

**AUDITED BASIC FINANCIAL STATEMENTS**  
**OF THE**  
**CONSORTIUM OF NORTHWEST OHIO**  
**HENRY COUNTY**  
**JULY 1, 2005 -JUNE 30, 2006**





Mary Taylor, CPA  
Auditor of State

Board of Directors  
Consortium of Northwest Ohio  
1044 Chelsea Ave  
Napoleon, Ohio 43345-1202

We have reviewed the *Independent Auditors' Report* of the Consortium of Northwest Ohio, Henry County, prepared by Wilson, Shannon & Snow, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 14, 2007

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**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Consortium of Northwest Ohio  
Napoleon OH 43545-1202

We have audited the accompanying financial statements of the Consortium of Northwest Ohio, Henry County, Ohio (the Consortium) as of and for the fiscal year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the Consortium'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 Consortium of Northwest Ohio, Henry County as of June 30, 2006, 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 8, the Consortium restated net assets for reclassification of certain accounts.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2006, on our consideration of the Consortium'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  
1-800-523-6611  
FAX (740) 345-5635

The management's discussion and analysis on pages 3 through 11 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 conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Consortium's basic financial statements. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis 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, and is not a required part of the basic financial statements of the Consortium. Such information has been subjected to auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as whole.

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
November 30, 2006

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Consortium of Northwest Ohio's (the Consortium) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Consortium's financial activity, (c) identify changes in the Consortium's financial position (its ability to address the next and subsequent fiscal year challenges), and (d) identify individual fund issues or concerns. The Consortium consists of the Bowling Green, Henry, and Williams Metropolitan Housing Authorities and this is the first year of consolidating these Authorities into one reporting entity. We have compiled 2005 consolidated financial information for comparison purposes throughout the Management's Discussion and Analysis.

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 Consortium's financial statements (beginning on page 13).

**FINANCIAL HIGHLIGHTS**

- During fiscal year 2006, the Consortium's net assets increased by \$22,778 (or 6.78%). Since the Consortium engages only in business-type activities, the increase is all in the category of business-type net assets. Restated and ending Net Assets for fiscal year 2005 were \$335,788 and \$358,566 for fiscal year 2006.
  
- The revenue decreased by \$111,196 (or 5.37%) during fiscal year 2006, and was \$2,071,532 and \$1,960,336 for fiscal year 2005 and fiscal year 2006, respectively.
  
- The total expenses of the Authority decreased by \$146,259 (or 7.02%). Total expenses were \$2,083,817 and \$1,937,558 for fiscal year 2005 and fiscal year 2006, respectively.

**CONSORITUM OF NORTHWEST OHIO  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

**USING THIS ANNUAL REPORT**

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

<p><b>MD&amp;A</b></p> <p>~ Management Discussion and Analysis – pgs 3-11 ~</p>
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<p><b>Basic Financial Statements</b></p> <p>~ Fund Financial Statement – pgs 13-15 ~ ~ Notes to Financial Statements – pgs 17-25 ~</p>
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<p><b>Other Required Supplementary Information</b></p> <p>~ Required Supplementary Information - none~ (Other than MD&amp;A)</p>
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The primary focus of the Consortium's financial statement is on the Consortium as a whole (Consortium -wide) and the major individual fund. Both perspectives (Consortium -wide and major fund) allow the user to address relevant questions, broaden basis for comparison (year-to-year or Consortium -to- Consortium), and enhance the Consortium's accountability.

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

**Consortium-Wide Financial Statements**

The Consortium-wide financial statements are designed to be corporate-like in that all business-type activities are consolidated into columns, which add to a total for the entire Consortium.

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 Consortium. The statement is presented in the format where assets, minus liabilities, equal "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 represent the net available liquid (non-capital) assets, net of liabilities, for the entire Consortium. Net Assets are reported in three broad categories:

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all net 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. The Consortium had no restricted net assets at June 30, 2006.

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

The Consortium -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 grant income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as investment income and interest expense.

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, the 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.

**CONSORITUM OF NORTHWEST OHIO  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

**THE CONSORTIUM'S FUNDS**

The Consortium's financial statements include all programs that are considered to be within its administrative control. The Consortium 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:

Business-Type Activities

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Consortium administers contracts with independent landlords that own the property. The Consortium 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 Consortium to structure a lease that sets the participants' rent at 30% of adjusted household income.

Other Programs - In addition to the major program above, the Consortium also maintains other grant programs. The other activities the Consortium is involved with are listed below:

State/Local – represents resources developed from services provided to other metropolitan housing authorities

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**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

**CONSORTIUM-WIDE STATEMENT**

**Statement of Net Assets**

The Statement of Net Assets includes all assets and liabilities of the Consortium 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 Assets compared to the prior year. The Consortium is engaged only in Business-Type Activities.

**STATEMENT OF NET ASSETS**

	<u>2006</u>	(Restated) <u>2005</u>
Current and Other Assets	\$ 395,072	\$ 354,368
Capital Assets	<u>103,439</u>	<u>118,003</u>
Total Assets	<u>498,511</u>	<u>472,371</u>
Other Liabilities	61,946	28,831
Non-Current Liabilities	<u>77,999</u>	<u>107,752</u>
Total Liabilities	<u>139,945</u>	<u>136,583</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	70,604	80,867
Unrestricted (restated for 2005)	<u>287,962</u>	<u>254,921</u>
Total Net Assets	<u>\$ 358,566</u>	<u>\$335,788</u>

For more detailed information see page 13 for the Statement of Net Assets.

**CONSORITUM OF NORTHWEST OHIO  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

**Major Factors Affecting the Statement of Net Assets**

This is the first year for consolidated reporting for the Consortium and fiscal year 2005 figures were compiled for comparison purposes only.

Current assets (primarily cash and investments) were increased by the \$40,704 which is a result of the changes to HUD's funding. Overall liabilities did not change significantly, however there were changes within the components of total liabilities which reflect a change in classification of the liabilities between current and non-current.

The capital assets had a net decrease of \$14,544. This is the amount of current year's depreciation. For more detail see "Capital Assets and Debt Administration" below.

**CHANGE OF UNRESTRICTED NET ASSETS**

Unrestricted Net Assets June 30, 2005 (as restated, see Note 8)		\$ 254,921
Results of Operations	\$ 22,778	
Adjustments:		
Depreciation (1)	<u>14,544</u>	
Adjusted Results from Operations		37,322
Prior Audit Adjustment (2)		(2,463)
Retirement of Debt		<u>(1,818)</u>
Unrestricted Net Assets June 30, 2006		<u>\$ 287,962</u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on unrestricted net assets

(2) To account for an audit adjustment for fiscal year 2005 related to the retirement of capital for Henry Metropolitan Housing Authority. Since the Consortium's general ledger was closed before the adjustment was made, the fiscal year 2005 audit adjustment was recorded in the current year.

While the result of operations is a significant measure of the Consortium's activities, the analysis of the changes in unrestricted net assets provides a clearer change in financial well-being.

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET FUND ASSETS**

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

	<u>2006</u>	<u>2005</u>
Revenues		
HUD PHA Operating Grants	\$1,793,351	\$1,882,179
Interest Income	5,695	4,278
Other Revenues	<u>161,290</u>	<u>185,075</u>
Total Revenue	<u>1,960,336</u>	<u>2,071,532</u>
Expenses		
Administrative	397,868	443,108
Maintenance	9,437	12,481
General	11,885	15,175
Housing Assistance Payments	1,502,288	1,593,366
Depreciation	14,544	17,206
Interest	<u>1,536</u>	<u>2,481</u>
Total Expenses	<u>1,937,558</u>	<u>2,083,817</u>
Change in Net Assets	<u>\$ 22,778</u>	<u>\$ (12,285)</u>

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

This is the first year for consolidate reporting for the Consortium and fiscal year 2005 figures were compiled for comparison purposes.

HUD PHA Operating Grants increased because of the increase in the leasing rate and admin fees from fiscal year 2005 to fiscal year 2006.

Other revenues represent revenues from fraud recovery and charges for services to other housing authorities. The decrease in fiscal year 2006 reflects a decrease in services provided to other housing authorities.

Administrative Expenses decreased due to staffing changes which occurred during the fiscal year 2006.

Housing Assistance Payments decreased due to lower portions of tenant rents supplemented by the Consortium during fiscal year 2006.

Most other expenses increased moderately due to inflation.

**CONSORITUM OF NORTHWEST OHIO  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

**CAPTIAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2006, the Consortium had \$103,439 invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation).

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

	Business-type Activities	
	<u>2006</u>	<u>2005</u>
Building	\$ 84,511	\$ 84,511
Equipment – Administrative	81,442	82,156
Building Improvements	51,974	51,974
Accumulated Depreciation	(114,488)	(100,658)
 Total	 \$ <u>103,439</u>	 \$ <u>117,983</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 22 of the notes.

**CHANGE IN CAPITAL ASSETS**

	Business-type Activities
Beginning Balance	\$ 117,983
Depreciation	(14,544)
Ending Balance	\$ <u>103,439</u>

There were no major additions for fiscal year 2006. For fiscal year 2006, there were disposals of \$714 in Equipment-Administrative; these capital assets were fully depreciated.

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(UNAUDITED)**

**Debt Outstanding**

As of June 30, 2006, the Consortium has \$32,835 in debt (mortgage loan) outstanding as compared to \$34,653 at June 30, 2005. The decrease of \$1,818 represents the current year debt repayment. For further information related to fiscal year 2006 debt activity, see Note 7.

**ECONOMIC FACTORS**

Significant economic factors affecting the Consortium 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 Consortium of Northwest Ohio, at (419) 526-1622. Specific requests may be submitted to the Authority at 1044 Chelsea Ave, Napoleon OH 43545-1202.

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**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
STATEMENTS OF NET ASSETS  
JUNE 30, 2006**

**Assets**

Current Assets

Cash and Cash Equivalents	\$ 204,152
Investments - Unrestricted	133,303
Accounts Receivable - Other	6,839
Prepaid Items	9,466
	353,760

Non-Current Assets

Accounts Receivable -Fraud Recovery	41,312
Capital Assets:	
Depreciable Capital Assets	217,927
Accumulated Depreciation	(114,488)
Total Capital Assets	103,439
Total Non-Current Assets	144,751

**Total Assets**

498,511

**Liabilities**

Current Liabilities

Accounts Payable	9,334
Accrued Wages and Payroll Taxes	3,501
Accrued Compensated Absences	46,124
Current Portion of Long-Term Debt	2,987
	61,946

Non-Current Liabilities

Mortgage Payable	29,848
Accrued Compensated Absences	6,839
Other Non-Current Liabilities	41,312
	77,999

**Total Liabilities**

139,945

**Net Assets**

Invested in Capital Assets	70,604
Unrestricted	287,962
	358,566

**Total Net Assets**

\$ 358,566

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

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET FUND ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

<b>Operating Revenues</b>		
HUD Grants	\$	1,793,351
Other Revenues		<u>161,290</u>
<b>Total Operating Revenues</b>		<u>1,954,641</u>
<b>Operating Expenses</b>		
Housing Assistance Payments	\$	1,502,288
Administrative Salaries		159,013
Employee Benefits		36,002
Other Administrative Expense		202,853
Material and Labor - Maintenance		9,437
Depreciation		14,544
General		<u>11,885</u>
<b>Total Operating Expenses</b>		<u>1,936,022</u>
Operating Income		<u>18,619</u>
<b>Nonoperating Revenues and Expenses</b>		
Interest Income		5,695
Interest Expense		<u>(1,536)</u>
<b>Total Nonoperating Revenues</b>		<u>4,159</u>
Change in Net Assets		22,778
Net Assets at July 1, 2005 (Restated, see Note 8)		<u>335,788</u>
<b>Net Assets at June 30, 2006</b>	<b>\$</b>	<b><u><u>358,566</u></u></b>

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

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**Cash flows from operating activities:**

Cash received from HUD	\$ 1,793,351
Cash received from other sources	161,281
Cash payments to employees for services	(294,599)
Cash payments for good or services - HUD	(1,502,288)
Cash payments for goods or services	<u>(131,233)</u>
Net cash provided by operating activities	<u>26,512</u>

**Cash flows from investing activities:**

Interest from Investments	5,695
Purchase of Investments	<u>(62,479)</u>
Net cash used in investing activities	<u>(56,784)</u>

**Cash flows used in financing activities:**

Repayment of Long-Term Debt	<u>(1,818)</u>
Net cash used in financing activities	<u>(1,818)</u>
Net change in cash and cash equivalents	(32,090)
Cash and cash equivalents at July 1, 2005	<u>236,242</u>
<b>Cash and cash equivalents at June 30, 2006</b>	<b><u><u>\$ 204,152</u></u></b>

**Reconciliation of operating income to net cash provided by operating activities:**

Operating income	\$ 18,619
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	14,544
Changes in assets and liabilities:	
Increase in accounts receivable	(11,127)
Increase in prepaid items	(704)
Increase in accounts payable	4,807
Decrease in accrued wages and payroll taxes	(247)
Increase in other liabilities	<u>620</u>
<b>Net cash provided by operating activities</b>	<b><u><u>\$ 26,512</u></u></b>

**Noncash operating and financing activities:**

Net effect of the prior period adjustments to surplus grant revenue	\$ 177,517
Refinancing the Consortium's mortgage note	<u>35,000</u>
Total noncash operating and financing activities	<b><u><u>\$ 212,517</u></u></b>

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

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**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Summary of Significant Accounting Policies

The basic financial statements of the Consortium of Northwest Ohio (the Consortium) 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 Consortium's accounting policies are described below.

Reporting Entity

On November 29, 2000, after receiving and reviewing public comment on section 13 of the United States Housing Act of 1937, HUD published the final rule which implemented the 1998 law that authorizes public housing agencies (PHAs) to administer any or all of their housing programs through a consortium of PHAs. The final rule specifies minimum requirements relating to formation and operation of the consortium and minimum contents of consortium agreements, as required by the statute and further reflects HUD's consideration of public comments received on the proposed rule.

On July 1, 2005, the following organizations: Bowling Green Housing Agency, Henry Metropolitan Housing Authority, and Williams Metropolitan Housing Authority elected to form a consortium and entered into a consortium agreement among the participating authorities, specified a Lead Agency (Henry Metropolitan Housing Authority), and submitted a joint Plan for all participating authorities in accordance with 24 CFR part 903.

The Consortium was created under the Ohio Revised Code, Section 3735.27. The Consortium 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 Consortium depends on the subsidies from HUD to operate. The accompanying basic financial statements comply with the provisions of GASB Statement No. 39, *Determining Whether Organizations are Component Units*, in that the financial statements include all organizations, activities and functions for which the Consortium is financially accountable. This report includes all activities considered by management to be part of the Consortium 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.

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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 of the Consortium over which the Consortium is financially accountable.

Fund Accounting

The Consortium uses a proprietary fund to report on its financial position and the results of its operations for the Section 8 housing program. 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 Consortium's ongoing activities that are similar to those found in the private sector. The following is the Consortium's proprietary fund type:

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

The Consortium 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.

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Measurement Focus/Basis of Accounting

The proprietary fund is 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 Consortium follows GASB guidance as applicable to its proprietary fund 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 capitalization threshold used by the Consortium is \$500. The following are the useful lives used for depreciation purposes:

Building – 40 years  
Furniture – 5 years  
Equipment – 7 years  
Vehicles – 5 years

Cash and Cash Equivalents and Investments

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 Consortium 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 fiscal year end by those employees who currently are eligible to receive termination payments. All employees who meet the termination policy of the Consortium for years of service are included in the calculation of the compensated absences accrual amount.

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**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 current liability.

Budgetary Accounting

The Consortium 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.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets 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 legislation adopted by the Consortium or through external restrictions imposed by creditors, grantors or laws or regulations 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.

Prepaid Items

Payments made to vendors for services that will benefit beyond fiscal year-end are reported as prepaid items via the consumption method.

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Operating Revenues and Expenses

Operating revenues are those revenues that are derived from tenant rentals, HUD subsidies, and other income. Operating expenses are necessary costs incurred to provide the services as it related to the primary activity of the Consortium. Revenues and expenses which do not meet these definitions are reported as non-operating revenues and expenses.

Accounts Receivable

Management considers all accounts receivable (excluding the fraud recovery receivable) to be collected in full. Receivables are presented as gross on the balance sheet.

Interprogram Due To/From

Short-term loans between housing authorities within the Consortium are classified as Interprogram Due To/From within the Consortium's Supplemental Schedules. These amounts are eliminated on the Statement of Net Assets.

**2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so 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 Consortium. Funds are deposited in either interest bearing or non-interest bearing accounts at the Consortium's discretion. Security shall be furnished for all accounts in the Consortium's name.

Cash and cash equivalents included in the Consortium's cash position at June 30, 2006 are as follows:

Demand Deposits:	
Bank balance – Checking	\$ 212,692
Items-in-transit	<u>(8,590)</u>
Carrying balance	<u>\$ 204,102</u>

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**2. CASH AND CASH EQUIVALENTS AND INVESTMENTS - CONTINUED**

Of the fiscal year-end cash balance, \$201,907 was covered by federal deposit insurance and \$10,785 was covered by pledged securities held by a third party trustee. In addition, the Consortium maintains \$50 in petty cash funds.

Investments:	
Cash Management Account	\$ 61,607
Certificate of Deposits	<u>71,696</u>
Total	<u>\$ 133,303</u>

The balance in the Cash Management Account at fiscal year end is fully covered by federal deposit insurance. Based on the Consortium having only demand deposits at June 30, 2006, the Consortium is not subject to interest rate, credit, concentration, or custodial credit risks.

**3. RISK MANAGEMENT**

The Consortium 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 2006, the Consortium purchased commercial insurance for vehicle, health, general liability, building contents, and real property insurance.

Vehicle insurance carries a \$250 comprehensive deductible and \$500 collision deductible. Property insurance carries a \$500 deductible. The deductible for general liability and electronic data processing insurance are \$500 each. The deductible for public officials' liability insurance is \$1,000.

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.

**4. CAPITAL ASSETS**

The following is a summary of capital assets at June 30, 2006:

	Balance <u>June 30, 2005</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2006</u>
<u>Governmental Activities - Cost</u>				
Buildings	\$ 84,511	\$ -	\$ -	\$ 84,511
Building Improvements	51,974	-	-	51,974
Furniture, fixtures, and equipment	<u>82,156</u>	-	<u>(714)</u>	<u>81,442</u>
Total at cost	<u>218,641</u>	-	<u>(714)</u>	<u>217,927</u>
<u>Less: accumulated depreciation</u>				
Buildings	(25,004)	(4,226)	-	(29,230)
Building Improvements	(8,763)	(5,198)	-	(13,961)
Furniture, fixture, and equipment	<u>(66,891)</u>	<u>(5,120)</u>	714	<u>(71,297)</u>
Total accumulated depreciation	<u>(100,658)</u>	<u>(14,544)</u>	<u>714</u>	<u>(114,488)</u>
Capital assets, net	<u>\$ 117,983</u>	<u>\$ (14,544)</u>	<u>\$ -</u>	<u>\$ 103,439</u>

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**5. DEFINED BENEFIT PENSION PLANS – OHIO 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 and amended 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 Consortium was required to contribute 13.55 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Consortium's required contributions to OPERS are equal to 100% of the dollar amount billed (13.55% of covered payroll). The Consortium's required contributions to OPERS for the years ended June 30, 2004, 2005, and 2006 were \$23,536, \$24,562, and \$32,907 respectively, which are equal to the required contributions for each year.

**6. 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 376,109 as of December 31, 2004.

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 OPERS' latest Actuarial Review performed as of December 31, 2004 (the latest actuarial review). 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 2004 was 8 percent.

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**6. POSTRETIREMENT EMPLOYEE BENEFITS - CONTINUED**

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, 2004, 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 \$29.5 billion and \$18.7 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 by creating a separate investment pool for health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses. As an additional component of the plan, member and employee contribution rates increased as of January 1, 2006, which allows for additional funds to be allocated to the health care plan.

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**7. LONG-TERM DEBT**

At June 30, 2005, the Consortium had an outstanding mortgage note payable of \$34,653. In September 2005, the Consortium refinanced this mortgage and is now obligated to a bond on a mortgage note, which matures September 9, 2015. The note requires monthly installments of \$355.31, including interest at 4% per annum.

	Balance <u>6/30/05</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/06</u>	Due in <u>one year</u>
Mortgage Note Payable	\$ 34,653	\$ 35,000	\$ 36,818	\$ 32,835	\$ 2,987

The aggregate amounts of long-term debt maturities for the remaining fiscal years following fiscal year 2006 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 2,987	\$1,277	\$ 4,264
2008	3,107	1,157	4,264
2009	3,239	1,025	4,264
2010	3,373	891	4,264
2011	3,512	752	4,264
2012-2016	<u>16,617</u>	<u>1,502</u>	<u>18,119</u>
Total	<u>\$32,835</u>	<u>\$6,604</u>	<u>\$39,439</u>

**8. PRIOR PERIOD ADJUSTMENT**

At year end June 30, 2005, the Department of Housing and Urban Development had not yet settled the method for accounting for unused advances in grants to the Consortium. The Consortium recorded the advance as deferred revenue in accordance with guidance previously prescribed by HUD. Per Public and Indian Housing Notice 2006-03, all accounts receivable due from HUD or accounts payable due HUD should be recorded to an Undesignated HAP fund account which is a component of Unrestricted Net Assets. The following illustrates this effect:

Unrestricted Net assets at July 1, 2005	\$ 77,404
Adjustments to Reclassify Grant Surplus Received	<u>177,517</u>
Unrestricted Net Assets at July 1, 2005, as restated	<u>254,921</u>
Invested in Capital Assets, Net of Related Debt at July 1, 2005	<u>80,867</u>
Net Assets at July 1, 2005, as restated	<u>\$335,788</u>

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**9. CONTINGENT LIABILITIES**

**A. Grants**

Amounts grantor agencies pay to the Consortium are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any such disallowed claims could have a material adverse effect on the overall financial position of the Consortium at June 30, 2006.

**B. Litigation**

The Consortium is unaware of any outstanding lawsuits or other contingencies.

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
STATEMENT OF NET ASSETS  
FDS SCHEDULE SUBMITTED TO HUD  
JUNE 30, 2006**

FDS Line Item No.	Account Description	<u>Bowling Green</u>	<u>Henry</u>	<u>Williams</u>	State/Local	Total
		14.871 Section 8 Housing Choice Vouchers	14.871 Section 8 Housing Choice Vouchers	14.871 Section 8 Housing Choice Vouchers		
	Current Assets					
	Cash					
111	Cash - Unrestricted	\$ 51,590	\$ 41,963	\$ 110,599	\$ -	\$ 204,152
100	Total Cash	51,590	41,963	110,599	-	204,152
	Accounts Receivable					
125	Miscellaneous	-	6,452	-	-	6,452
129	Accrued Interest Receivable	2	385	-	-	387
120	Total Accounts Receivable	2	6,837	-	-	6,839
	Other Assets					
131	Investments - Unrestricted	-	133,303	-	-	133,303
142	Prepaid Items	-	9,466	-	-	9,466
144	Interprogram Due From	-	-	-	62,555	62,555
	Total Other Assets	-	142,769	-	62,555	205,324
150	Total Current Assets	51,592	191,569	110,599	62,555	416,315
	Noncurrent Assets					
128	Fraud Recovery	9,263	18,847	13,202	-	41,312
	Capital Assets					
162	Buildings	-	84,511	-	-	84,511
164	Furniture and Equipment - Administration	-	55,180	26,262	-	81,442
165	Leasehold Improvements	-	51,974	-	-	51,974
166	Accumulated Depreciation	-	(88,423)	(26,065)	-	(114,488)
160	Total Capital Assets net of accumulated depreciation	-	103,242	197	-	103,439
180	Total Noncurrent Assets	9,263	122,089	13,399	-	144,751
190	Total Assets	\$ 60,855	\$ 313,658	\$ 123,998	\$ 62,555	\$ 561,066

Note for Supplemental Data:

Interprogram Due From and Due To are eliminated for financial statement presentation as this represents intrafund activity.

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
STATEMENT OF NET ASSETS  
FDS SCHEDULE SUBMITTED TO HUD  
JUNE 30, 2006**

FDS Line Item No.	Account Description	<u>Bowling Green</u>	<u>Henry</u>	<u>Williams</u>	State/Local	Total
		14.871 Section 8 Housing Choice Vouchers	14.871 Section 8 Housing Choice Vouchers	14.871 Section 8 Housing Choice Vouchers		
Current Liabilities						
312	Accounts Payable	\$ 1,384	\$ 2,902	\$ 5,048	\$ -	\$ 9,334
321	Accrued Wages and Payroll Taxes		3,501	-	-	3,501
322	Accrued Compensated Absences - Current		46,124	-	-	46,124
343	Current Portion of Long-Term Debt - Mortgage Revenue Bonds	-	2,987	-	-	2,987
347	Interprogram Due To	-	62,555	-	-	62,555
310	Total Current Liabilities	<u>1,384</u>	<u>118,069</u>	<u>5,048</u>	<u>-</u>	<u>124,501</u>
Non-Current Liabilities						
351	Long-Term Debt, Net of Current - Mortgage Revenue Bonds	-	29,848	-	-	29,848
354	Accrued Compensated Absences - Noncurrent	-	6,839	-	-	6,839
353	Non-Current Liabilities - Other	<u>9,263</u>	<u>18,847</u>	<u>13,202</u>	<u>-</u>	<u>41,312</u>
350	Total Non-Current Liabilities	<u>9,263</u>	<u>55,534</u>	<u>13,202</u>	<u>-</u>	<u>77,999</u>
300	Total Liabilities	<u>10,647</u>	<u>173,603</u>	<u>18,250</u>	<u>-</u>	<u>202,500</u>
Net Assets						
508.1	Invested in Capital Assets, Net of Related Debt	-	70,407	197	-	70,604
512.1	Unrestricted Net Assets	<u>50,208</u>	<u>69,648</u>	<u>105,551</u>	<u>62,555</u>	<u>287,962</u>
	Total Net Assets	<u>50,208</u>	<u>140,055</u>	<u>105,748</u>	<u>62,555</u>	<u>358,566</u>
600	Total Liabilities and Net Assets	<u>\$ 60,855</u>	<u>\$ 313,658</u>	<u>\$ 123,998</u>	<u>\$ 62,555</u>	<u>\$ 561,066</u>

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS  
FDS SCHEDULE SUBMITTED TO HUD  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FDS Line Item No.	Account Description	<u>Bowling Green</u>	<u>Henry</u>	<u>Williams</u>	State/Local	Total
		Section 8 Housing Choice Vouchers	Section 8 Housing Choice Vouchers	Section 8 Housing Choice Vouchers		
Revenue						
706	HUD Grants	\$ 519,863	\$ 790,068	\$ 483,420	\$ -	\$ 1,793,351
711	Investment Income - Unrestricted	280	4,804	611	-	5,695
714	Fraud Recovery	1,009	2,182	901	-	4,092
715	Other Revenue	1,255	3,171	-	152,772	157,198
	Total Revenue	522,407	800,225	484,932	152,772	1,960,336
Expenses						
911	Administrative Salaries	-	80,634	-	78,379	159,013
912	Auditing Fees	-	3,384	-	-	3,384
913	Outside Management Fees	67,950	-	83,412	-	151,362
915	Employee Benefit Contribution - Administrative	382	18,277	-	17,343	36,002
916	Other Operating - Administrative	-	31,486	645	15,976	48,107
942	Ordinary Maintenance and Operation - Materials and Other	-	9,437	-	-	9,437
961	Insurance Premiums	-	10,945	940	-	11,885
967	Interest Expense	-	1,536	-	-	1,536
	Total Operating Expenses	68,332	155,699	84,997	111,698	420,726
970	Excess Operating Revenue Over Operating Expenses	454,075	644,526	399,935	41,074	1,539,610
Other Expenses						
973	Housing Assistance Payments	448,658	666,432	387,198	-	1,502,288
974	Depreciation Expense	-	13,452	1,092	-	14,544
	Total Other Expenses	448,658	679,884	388,290	-	1,516,832
900	Total Expenses	516,990	835,583	473,287	111,698	1,937,558
1000	Excess of Revenues over Expenses	5,417	(35,358)	11,645	41,074	22,778
1103	Beginning Net Assets	12,322	66,119	58,349	21,481	158,271
1104	Prior Period Adjustment	32,469	109,294	35,754	-	177,517
	Ending Net Assets	\$ 50,208	\$ 140,055	\$ 105,748	\$ 62,555	\$ 358,566

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

<u>Federal Grantor / Pass Through Grantor Program Title</u>	<u>Pass-Through Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Section 8 Housing Choice Vouchers	N/A	14.871	\$ 1,825,860
Total Federal Award Expenditures			<u>\$ 1,825,860</u>

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the Authority's federal awards 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  
Consortium of Northwest Ohio  
Napoleon, Ohio 43545

We have audited the financial statements of the Consortium of Northwest Ohio, Henry County, Ohio (the Consortium) as of and for the fiscal year ended June 30, 2006, and have issued our report thereon dated November 30, 2006. As disclosed within Note 8, the Consortium restated net assets. 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 Consortium'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.

*Wilson, Shannon & Snow, Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
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Report On Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with  
*Government Auditing Standards*  
Page 2

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Consortium'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*.

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

*Wilson, Shuman & Snow, Inc.*

Newark, Ohio  
November 30, 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  
Consortium of Northwest Ohio  
Napoleon, Ohio 43545

**Compliance**

We have audited the compliance of the Consortium of Northwest Ohio, Henry County, (the Consortium) 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 June 30, 2006. The Consortium'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 Consortium management. Our responsibility is to express an opinion on the Consortium'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 Consortium'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 Consortium's compliance with those requirements.

In our opinion, the Consortium complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2006.

*Wilson, Shannon & Snow, Inc.*

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**Internal Control over Compliance**

The management of the Consortium 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 Consortium'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, the Auditor of State, federal awarding agencies, 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  
November 30, 2006

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY**

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

**JUNE 30, 2006**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

**CONSORTIUM OF NORTHWEST OHIO  
HENRY COUNTY**

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

**JUNE 30, 2006**

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



**Mary Taylor, CPA**  
Auditor of State

**CONSORTIUM OF NORTHWEST OHIO**

**HENRY COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 1, 2007**