SPRINGFIELD METROPOLITAN HOUSING AUTHORITY

REPORT ON AUDIT OF FINANCIAL STATEMENTS

And Required Federal Reports

For the Year Ended September 30, 2006

PARMS & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Mary Taylor, CPA
Auditor of State

Board of Directors
Springfield Metropolitan Housing Authority
101 West High Street
Springfield, Ohio 45502

We have reviewed the *Independent Auditors' Report* of the Springfield Metropolitan Housing Authority, Clark County, prepared by Parms & Company, LLC, for the audit period October 1, 2005 through September 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 Springfield Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 3, 2007

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SPRINGFIELD METROPOLITAN HOUSING AUTHORITY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Springfield Metropolitan Housing Authority

We have audited the accompanying statement of net assets of Springfield Metropolitan Housing Authority as of September 30, 2006, and the related statement of revenues, expenses and changes in net assets, and of cash flows for the year then ended. These financial statements are the responsibility of Springfield Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the proprietary fund activities of Springfield Metropolitan Housing Authority as of September 30, 2006, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2007, on our consideration of Springfield Metropolitan Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

The Management's Discussion and Analysis presented on pages 3 through 8 is not a required part of the basic financial statements but is supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by 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 and Cost Certification, as required by the U.S. Department of Housing and Urban Development, are presented for the purpose of additional analysis and are not a required part of the basic financial statements of Springfield Metropolitan Housing Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Parms & Company, LLC

May 24, 2007

As management of the Springfield Metropolitan Housing Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2006. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Overview of the Financial Statements

The Authority's financial statements consist of two parts – Management Discussion and Analysis (this section) and the basic financial statements. The basic financial statements include the Authority-wide financial statements and notes to the financial statements.

The Authority-wide financial statements provide information about the Authority's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the Authority-wide statements.

The Authority-wide statements report information about the Authority as a whole using accounting methods similar to those used by private sector business.

The *Statement of Net Assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Net assets are reported in three broad categories (as applicable):

> <u>Net Assets, Invested in Capital Assets, Net of Related Debt:</u> This component of net assets consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets.
>
> <u>Restricted Net Assets:</u> This component of net assets consists of restricted assets which constraints are placed on asset by grantors, contributors, laws, regulations, etc.
>
> <u>Unrestricted Net Assets:</u> Consists of net assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of related debt" or "Restricted Net Assets."

The *Statement of Revenues, Expenses and Changes in Net Assets* include all of the revenues and expenses of the Authority regardless of when the cash is received or paid.

The *Statement of Cash Flows* discloses net cash provided by or used for operating activities, investing activities and capital and related financing activities.

The Authority administers several programs that are consolidated into a single proprietary type-enterprise fund.

Significant programs consist of the following:

Public and Indian Housing - Under the conventional Public Housing Program, the Authority rents units it owns to low-income households. This program is operated under an Annual Contribution 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 percent of adjusted gross household income.

Section 8 Choice Voucher Program – Under the Section 8 Voucher Program, low-income tenants lease housing units directly from private landlords rather than from the Authority. Through Annual Contribution Contracts with HUD, the Authority receives funding to subsidize the rent of low-income families in the private market. The Authority earns a fixed percentage administrative fee from HUD to cover the program's operating costs.

Capital Fund Program (CFP) – The Capital Fund Program provides funding to improve the physical conditions and upgrade management of operations to ensure that properties continue to be available to service low-income families. CFP funding is based on a formula allocation that takes into consideration the size and age of the Authority's housing stock. This program replaced the Comprehensive Grant Program in the fiscal year 2000.

Public Housing Drug Elimination Program (PHDEP) – The PHDEP provides funds for public housing authorities and tribally designated housing entities to develop and finance drug and drug related crime elimination efforts in their developments. Funds may be used for enhancing security within the developments, making physical improvements to improve security or developing and implementing prevention, intervention and treatment programs to help curtail the use of drugs in public housing.

Revitalization of Severely Distressed Public Housing (HOPE VI) – The HOPE VI demolition program supports site acquisition, demolition, and relocation costs for the HOPE VI revitalization program. Under this program, residents of identified neighborhoods are relocated to other Public Housing and Section 8 Voucher units. Vacated public housing units are then demolished in preparation for the development under the HOPE VI revitalization program. This program seeks to rebuild public housing neighborhoods through various financing and construction various financing and construction development agreements.

Financial Highlights

During the fiscal year ending September 30, 2006:

- Total assets decreased by $175,294, the Authority had capital additions of approximately $489,000 and an increase in the current year accumulated depreciation of approximately $1,036,000. The current assets increased by approximately $393,000, most of which was an increase of mortgage receivable for approximately $591,000 that was partially offset by a decrease in prepaid expenses of approximately $100,000 and a net decrease in other current assets of approximately $98,000. Non-current assets decreased by approximately $21,000.
- Total liabilities decreased by $286,460 primarily due to the decrease of approximately $182,000 in unearned revenues for the housing choice vouchers for the relocation of residents who were displaced due to the renovation of an Authority project and funds received in excess of expenditures for the Housing Choice Voucher program. Accounts payable and other liabilities decreased by approximately $104,000 mostly due to the timing difference in payment of liabilities.
- Total revenues increased by $291,509. Capital grant revenues decreased by approximately $1,715,000 and HOPE VI funds increased by approximately $1,371,000 Operating subsidy increased by approximately $15,000. Section 8 housing choice vouchers increased by approximately $563,000. Tenant rental revenue decreased by approximately $103,000 as a result of project modernization and renovation activities. Other grants and revenue netted an increase of approximately $160,000.
- Total expenses increased by $1,069,120. Tenant service expenses increased approximately $178,000; utilities increased by approximately $4,000, general and administrative expenses increased approximately $11,000. Depreciation, maintenance, protective services and housing assistance payments netted an increase of approximately $876,000.

Fund Financial Statement

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements for its various programs. The Authority reports its overall financial position and activities in proprietary fund type - enterprise fund.

Notes to the Financial Statements

The notes to the basic financial statements provide additional information essential to a full understanding of the data provided in the basis financial statements. Notes to the basis financial statements can be found on pages13 through 24 of this report.

Financial Analysis of the Authority

Statement of Net Assets

The following table represents a condensed statement of net assets.

		2006	2005, restated
Assets			
Current and other assets	$	2,082,575	1,710,395
Capital assets		13,241,648	13,789,122
Total assets		15,324,223	15,499,517
Liabilities			
Current liabilities		543,686	815,988
Long-term liabilities		163,822	177,980
Total liabilities		707,508	993,968
Net Assets			
Invested in capital assets		13,241,648	13,789,122
Restricted net assets		281,761	170,756
Unrestricted		1,093,306	545,671
Total net assets	$	14,616,715	14,505,549

The Authority's total assets at September 30, 2006 decreased by $175,294 from September 30, 2005. The decrease resulted from: capital asset additions of $489,250, netted by current year depreciation of $1,036,724; cash and cash equivalents decreased by $17,130; total receivables increased by $459,924; inventory increased by $29,617; and prepaid expenses decreased increased by $100,231.

The Authority's total liabilities at September 30, 2006 decreased by $286,460 from September 30, 2005. Specifically, unearned revenues decreased by $182,072, and accounts payables and accrued liabilities decreased by $104,388.

By far the largest portion of the Authority's net assets (90 percent) reflects its investments in capital assets. The Authority uses these capital assets (land, building, furniture and equipment) to provide housing services to residents and are not readily available for future spending. The unrestricted net assets of the Authority are available for future use to provide program services.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets present the operating results of the Authority, as well as the non-operating revenues and expenses. Condensed information from the Authority's statements of revenue, expenses and changes in net assets follows:

		2006	2005, restated
Revenues			
Tenant rental income	$	1,071,214	1,174,518
Operating subsidy and grants		3,504,125	2,117,507
Subsidy for housing assistance payment		5,994,173	5,431,139
Capital grants		967,847	2,682,980
Other income		525,011	364,717
Total revenues		12,062,370	11,770,861
Expenses			
Administrative		2,120,395	1,737,760
Tenant services		761,487	582,949
Utilities		794,193	789,875
Maintenance		1,441,561	1,670,594
Protective services		108,701	60,659
General		297,896	286,199
Bad debts		58,635	95,346
Housing assistance payment		5,331,612	4,773,969
Total expenses before depreciation		10,914,480	9,997,351
Change in net assets before depreciation	$	1,147,890	1,773,510
Depreciation		1,036,724	884,733
Change in net assets	$	111,166	888,777

The total revenues of the Authority increased by $291,509 at September 30, 2006 compared to September 30, 2005. HUD operating subsidy, capital grants and housing choice vouchers, which approximate 85 percent of the total revenues of the Authority increased $234,519. Tenant revenues and other grants and income accounted for an increase of $56,990.

The overall expenses (including depreciation) increased $1,069,120 of which housing assistance payments increased by $557,643 and tenant services, utilities, protective services and general and administrative expenses increased by $588,519. Maintenance expenses decreased by $229,033. Depreciation expense increased by $151,991.

Capital Assets

The following reconciliation summarizes the changes in capital assets:

	Beginning Balance	Additions/ Reclassifications	Deletions/ Corrections	Ending Balance
Capital assets, not being depreciated				
Land	$ 2,016,682	-	-	2,016,682
Capital assets being depreciated				
Buildings	26,950,204	299,942	-	27,250,146
Furniture and equipment				
- administrative	713,323	189,308	(100,642)	801,989
Less accumulated depreciation	(15,891,087)	(1,036,724)	100,642	(16,827,169)
	11,772,440	(547,474)	-	11,224,966
Capital assets, net	$ 13,789,122	(547,474)	-	13,241,648

Major capital asset purchases during fiscal year 2006 included the following:

- For the year ended September 30, 2006 buildings increased by approximately $300,000 for renovations and building improvements for various Authority public housing projects.

- For the year ended September 30, 2006 furniture and equipment increased by approximately $189,000 of which approximately $152,000 of the increase was for the purchase of computer hardware and office equipment and approximately $37,000 of the increase was due to the purchase of vehicles.

- For the year ended September 30, 2006, furniture and equipment decreased by approximately $101,000 due to the disposal of obsolete computer hardware.

Economic Factors and Planned Events

Significant economic factors affecting the Authority are as follows:

- ✓ Federal funding is at the discretion of the U.S. Department of Housing and Urban Development (HUD) and the Authority received a funding proration of 86% for low income public housing for the year ending September 30, 2006.

- ✓ The slow economy has as impact on low-income households' ability to pay rent and 2006 modernization activity reduced availability for leases and rental income.

- ✓ Projected increase in health insurance, property insurance and utility rates will affect the cost of operating the programs. In 2006, HUD did not fund excess utility expenses.

- ✓ The HOPEVI Revitalization Plan for the Authority's Lincoln Park Project includes the demolition of all 210 existing units and redevelopment of 146 units on site, an on-site community center and park, and loan assistance to 25 low-income households to purchase new housing to be developed in the revitalization area. The on-site component will consist of 108 public/low-income housing tax credit units and 38 affordable home ownership units. The off-site component will consist of loans assistance for 25 affordable homeownership units.

Contact Information

Questions concerning any of the information provided in this report, or requests for additional information should be addressed to: Ms. Barbara Stewart, Executive Director, Springfield Metropolitan Housing Authority, 101 West High Street, Springfield, Ohio 45502, or call (937) 325-7331, extension 203.

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
September 30, 2006

Assets		
Current assets:		
Cash and cash equivalents	$	933,260
Accounts receivable, net:		
Tenants, net of allowance for doubtful accounts of $0		29,790
HUD		159,920
Other receivables		591,282
Inventory, net of allowance for obsolete of $61,707		165,253
Prepaid expenses		85,143
Total current assets		1,964,648
Non-current assets:		
Restricted cash and cash equivalents		117,927
Land		2,016,682
Property and equipment, net of accumulated depreciation		11,224,966
Total non-current assets		13,359,575
Total assets	$	15,324,223
Liabilities and Net Assets		
Current liabilities:		
Accounts payable		
Trade	$	183,850
HUD		152,934
Other		12,153
Accrued wages and benefits		89,099
Accrued compensated absences		40,254
Tenant security deposits, payable from restricted assets		64,601
Unearned revenues		795
Total current liabilities		543,686
Long-term liabilities:		
Accrued compensated absences, non-current portion		112,034
Other long-term liabilities		51,788
Total long-term liabilities		163,822
Total liabilities		707,508
Net Assets:		
Invested in capital assets		13,241,648
Restricted net assets		281,761
Unrestricted net assets		1,093,306
Total net assets		14,616,715
Total liabilities and net assets	$	15,324,223

See accompanying notes to the financial statements.

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For Year Ended September 30, 2006

Operating revenue:		
Dwelling rent	$	1,066,370
Non-dwelling rental		4,844
Total rental revenue		1,071,214
Program operating grants/subsidies		10,131,210
Other grants		249,287
Other income		228,535
Total operating revenue		11,680,246
Operating expenses:		
Administrative		2,120,395
Tenant services		761,487
Utilities		794,193
Maintenance		1,441,561
Protective services		108,701
General		297,896
Bad debts		58,635
Housing assistance payments		5,331,612
Depreciation		1,036,724
Total operating expenses		11,951,204
Operating loss		(270,958)
Non-operating revenue:		
Interest income		46,039
Capital grants		334,935
Gain on sale of assets		1,150
Change in net assets		111,166
Net assets, beginning of the year, as previously reported		14,618,924
Prior period adjustments		(113,375)
Net assets, beginning of the year, as restated		14,505,549
Net assets, end of the year	$	14,616,715

See accompanying notes to the financial statements.

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
For Year Ended September 30, 2006

Cash flows from operating activities:		
Cash received from HUD	$	9,667,977
Cash received from other governments		297,164
Cash received from tenants		1,083,670
Cash received from other income		200,514
Cash payments for housing assistance payments		(5,331,612)
Cash payments for administrative		(2,271,735)
Cash payments for other operating expenses		(3,554,141)
Net cash provided by operating activities		91,837
Cash flows from investing activities:		
Investment income		46,039
Cash flows from capital and related financing activities:		
Capital acquisitions		(489,250)
Capital grant funds		334,935
Net cash used by financing activities		(154,315)
Decrease in cash and cash equivalents		(16,439)
Cash and cash equivalents, beginning		1,067,626
Cash and cash equivalents, ending	$	1,051,187
Reconciliation of operating income to net cash used by operating activities:		
Operating loss	$	(270,958)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation		1,036,724
Gain on sale of assets		1,150
Prior period adjustments		(113,375)
(Increase) decrease in:		
Receivables - net of allowance		(459,925)
Inventory		(29,617)
Prepaid expenses		100,231
Increase (decrease) in:		
Accounts payable		(145,834)
Accrued wages and compensated absences		(8,084)
Tenant security deposits		(21,054)
Deferred credits and other liabilities		2,579
Net cash used by from operating activities	$	91,837

See accompanying notes to the financial statements.

1. Summary of Significant Accounting Policies:

The financial statements of the Springfield 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 more significant of the Authority's accounting policies are described below.

Reporting Entity

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying financial statements comply with the provision of GASB Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

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

Component units are legally separate organizations for which the Authority is financially accountable. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs or services performed or provided by the organization; or (2) is legally entitled to or can otherwise access the organization's resources; is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or is obligated for the debt of the organization. Component units may also include organizations that ate fiscally dependent on the Authority in that the Authority approves their budget, the issuance of their debt or the levying of their taxes. Based upon the application of theses criteria, the Authority has no component units.

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

<u>Basis of Presentation</u>

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily though user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management a control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result form providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are rents collected form tenants and subsidies provided by federal agencies. The Authority also recognized as operating revenue and expenses the portion of interest on bonds and notes related to housing developments of the Authority and its partnerships. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, depreciation on capital assets and amortization of bond discounts. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt, restricted and unrestricted components. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

Fund Accounting

The Authority maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is designed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in self-balancing groups of accounts and accounting entities that are separate from the activities reported in other funds.

A summary of each of these funds is provided below:

Public Housing – The Authority owns, operates and maintains 889 units of Public Housing. The properties were acquired through bonds and notes guaranteed by HUD and through grants, subject to the terms of an Annual Contributions Contract with HUD. Revenues consist primarily of rents and other fees collected from tenants, and an Operating Subsidy form HUD.

Capital Grant Funds – Funds are provided by HUD are used to maintain and improve this Public Housing portfolio. Substantially all additions to land, structures and equipment of Public Housing are accomplished through these modernization grand funds.

Housing Assistance Payments – Section 8 of the Housing and Community Development Act of 1974, provides subsidies (Housing Assistance Payments) on behalf of lower-income families to participating housing owners. Under this program, the landlord-tenant relationship is between a housing owner and a family, rather than the Authority and a family as in Public Housing programs. For existing housing, and in some cases for new construction and substantial rehabilitation, HUD contracts with the Authority to enter into contracts with owners to make assistance payments for the difference between the approval contract rent and the actual rent paid by lower-income families.

Public Housing Drug Elimination Program (PHDEP) – the PHDEP provides funds for public housing authorities and tribally designated housing entities to develop and finance drug and drug related crime elimination efforts in their developments. Funds may be used for enhancing security within the developments, making physical improvements to improve security or developing and implementing prevention, intervention and treatment programs to help curtail the use of drugs in public housing.

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

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

Proprietary Fund Types

Proprietary funds are used to account for the Authority's ongoing activities, which are similar to those, found in the private sector. The following is the proprietary fund type:

Enterprise Fund
This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus/Basis of Accounting

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

Capital Assets

Capital assets over the Authority's capitalization threshold of $1,000 are recorded at cost and depreciated using the straight-line method over an estimated useful life of the assets. Donated capital assets are recorded at fair market value on the date of receipt. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized.

The following are the useful lives used for depreciation purposes:

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.

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.

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 uncollectible receivables was $0 at September 30, 2006.

Inventory

Inventory consists of supplies and maintenance parts carried at cost and are expensed as they are consumed. The allowance for obsolete inventory was $61,707 at September 30, 2006.

Accounting and Reporting for Nonexchange Transactions

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 specified period) or (b) that the resources are required to be maintained intact in perpetuity or until a specified date or event has occurred (for example, permanent endowments, term endowments, and similar agreements). Time requirements affect the timing of recognition of nonexchange transactions.

- Purpose restrictions specify the purpose for which resources are required to be used. (i.e. capital grants used for the purchase of capital assets). Purpose restrictions do not affect when a nonexchange transaction is recognized. However, PHAs that receive resources with purpose restrictions should report resulting net assets, equity, or fund balance as restricted.

The PHA will recognize assets (liabilities) when all applicable eligibility requirements are met or resources received whichever is first. Eligibility requirements established by the provider may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies.

The PHA will recognize revenues (expenses) when all applicable eligibility requirements are met. For transactions that have a time requirement for the beginning of the following period, PHAs should record resources received prior to that period as deferred revenue and the provider of those resources would record an advance.

The PHA receives government-mandated or voluntary nonexchange transactions, which do not specify time requirements. Upon award, the entire subsidy should be recognized as a receivable and revenue in the period when applicable eligibility requirements have been met.

<u>Due From/To Other Programs</u>

Inter-program receivables and payables as of September 30, 2006 and 2005 on the Financial Data Schedule have been eliminated on the Statement of Net Assets.

<u>Operating Revenues and Expenses</u>

Operating revenues are revenues 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 expenses that are expended directly for the primary activity of the proprietary fund. For the Authority, these expenses are administrative, tenant services, utilities, maintenance, protective services, general, depreciation, bad debts and housing assistance payments.

2. Cash and Cash Equivalents:

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 account is including, but not limited to passbook accounts.

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

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

Deposits – At fiscal year end September 30, 2006, the carrying amount of the Authority's deposits totaled $12,958 and its bank balances were $440,590. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of September 30, 2006, $340,590 was exposed to custodial risk as discussed below, while $100,000 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

Investments – At September 30, 2006, the Authority held amounts in a money market fund listed below with a stated credit quality rating. Average maturities of fund securities are less than one year.

Description	Fair Value / Carrying Value	Credit Rating (Standard & Poor's)
Victory Federal Money Market Fund	$ 1,038,229	AAAm

3. Capital Assets:

The following is a summary of changes in the Authority's capital assets for the year ended September 30, 2006:

	Beginning Balance	Additions/ Reclassifications	Deletions/ Corrections	Ending Balance
Capital assets, not being depreciated				
Land	$ 2,016,682	-	-	2,016,682
Capital assets being depreciated				
Buildings	26,950,204	299,942	-	27,250,146
Furniture and equipment - administrative	713,323	189,308	(100,642)	801,989
Less accumulated depreciation	(15,891,087)	(1,036,724)	100,642	(16,827,169)
	11,772,440	(547,474)	-	11,224,966
Capital assets, net	$ 13,789,122	(547,474)	-	13,241,648

The depreciation expense for the year ended September 30, 2006 was $1,036,724.

4. Defined Benefit Pension Plans – Ohio Public Employees Retirement System

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

a. The Traditional Pension Plan (TP) - a 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.

c. The Combined Plan (CO) - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions 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 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 state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtaining by writing to the Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2005, 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 2005. The Authority's required contributions, including the pick up portion for certain employees for the periods ended September 30, 2006, 2005 and 2004 were $253,083, $239,320 and $255,221, respectively.

5. <u>Postemployment Benefits – Ohio Public Employees Retirement System</u>:

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 care benefits to qualifying members of both the Traditional and the Combined Plans. 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 service retirees under the Traditional Pension and Combined Plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. The health care coverage provided by OPERS meets the definition of 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 2005 employer contribution rate was 13.55 percent of covered payroll, and 4.00 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, 2004.

An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2004 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 at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4.00 percent (the projected wage inflation rate).

OPEBs are advance-funded on an actuarially determined basis. At December 31, 2005, the number of active contributing participants in the Traditional and Combined Plans totaled 376,109. The number of active contributing participants for both plans used in the December 31, 2004, actuarial valuation was $355,287. The Authority's actual contributions for 2005 that were used to fund post employment benefits were $70,647, including the employee pick up portion. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2004 were $10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were, $29.5 billion and $18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Prevention Plan (HCPP) with an effective date of January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service to 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 option selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

6. Risk Management:

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents, vehicles and other liability insurance. Vehicle policies include liability coverage for bodily injury and property damage. There was no significant reduction in coverage and no settlements exceeded insurance coverage during the past three years.

7. Contingent Liabilities:

Under the terms of Federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

8. Prior Period Adjustments:

The Authority recorded the following prior period adjustments that reduced the beginning net assets by $113,375.

		As Previously Reported	Adjustments	Restated Amount
Cash and cash equivalents		$ 929,322	$ 691	$ 930,013
Housing choice vouchers revenue deferral	1.	-	(101,195)	101,195
Accounts payable	2.	248,807	(12,871)	261,678
Total net assets		$14,618,924	$ (113,375)	$14,505,549

1. 2004 revenue over expenses restated due to repayment of housing choice funding.

2. Liability understated for utilities and operating expenses.

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
Supplemental Financial Data Schedules
Statement of Net Assets
Proprietary Fund Type - Enterprise Fund
September 30, 2006

FDS Line Item	Account Description	Low Rent Public Housing 14.850a	Development 14.850b	Section 8 Vouchers 14.871	Section 8 New Const 14.182	Project Choice 93.959	TANF 93.558	Capital Grant 14.872	Drug Elimination 14.854	HOPE VI 14.866	Eliminations	Total
	ASSETS											
111	Cash - unrestricted	$ 410,356	-	513,411	-	-	-	-	-	9,493	-	933,260
113	Cash - other restricted	-	-	53,900	-	-	-	-	-	-	-	53,900
114	Cash - tenant security deposits	64,027	-	-	-	-	-	-	-	-	-	64,027
100	Total cash	474,383	-	567,311	-	-	-	-	-	9,493	-	1,051,187
122	Accounts receivable - HUD other project	-	-	-	2,922	-	-	92,671	-	64,327	-	159,920
125	Accounts receivable - miscellaneous	50,607	-	14,736	-	-	13,805	-	-	512,134	-	591,282
126	A/R Tenants - dwelling rents	29,790	-	-	-	-	-	-	-	-	-	29,790
126.1	Allowance for doubtful accounts	-	-	-	-	-	-	-	-	-	-	-
120	Total accounts receivable	80,397	-	14,736	2,922	-	13,805	92,671	-	576,461	-	780,992
142	Prepaid expenses and other assets	83,493	-	-	-	-	-	1,650	-	-	-	85,143
143	Inventories	226,960	-	-	-	-	-	-	-	-	-	226,960
143.1	Allowance for obsolete inventory	(61,707)	-	-	-	-	-	-	-	-	-	(61,707)
144	Interprogram due from	1,552,658	-	-	-	-	-	920,649	-	-	(2,473,307)	-
150	Total current assets	2,356,184	-	582,047	2,922	-	13,805	1,014,970	-	585,954	(2,473,307)	2,082,575
161	Land	2,014,807	-	-	-	-	-	1,875	-	-	-	2,016,682
162	Buildings	24,740,230	-	-	-	-	-	2,509,916	-	-	-	27,250,146
164	Furniture and equipment - admin	422,830	-	38,387	-	-	-	299,424	-	41,348	-	801,989
166	Accumulated depreciation	(16,421,931)	-	(28,432)	-	-	-	(366,443)	-	(10,363)	-	(16,827,169)
160	Total fixed assets, net	10,755,936	-	9,955	-	-	-	2,444,772	-	30,985	-	13,241,648
180	Total non-current assets	10,755,936	-	9,955	-	-	-	2,444,772	-	30,985	-	13,241,648
190	Total assets	$ 13,112,120	-	592,002	2,922	-	13,805	3,459,742	-	616,939	(2,473,307)	15,324,223

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
Supplemental Financial Data Schedules
Statement of Net Assets
Proprietary Fund Type - Enterprise Fund
September 30, 2006

FDS Line Item	Account Description	Low Rent Public Housing 14.850a	Development 14.850b	Section 8 Vouchers 14.871	Section 8 New Const 14.182	Project Choice 93.959	TANF 93.558	Capital Grant 14.872	Drug Elimination 14.854	HOPE VI 14.866	Eliminations	Total
	LIABILITIES											
312	Accounts payable >=90 days	$ 129,808	-	26,649	-	-	-	6,333	-	21,060	-	183,850
321	Accrued wages/payroll taxes	57,918	-	16,207	-	-	3,698	7,147	-	4,129	-	89,099
322	Accrued compensated absences, current	22,121	-	5,887	-	-	339	9,366	-	2,541	-	40,254
331	Accounts payable - HUD PHA programs	-	-	165,087	-	-	-	-	-	-	-	165,087
341	Tenant security deposits	64,601	-	-	-	-	-	-	-	-	-	64,601
342	Deferred revenue	795	-	-	-	-	-	-	-	-	-	795
347	Interprogram due to	1,277,419	-	135,314	-	435	9,768	1,004,281	-	46,090	(2,473,307)	-
310	Total current liabilities	1,552,662	-	349,144	-	435	13,805	1,027,127	-	73,820	(2,473,307)	543,686
353	Noncurrent liabilities - other	-	-	51,788	-	-	-	-	-	-	-	51,788
354	Accrued compensated absences, non-current	88,485	-	23,549	-	-	-	-	-	-	-	112,034
350	Total noncurrent liabilities	88,485	-	75,337	-	-	-	-	-	-	-	163,822
300	Total liabilities	1,641,147	-	424,481	-	435	13,805	1,027,127	-	73,820	(2,473,307)	707,508
	NET ASSETS											
508.1	Invested in capital assets, net of related debt	10,755,936	-	9,955	-	-	-	2,444,772	-	30,985	-	13,241,648
511.1	Restricted net assets	-	-	281,761	-	-	-	-	-	-	-	281,761
512.1	Unrestricted net assets	715,037	-	(124,195)	2,922	(435)	-	(12,157)	-	512,134	-	1,093,306
513	Total equity	11,470,973	-	167,521	2,922	(435)	-	2,432,615	-	543,119	-	14,616,715
600	Total liabilities and equity	$ 13,112,120	-	592,002	2,922	-	13,805	3,459,742	-	616,939	(2,473,307)	15,324,223

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY

Supplemental Financial Data Schedules
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund Type - Enterprise Fund
September 30, 2006

FDS Line Item	Account Description	Low Rent Public Housing 14.850a	Development 14.850b	Section 8 Vouchers 14.871	Section 8 New Const 14.182	Project Choice 93.959	TANF 93.558	Capital Grant 14.872	Drug Elimination 14.854	HOPE VI 14.866	Total
	REVENUE										
703	Net tenant revenue	$ 1,066,370	-	-	-	-	-	-	-	-	1,066,370
704	Tenant revenue - other	4,844	-	-	-	-	-	-	-	-	4,844
705	Total tenant revenue	1,071,214	-	-	-	-	-	-	-	-	1,071,214
706	PHA HUD grants	2,065,260	-	5,811,217	182,956	-	-	632,912	-	885,383	9,577,728
706.1	Capital contribution	-	-	-	-	-	-	334,935	-	553,482	888,417
708	Other government grants	-	-	178,924	-	27,659	42,704	-	-	-	249,287
711	Investment income - unrestricted	18,683	-	27,356	-	-	-	-	-	-	46,039
714	Fraud recovery	-	-	19,203	-	-	-	-	-	-	19,203
715	Other revenue	209,338	-	886	-	258	-	-	-	-	210,482
	Total revenue	3,364,495	-	6,037,586	182,956	27,917	42,704	967,847	-	1,438,865	12,062,370
	EXPENSES										
911	Administrative salaries	141,088	-	379,365	5,938	5,520	-	148,245	-	117,909	798,065
912	Auditing fees	9,246	-	375	-	-	-	-	-	-	9,621
914	Compensated absences	(16,200)	-	222	-	339	-	9,366	-	2,541	(3,732)
915	Employee benefit contribution - admin	124,111	-	130,079	-	690	-	2,477	-	35,563	292,920
916	Other operating - administrative	296,977	-	117,455	-	1,101	-	106,082	-	501,906	1,023,521
921	Tenant services - salaries	315,557	-	20,625	-	1,082	-	-	-	-	337,264
922	Relocation costs	-	-	-	-	-	-	-	-	215,344	215,344
923	Employee benefit contrib - ten svcs	133,703	-	-	-	-	-	-	-	-	133,703
924	Tenant services - other	5,198	-	27,054	-	100	42,704	-	-	120	75,176
931	Water	218,595	-	10	-	-	-	-	-	-	218,605
932	Electricity	297,472	-	1,305	-	-	-	-	-	-	298,777
933	Gas	276,692	-	119	-	-	-	-	-	-	276,811
941	Ord maintenance/op-labor	501,168	-	-	-	-	-	-	-	-	501,168
942	Ord maintenance/op - materials	157,655	-	5,983	-	-	-	3,849	-	-	167,487
943	Ord maintenance/op - cont costs	360,736	-	1,295	-	-	-	107,677	-	12,000	481,708
945	Emp benefit contrib - ord main	216,152	-	21,387	-	19,520	-	34,139	-	-	291,198
952	Protective services - other cont costs	7,657	-	362	-	-	-	100,682	-	-	108,701
961	Insurance premiums	251,353	-	44,177	-	-	-	-	-	-	295,530
962	Other general expenses	2,366	-	-	-	-	-	-	-	-	2,366
964	Bad debts - tenant rents	58,635	-	-	-	-	-	-	-	-	58,635
969	Total operating expenses	$ 3,358,161	-	749,813	5,938	28,352	42,704	512,517	-	885,383	5,582,868

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
Supplemental Financial Data Schedules
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund Type - Enterprise Fund
September 30, 2006

FDS Line Item	Account Description	Low Rent Public Housing 14.850a	Development 14.850b	Section 8 Vouchers 14.871	Section 8 New Const 14.182	Project Choice 93.959	TANF 93.558	Capital Grant 14.872	Drug Elimination 14.854	HOPE VI 14.866	Total
970	EXCESS OPERATING REVENUE OVER EXPENSES	$ 6,334	-	5,287,773	177,018	(435)	-	455,330	-	553,482	6,479,502
973	Housing Assistance Payments	-	-	5,157,516	174,096	-	-	-	-	-	5,331,612
974	Depreciation expense	831,196	-	5,202	-	-	-	189,963	-	10,363	1,036,724
	Total expenses	4,189,357	-	5,912,531	180,034	28,352	42,704	702,480	-	895,746	11,951,204
1000	EXCESS OF REVENUE OVER EXPENSES	(824,862)	-	125,055	2,922	(435)	-	265,367	-	543,119	111,166
1001	Operating transfers in	132,552	-	-	-	-	-	-	-	-	-
1002	Operating transfers out	-	-	-	-	-	-	(132,552)	-	-	-
1103	Beginning equity	12,177,195	-	141,929	-	-	-	2,299,800	-	-	14,618,924
1104	Prior period adjustments	(13,912)	-	(99,463)	-	-	-	-	-	-	(113,375)
1105	Transfer of equity	-	-	-	-	-	-	-	-	-	-
	Ending equity	$ 11,470,973	-	167,521	2,922	(435)	-	2,432,615	-	543,119	14,616,715

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
COST CERTIFICATION
September 30, 2006

2004 Capital Fund Grant Number OH16P021501-04

Management improvements	$ 245,923
Administration	137,039
Fees and costs	165,556
Dwelling structure	662,344
Dwelling equipment – nonexpendable	52,241
Nondwelling equipment	107,300
Total expensed	$ 1,370,403
Total received	$ 1,370,403

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended September 30, 2006

Federal Grantor/Program Title	Federal CFDA Number		Funds Expended
U.S. Department of Housing and Urban Development:			
PHA Owned Housing:			
Public and Indian Housing (operating subsidiary)	14.850 a	$	2,065,260
Public Housing Capital Fund	14.872		967,847
			3,033,107
Revitalization of Severely Distressed Public Housing	14.866		1,438,865
Housing Assistance Payments: Annual Contribution			
Housing choice vouchers	14.871		5,811,217
Section 8 New Construction	14.182		182,956
			5,994,173
Total U.S. Deparment of Housing and Urban Development			10,466,145
U.S. Department of Health and Human Services:			
Passed through Ohio Department of Jobs and Family Services			
Passed through Clark County, Ohio Department of Jobs and Family Services			
Temporary Assistance to Needy Families	93.558		42,704
Passed through Ohio Department Alcohol, Drug Addiction Services			
Passed through Mental Health and Recovery Board of Clark, Madison and Greene Counties			
Block Grant for Prevention and Treatment of Substance Abuse	93.959		27,659
Total U.S. Deparment of Health and Human Services			70,363
Total - all programs		$	10,536,508

Note: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

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

Board of Directors
Springfield Metropolitan Housing Authority

We have audited the financial statements of the Springfield Metropolitan Housing Authority as of and for the year ended September 30, 2006, and have issued our report thereon dated May 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Springfield 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*.

This report is intended solely for the information of the Board of Directors of Springfield Metropolitan Housing Authority, management, others within the organization 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.

Parms & Company, LLC

May 24, 2007

PARMS & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' 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
Springfield Metropolitan Housing Authority

Compliance

We have audited the compliance of the Springfield Metropolitan Housing Authority with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. Springfield Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's 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 Springfield Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Springfield 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; 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 Springfield 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 Springfield Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Springfield 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 September 30, 2006.

Internal Control Over Compliance

The management of Springfield 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 Springfield 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 of the Board of Directors of Springfield Metropolitan Housing Authority, management, others within the organization 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.

Parms & Company, LLC

May 24, 2007

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any material reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any reportable conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Revitalization of Severly Distressed PH CFDA #14.866 Housing Choice Vouchers CFDA #14.871
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > $316,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. FINANCIAL STATEMENT FINDINGS

No matters were reported.

3. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported.

No matters were reported.

Mary Taylor, CPA
Auditor of State

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY

CLARK 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
JULY 17, 2007

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