVENUE OVER EXPENSES	(413,221)	-	16,785	(461)	-	-	(17,258)	292,344	3,353	(118,458)
1103	Beginning equity	8,931,343	525,423	597,473	41,454	8,154	-	1,937,208	600,962	240,581	12,882,598
1104	Prior period adj/equity transfers	855,413	(525,423)	(108,795)	(25,834)	(8,154)	-	-	(325,844)	-	(138,637)
	ENDING EQUITY	\$ 9,373,535	\$ -	\$ 505,463	\$ 15,159	\$ -	\$ -	\$ 1,919,950	\$ 567,462	\$ 243,934	\$ 12,625,503

See independent auditors' report

**Allen Metropolitan Housing Authority
Cost Certifications
June 30, 2004**

OH16-DEP044-01-00:	
Administration	<u>\$ 70,415</u>
TOTAL EXPENDED	<u><u>\$ 70,415</u></u>
TOTAL RECEIVED	<u><u>\$ 70,415</u></u>
OH16-P044-50-101:	
Operations	\$ 20,000
Management improvements	34,833
Fees and costs	22,173
Site improvements	7,397
Dwelling structures	432,921
Dwelling equipment - nonexpendable	<u>10,546</u>
TOTAL EXPENDED	<u><u>\$ 527,870</u></u>
TOTAL RECEIVED	<u><u>\$ 527,870</u></u>

1. The actual cost certificates were signed on April 14, 2004, and March 1, 2004
2. All costs have been paid through June 30, 2004 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, 2004**

	<u>FEDERAL CFDA NUMBER</u>	<u>FUNDS EXPENDED</u>
<u>FROM U.S. DEPARTMENT OF HUD</u>		
<u>DIRECT PROGRAMS</u>		
PHA Owned Housing:		
Public and Indian Housing	14.850a	\$ 747,282
Public Housing Development Grant	14.850b	72,815
Total	14.850	820,097
Public Housing Drug Elimination Grant	14.854	47,799
Public Housing Capital Fund	14.872	487,017
Housing Assistance Payments:		
Annual Contribution -		
Section 8 Housing Choice Vouchers	14.871	5,035,950
Section 8 - NC/SR	14.182	1,591,714
Total - All Programs		\$ 7,982,577



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

**Board of Directors
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, 2004, and have issued our report thereon dated November 1, 2004. As described in Note 1 of the basic financial statement the authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*, as of July 1, 2003. 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.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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*.

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 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. We noted other matters involving the internal control over financial reporting that we have reported to the management of Allen Metropolitan Housing Authority in a separate letter dated November 1, 2004.

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

**Jones, Cochenour & Co.
November 1, 2004**



**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, 2004. 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, 2004.

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.".

Jones, Cochenour & Co.
November 1, 2004

**Allen Metropolitan Housing Authority
June 30, 2004**

1. SUMMARY OF AUDITORS' RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	Section 8 NC/SR CFDA#14.182 Section 8 Vouchers CFDA#14.871
Dollar Threshold: Type A/B Programs	\$300,000
Low Risk Auditee?	Yes

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

**Allen Metropolitan Housing Authority
June 30, 2004**

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

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

3. FINDINGS RELATED TO FEDERAL AWARDS

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



**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
JANUARY 18, 2005**