BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT

of the

SPRINGFIELD METROPOLITAN
HOUSING AUTHORITY

for the

Year Ended September 30, 2005

Auditor of State
Betty Montgomery

Board of Directors
Springfield Metropolitan Housing Authority
437 East John St.
Springfield, OH 45505

We have reviewed the *Independent Auditor's Report* of the Springfield Metropolitan Housing Authority, Clark County, prepared by Jones, Cochenour & Co., for the audit period October 1, 2004 through September 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 8, 2006

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SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
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Jones, Cochenour & Co.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Springfield Metropolitan Housing Authority
Springfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

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

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Springfield Metropolitan Housing Authority, as of September 30, 2005, and the results of its operations and the cash flows of its proprietary fund activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 28, 2006 on our consideration of Springfield Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The supplemental data listed in the table of contents, which includes the FDS Schedule, is presented for purposes of additional analysis and are not a required part of the financial statements of the Springfield Metropolitan Housing Authority. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Jones, Cochenour & Co.

Jones, Cochenour & Co.
March 28, 2006

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Unaudited

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, 2005. 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 assets 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* includes 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:

> **<u>Public and Indian Housing</u> - 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.**
>
> **<u>Section 8 Choice Voucher Program</u> – 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.**
>
> **<u>Capital Fund Program (CFP)</u> – 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.**

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<u>Public Housing Drug Elimination Program (PHDEP)</u> – 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.

<u>Revitalization of Severely Distressed Public Housing (HOPE VI)</u> – 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, 2005:

- **Total assets increased by $192,520. Specifically, the Authority had capital additions of approximately $1,900,000 and a net increase in the current year accumulated depreciation of approximately $822,000. The current assets decreased by approximately $800,000, most of which was a reduction in the cash balance resulting from the spending of the previous year's unearned capital grant funds.**
- **Total liabilities decreased by $655,058 primarily due to the decrease in the unearned revenues for the capital grants. Accounts payable and other accrued liabilities increased by approximately $282,486 mostly due to the timing difference in payment of liabilities.**
- **Total revenues increased by $1,917,126. Capital grant revenues accounted for approximately $1,500,000 of the increase. Operating subsidy increased by $342,754. Section 8 housing choice vouchers decreased by $73,039 due to the reduction in funding from HUD.**
- **Total expenses (excluding depreciation) increased by $368,057. Tenant service expenses increased approximately $206,000; utilities increased $8,924, general and administrative expenses increased approximately $250,000. Depreciation, maintenance, protective services and housing assistance payments decreased approximately $264,000.**

Fund Financial Statements

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 basic financial statements.

Unaudited

Financial Analysis of the Authority

Statement of Net Assets

	2005	2004
Assets		
Current and other assets	$ 1,709,704	$ 2,520,583
Capital assets	13,789,122	12,785,723
Total assets	$ 15,498,826	$ 15,306,306
Liabilities		
Current Liabilities	$ 701,922	$ 1,403,686
Long-term liabilities	177,980	131,274
Total liabilities	879,902	1,534,960
Net Assets		
Invested in capital assets, net of related debt	13,789,122	12,785,723
Restricted net assets	170,756	-
Unrestricted	659,046	985,623
Total net assets	$ 14,618,924	$ 13,771,346

The Authority's total assets at September 30, 2005 increased by $192,520 from September 30, 2004. Practically, all of the increase resulted from capital asset additions of $1,888,132, netted by current year depreciation of $884,733. Cash and cash equivalents decreased by $865,182, primarily due to the spending of the previous year's unearned capital grant funds. Total accounts receivable decreased by $56,448 and prepaid expenses increased by $110,751.

The Authority's total liabilities at September 30, 2005 decreased by $655,058 from September 30, 2004. Specifically, unearned revenues decreased by $937,544, and accounts payables and accrued liabilities increased by $282,486.

By far the largest portion of the Authority's net assets (94 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.

Unaudited

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:

	2005	2004
Revenues		
Tenant rental income	$ 1,174,518	$ 1,247,557
Operating subsidy and grants	2,034,509	1,691,755
Subsidy for housing assistance payment	5,532,334	5,478,141
Capital grants	2,682,980	1,215,372
Other income	447,024	321,414
Total revenues	11,871,365	9,954,239
Expenses		
Administrative	1,783,886	1,468,527
Tenant services	582,949	376,631
Utilities	730,878	721,954
Maintenance	1,670,594	1,701,906
Protective services	60,659	81,284
General	286,199	351,831
Bad Debts	95,346	95,242
Housing assistance payment	4,773,969	4,819,048
Total expenses before depreciation	9,984,480	9,616,423
Change in net assets before depreciation	$ 1,886,885	$ 337,816
Depreciation	884,733	1,051,516
Change in net assets	$ 1,002,152	$ (713,700)

The total revenues of the Authority increased by $1,917,126 at September 30, 2005 compared to September 30, 2004. HUD operating subsidy, capital grants and housing choice vouchers, which approximate 85 percent of the total revenues of the Authority increased $1,864,555. Tenant revenues and other grants and income accounted for the additional increase of $52,571.

The Authority's expenses did not increase nearly as much as the revenues. The overall expenses (excluding depreciation) increased $368,057, majority of which were in tenant services, utilities, and general and administrative expenses. Maintenance, protective, housing assistance payments and depreciation decreased approximately $264,000.

Unaudited

Capital Assets

The following reconciliation summarizes the changes in capital assets:

	Beginning Balance	Additions/ Reclass	Deletions/ Corrections	Ending Balance
Capital assets, not being depreciated				
Land	$ 2,016,682	$ -	$ -	$ 2,016,682
Capital assets being depreciated				
Buildings	25,145,908	1,804,296		26,950,204
Furniture and equipment administrative	692,073	83,836	62,586	713,323
Less accumulated depreciation	(15,068,940)	(884,733)	(62,586)	(15,891,087)
	10,769,041	1,003,399	-	11,772,440
Capital assets, net	$ 12,785,723			$ 13,789,122

Major capital asset purchases during fiscal year 2005 included the following:

- **For the year ended September 30, 2005 buildings increased by approximately $1,804,000. Renovation of Authority's Hugh Taylor project resulted in approximately $1,750,000 of the increase and renovations of other Authority's projects resulted in approximately $54,000 of the increase.**

- **For the year ended September 30, 2005 furniture and equipment increased by approximately $84,000 of which approximately $34,000 of the increase was due to the purchase of ranges and refrigerators; approximately $12,000 of the increase was due to the purchase janitorial equipment and office equipment; and $38,000 of the increase was due to the purchase of vehicles.**

- **For the year ended September 30, 2005, furniture and equipment decreased by approximately $63,000 due to the public sale of six fully depreciated autos. $1,675 was recognized as a gain of sale of these vehicles.**

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).**

- ✓ **The slow economy has as impact on low-income households' ability to pay rent.**

- ✓ **Projected increase in health insurance, property insurance and utility rates will affect the cost of operating the programs.**

- ✓ **The HOPE VI 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.**

Unaudited

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, 437 East John Street, Springfield, Ohio 45505, or call (937) 325-7331, extension 203.

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE
ENTERPRISE FUND
September 30, 2005

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	929,322
Accounts receivable, net:		
Tenants, net of allowance for doubtful accounts of $24,069		42,246
HUD		228,855
Other receivables		49,967
Inventory, net of allowance		135,636
Prepaid expenses		185,374
TOTAL CURRENT ASSETS		1,571,400
NON-CURRENT ASSETS		
Restricted cash and cash equivalents		138,304
Land		2,016,682
Property and equipment, net of accumulated depreciation		11,772,440
TOTAL NON-CURRENT ASSETS		13,927,426
TOTAL ASSETS	$	15,498,826
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable		
Trade	$	248,807
HUD		245,964
Accrued wages and benefits		93,452
Accrued compensated absences		28,044
Tenant security deposits		85,655
TOTAL LIABILITIES		701,922
LONG-TERM LIABILITIES		
Accrued compensated absences, non-current portion		127,975
Other long-term liabilities		50,005
TOTAL LONG-TERM LIABILITIES		177,980
TOTAL LIABILITIES		879,902
NET ASSETS		
Invested in capital assets, net of related debt		13,789,122
Restricted net assets		170,756
Unrestricted net assets		659,046
TOTAL NET ASSETS		14,618,924
TOTAL LIABILITIES AND NET ASSETS	$	15,498,826

See accompanying notes to the basic financial statements

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND TYPE
ENTERPRISE FUND
Year Ended September 30, 2005

OPERATING REVENUE		
Dwelling rent	$	1,164,711
Non-dwelling rental		9,807
TOTAL RENTAL REVENUE		1,174,518
Program operating grants/subsidies		8,522,527
Other grants		42,914
Other income		290,319
TOTAL OPERATING REVENUE		10,030,278
OPERATING EXPENSES		
Administrative		1,783,886
Tenant services		582,949
Utilities		730,878
Maintenance		1,670,594
Protective services		60,659
General		286,199
Bad debts		95,346
Housing assistance payments		4,773,969
Depreciation		884,733
TOTAL OPERATING EXPENSES		10,869,213
Operating loss		(838,935)
NON-OPERATING REVENUE		
Interest income		29,118
Capital grants		1,810,294
Gain on sale of fixed assets		1,675
CHANGE IN NET ASSETS		1,002,152
Net assets, beginning of the year, as previously reported		13,771,346
Prior period adjustments		(154,574)
Net assets, beginning of the year, as restated		13,616,772
NET ASSETS END OF YEAR	$	14,618,924

See accompanying notes to the basic financial statements

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
ENTERPRISE FUND
Year Ended September 30, 2005

CASH FLOWS FROM OPERATING REVENUE		
Cash received from HUD	$	8,546,053
Cash received from other governments		42,914
Cash received from tenants		1,182,702
Cash received from other income		316,732
Cash payments for housing assistance payments		(4,773,969)
Cash payments for administrative		(1,502,713)
Cash payments for other operating expenses		(4,628,181)
NET CASH (USED BY) PROVIDED FROM OPERATING ACTIVITIES		(816,462)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income		29,118
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital acquisitions		(1,888,132)
Capital grant funds		1,810,294
NET CASH USED BY FINANCIAL ACTIVITIES		(77,838)
(Decrease) in cash and cash equivalents		(865,182)
Cash and cash equivalents, beginning		1,932,808
CASH AND CASH EQUIVALENTS, ENDING	$	1,067,626
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$	(838,935)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation		884,733
Gain on sale of fixed assets		1,675
Prior period adjustments		(154,574)
(Increase) decrease in:		
Receivables - net of allowance		56,448
Prepaid expenses		(110,751)
Increase (decrease) in:		
Accounts payable		206,673
Accrued wages and compensated absences		63,771
Tenant security deposits		1,313
Deferred credits and other liabilities		(926,815)
NET CASH (USED BY) PROVIDED FROM OPERATING ACTIVITIES	$	(816,462)

See accompanying notes to the basic 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.

Basis of Presentation

In July 1999, the GASB issued GASB statement No. 34, *Basic Financial Statement and Management's Discussion and Analysis for State and Local Government*. The effective date of the statement is for periods beginning after June 15, 2002. The statement requires enhanced disclosures and changes to the presentation of the financial statements.

The Authority has implemented GASB 34 for the year ended September 30, 2004, noting that the inclusion of Management's Discussion and Analysis, the presentation of net assets, and the utilization of the direct method of cash flows are the changes made to the financial statements to comply with the requirement.

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing 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 asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt" or "Restricted Net Assets." This account is similar to the former operating reserve account.

This new standard provides for significant changes in terminology; recognition of contributions in the Statement of Revenues, Expenses and Changes in Net Assets; inclusion of management discussion and analysis as supplementary information; and other changes.

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 form 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.

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 3). Investments are valued at market value. Interest income earned in fiscal year 2005 for both programs totaled $29,118.

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 $24,069 at September 30, 2005.

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, 2005.

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.

Due From/To Other Programs

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

Operating Revenues and Expenses

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.

At fiscal year end September 30, 2005, the carrying amount of the Authority's deposits totaled $1,067,626 and its bank balance was $1,111,226. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of September 30, 2005, $1,011,226 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.

3. Capital Assets:

The following is a summary of changes in the Authority's capital assets for the year ended September 30, 2005:

	Beginning Balance	Additions/ Reclass	Deletions/ Corrections	Ending Balance
Capital assets, not being depreciated				
Land	$ 2,016,682	$ -	$ -	$ 2,016,682
Capital assets being depreciated				
Buildings	25,145,908	1,804,296		26,950,204
Furniture and equipment-administrative	692,073	83,836	62,586	713,323
Less accumulated depreciation	(15,068,940)	(884,733)	(62,586)	(15,891,087)
	10,769,041	1,003,399	-	11,772,440
Capital assets, net	$ 12,785,723			$ 13,789,122

The depreciation expense for the year ended September 30, 2005 was $884,733.

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, 2005, 2004 and 2003 were $239,320, $255,221 and $292,658, 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 $154,574.

		As Previously Reported	Adjustments	Restated Amounts
Accounts receivable, other	**1**	**$ 74,705**	**$ (37,318)**	**$ 37,387**
Accounts receivable, HUD	**2**	**252,381**	**(39,239)**	**213,142**
Accrued compensated absences, non-current	**3**	**91,998**	**(59,733)**	**151,731**
Accounts payable, trade	**4**	**269,581**	**(18,284)**	**287,865**
Total			**$ (154,574)**	

1. **The significant portion of this restatement was due to anticipated insurance claims not being received by the Authority.**
2. **Resulted from HUD adjustments in the YES statements.**
3. **Liability understated for sick pay conversion for eligible union members.**
4. **Liability understated for professional fees.**

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE - ENTERPRISE FUND
September 30, 2005

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 State/Local	WIA State/Local	Capital Grant 14.872	Drug Elimination 14.854	HOPE VI 14.866	Eliminations	Total
	ASSETS											
111	Cash - unrestricted	$ 537,110	$ -	$ 227,396	$ 11,327	$ -	$ -	$ -	$ -	$ 153,489	$ -	$ 929,322
113	Cash - other restricted	-	-	46,268	-	-	-	-	-	-	-	46,268
114	Cash - tenant security deposits	92,036	-	-	-	-	-	-	-	-	-	92,036
100	Total cash	629,146	-	273,664	11,327	-	-	-	-	153,489	-	1,067,626
122	Accounts receivable - HUD other project	-	-	-	-	-	-	161,956	-	66,899	-	228,855
125	Accounts receivable - miscellaneous	40,414	-	9,553	-	-	-	-	-	-	-	49,967
126	A/R Tenants - dwelling rents	66,315	-	-	-	-	-	-	-	-	-	66,315
126.1	Allowance for doubtful accounts	(24,069)	-	-	-	-	-	-	-	-	-	(24,069)
120	Total accounts receivable	82,660	-	9,553	-	-	-	161,956	-	66,899	-	321,068
142	Prepaid expenses and other assets	185,374	-	-	-	-	-	-	-	-	-	185,374
143	Inventories	197,343	-	-	-	-	-	-	-	-	-	197,343
143.1	Allowance for obsolete inventory	(61,707)	-	-	-	-	-	-	-	-	-	(61,707)
144	Interprogram due from	1,150,122	-	-	-	-	-	920,649	16,894	-	(2,087,665)	-
150	Total current assets	2,182,938	-	283,217	11,327	-	-	1,082,605	16,894	220,388	(2,087,665)	1,709,704
161	Land	2,014,807	-	-	-	-	-	1,875	-	-	-	2,016,682
162	Buildings	24,640,216	-	-	-	-	-	2,309,988	-	-	-	26,950,204
164	Furniture and equipment - admin	521,389	-	27,517	-	-	-	164,417	-	-	-	713,323
166	Accumulated depreciation	(15,691,377)	-	(23,230)	-	-	-	(176,480)	-	-	-	(15,891,087)
160	Total fixed assets, net	11,485,035	-	4,287	-	-	-	2,299,800	-	-	-	13,789,122
180	Total non-current assets	11,485,035	-	4,287	-	-	-	2,299,800	-	-	-	13,789,122
190	Total assets	$ 13,667,973	$ -	$ 287,504	$ 11,327	$ -	$ -	$ 3,382,405	$ 16,894	$ 220,388	$ (2,087,665)	$ 15,498,826

See independent auditors' report

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS - CONTINUED
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE - ENTERPRISE FUND
September 30, 2005

Account Description	Low Rent Public Housing 14.850a	Development 14.850b	Section 8 Vouchers 14.871	Section 8 New Const 14.182	Project Choice State/Local	WIA State/Local	Capital Grant 14.872	Drug Elimination 14.854	HOPE VI 14.866	Eliminations	Total
LIABILITIES											
Accounts payable >=90 days	$ 202,409	$ -	$ 22,137	$ -	$ -	$ -	$ 24,261	$ -	$ -	$ -	$ 248,807
Accrued wages/payroll taxes	79,711	-	13,741	-	-	-	-	-	-	-	93,452
Accrued compensated absences, current	24,369	-	3,675	-	-	-	-	-	-	-	28,044
Accounts payable - HUD PHA programs	67,531	-	12,821	11,327	-	-	-	796	153,489	-	245,964
Tenant security deposits	85,655	-	-	-	-	-	-	-	-	-	85,655
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Interprogram due to	928,717	-	17,607	-	-	-	1,058,344	16,098	66,899	(2,087,665)	-
Total current liabilities	1,388,392	-	69,981	11,327	-	-	1,082,605	16,894	220,388	(2,087,665)	701,922
Noncurrent liabilities - other	-	-	50,005	-	-	-	-	-	-	-	50,005
Accrued compensated absences, non-current	102,386	-	25,589	-	-	-	-	-	-	-	127,975
Total noncurrent liabilities	102,386	-	75,594	-	-	-	-	-	-	-	177,980
Total liabilities	1,490,778	-	145,575	11,327	-	-	1,082,605	16,894	220,388	(2,087,665)	879,902
NET ASSETS											
Invested in capital assets, net of related debt	11,485,035	-	4,287	-	-	-	2,299,800	-	-	-	13,789,122
Restricted net assets	-	-	170,756	-	-	-	-	-	-	-	170,756
Unrestricted net assets	692,160	-	(33,114)	-	-	-	-	-	-	-	659,046
Total equity	12,177,195	-	141,929	-	-	-	2,299,800	-	-	-	14,618,924
Total liabilities and equity	$ 13,667,973	$ -	$ 287,504	$ 11,327	$ -	$ -	$ 3,382,405	$ 16,894	$ 220,388	$ (2,087,665)	$ 15,498,826

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SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
Year Ended September 30, 2005

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 State/Local	WIA State/Local	Capital Grant 14.872	Drug Elimination 14.854	HOPE VI 14.866	Total
	REVENUE										
703	Net tenant revenue	$ 1,164,711	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,164,711
704	Tenant revenue - other	9,807	-	-	-	-	-	-	-	-	9,807
705	Total tenant revenue	1,174,518	-	-	-	-	-	-	-	-	1,174,518
706	PHA HUD grants	2,034,509	-	5,362,186	170,148	-	-	872,686	16,099	66,899	8,522,527
706.1	Capital contribution	-	-	-	-	-	-	1,810,294	-	-	1,810,294
708	Other government grants	1,000	-	-	-	30,607	11,307	-	-	-	42,914
711	Investment income - unrestricted	17,858	-	11,260	-	-	-	-	-	-	29,118
714	Fraud recovery	-	-	24,584	-	-	-	-	-	-	24,584
715	Other revenue	266,703	-	707	-	-	-	-	-	-	267,410
	Total revenue	3,494,588	-	5,398,737	170,148	30,607	11,307	2,682,980	16,099	66,899	11,871,365
	EXPENSES										
911	Administrative salaries	80,734	-	317,630	8,579	-	2,884	142,339	-	7,785	559,951
912	Auditing fees	4,806	-	4,806	-	-	-	-	-	-	9,612
914	Compensated absences	52,374	-	5,775	-	-	-	-	-	-	58,149
915	Employee benefit contribution - admin	61,902	-	97,320	-	-	-	-	-	430	159,652
916	Other operating - administrative	296,669	-	141,330	-	220	-	499,361	258	58,684	996,522
921	Tenant services - salaries	335,746	-	11,250	-	24,439	8,423	3,699	3,169	-	386,726
923	Employee benefit contrib - ten svcs	154,096	-	-	-	-	-	-	-	-	154,096
924	Tenant services - other	16,296	-	-	-	5,948	-	7,211	12,672	-	42,127
931	Water	233,010	-	-	-	-	-	-	-	-	233,010
932	Electricity	279,776	-	-	-	-	-	-	-	-	279,776
933	Gas	218,092	-	-	-	-	-	-	-	-	218,092
941	Ord maintenance/op-labor	581,251	-	-	-	-	-	-	-	-	581,251
942	Ord maintenance/op - materials	226,140	-	4,099	-	-	-	410	-	-	230,649
943	Ord maintenance/op - cont costs	423,347	-	57	-	-	-	169,325	-	-	592,729
945	Emp benefit contrib - ord main	265,965	-	-	-	-	-	-	-	-	265,965
952	Protective services - other cont costs	10,317	-	-	-	-	-	50,342	-	-	60,659
961	Insurance premiums	286,199	-	-	-	-	-	-	-	-	286,199
964	Bad debts - tenant rents	95,346	-	-	-	-	-	-	-	-	95,346
969	Total operating expenses	3,622,066	-	582,267	8,579	30,607	11,307	872,687	16,099	66,899	5,210,511

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SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS - CONTINUED
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
Year Ended September 30, 2005

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 State/Local	WIA State/Local	Capital Grant 14.872	Drug Elimination 14.854	HOPE VI 14.866	Total
970	EXCESS OPERATING REVENUE OVER EXPENSES	(127,478)	-	4,816,470	161,569	-	-	1,810,293	-	-	6,660,854
973	Housing Assistance Payments	-	-	4,612,400	161,569	-	-	-	-	-	4,773,969
974	Depreciation expense	751,362	-	5,498	-	-	-	127,873	-	-	884,733
	Total expenses	4,373,428	-	5,200,165	170,148	30,607	11,307	1,000,560	16,099	66,899	10,869,213
1000	EXCESS OF REVENUE OVER EXPENSES	(878,840)	-	198,572	-	-	-	1,682,420	-	-	1,002,152
1103	Beginning equity	10,930,436	1,307,877	(4,210)	-	-	-	1,537,243	-	-	13,771,346
1104	Prior period adjustments	(102,141)	-	(52,433)	-	-	-	-	-	-	(154,574)
1105	Transfer of equity	2,227,740	(1,307,877)	-	-	-	-	(919,863)	-	-	-
	Ending equity	$ 12,177,195	$ -	$ 141,929	$ -	$ -	$ -	$ 2,299,800	$ -	$ -	$ 14,618,924

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SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
Year Ended September 30, 2005

Federal Grantor/Program Title	CFDA Number		Funds Expended
U.S. Department of Housing and Urban Development:			
PHA Owned Housing:			
Public and Indian Housing	**14.850 a**	**$**	**2,034,509**
Public Housing Capital Fund	**14.872**		**2,682,980**
Public and Indian Housing Drug Elimination Program	**14.854**		**16,099**
			4,733,588
Revitalization of Severely Distressed Public Housing	**14.866**		**66,899**
Housing Assistance Payments:			
Annual Contribution -			
Housing Choice Vouchers	**14.871**		**5,194,667**
Section 8 New Construction	**14.182**		**170,148**
Total - All Programs		**$**	**10,165,302**

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

See independent auditors' report

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
COST CERTIFICATIONS
September 30, 2005

2002 Capital Fund Grant Number OH16P021501-02:

Management improvements	$	97,346
Administration		286,654
Fees and costs		293,529
Site improvement		21,836
Dwelling structure		687,798
Nondwelling structure		49,591
Nondwelling Equipment		38,668
Total expensed	$	1,475,422
Total received	$	1,475,422

Development Project No. OH16P021501-03:

Management improvements		72,302
Administration		134,069
Fees and costs		65,855
Dwelling structures		851,774
Dwelling equipment		117,104
Total expensed	$	1,241,104
Total received	$	1,241,104

1. **The actual cost certificates were signed and filed.**

2. **The final costs on the certificates agree to the Authority's records.**

See independent auditors' report

Jones, Cochenour & Co.
Certified Public Accountants

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
Springfield Metropolitan Housing Authority
Springfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for Springfield Metropolitan Housing Authority as of and for the year ended September 30, 2005, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 28, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinions 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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 for the information and use of the board of education, management and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Jones, Cochenour & Co.

Jones, Cochenour & Co.
March 28, 2006

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Certified Public Accountants

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
Springfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

Compliance

We have audited the compliance of Springfield Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended September 30, 2005. Springfield Metropolitan Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of 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; 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, 2005.

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.

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

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

Jones, Cochenour & Co.

Jones, Cochenour & Co.
March 28, 2006

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
SUMMARY OF AUDITORS' RESULTS AND
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
For the year ended September 30, 2005

1. SUMMARY OF AUDITORS' RESULTS

Type of Financial Statement Opinion	**Unqualified**
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	**No**
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	**No**
Was there any reported material non-compliance at the financial statement level (GAGAS)?	**No**
Were there any material internal control weakness conditions reported for major federal programs?	**No**
Were there any other reportable internal control weakness conditions reported for major federal programs?	**No**
Type of Major Programs' Compliance Opinion	**Unqualified**
Are there any reportable findings under § .510?	**No**
Major Programs (list):	**14.850a Public Housing** **14.872 Capital Fund**
Dollar Threshold: Type A/B Programs	**$300,000**
Low Risk Auditee?	**Yes**

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
SUMMARY OF AUDITORS' RESULTS AND
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
For the year ended September 30, 2005

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

None.

3. FINDINGS RELATED TO FEDERAL AWARDS

None.

Auditor of State
Betty Montgomery

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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
MAY 18, 2006