SPRINGFIELD METROPOLITAN HOUSING AUTHORITY

REPORT ON AUDIT OF FINANCIAL STATEMENTS

And Required Federal Reports

For the Year Ended September 30, 2008

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, 2007 through September 30, 2008. 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

October 26, 2009

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SPRINGFIELD METROPOLITAN HOUSING AUTHORITY

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PARMS & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Springfield Metropolitan Housing Authority
Springfield, Ohio

We have audited the accompanying statement of net assets of Springfield Metropolitan Housing Authority (the Authority) as of September 30, 2008, and the related statements of revenues, expenses and changes in net assets, and of cash flows for the year then ended. These financial statements are the responsibility of Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units Lincoln Park Housing Partnerships LP (LPHPLP) and Lincoln Park Housing Partnerships II LP (LPHPIILP) as of December 31, 2008 and for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for LPHPLP and LPHPIILP is based solely on the report of other auditors.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, and 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the proprietary fund activities of the Authority as of September 30, 2008, 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 June 30, 2009, on our consideration of the 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 9 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is 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 for Springfield Metropolitan Housing Authority, is 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 the Authority. Such information is the responsibility of the Authority's management and 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. The supplementary Financial Data Schedules for the discretely presented component units LPHPLP and LPHPIILP are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Authority. Such information has not been subjected to audited procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Parms & Company, LLC

June 30, 2009

As management of the Springfield Metropolitan Housing Authority (the "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, 2008 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, including information regarding discretely presented component units.

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 has constraints placed on them by grantors, contributors, laws, regulations, etc.
>
> <u>Unrestricted Net Assets:</u> This component of net assets consists of net assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of related debt" or "Restricted Net Assets."

The *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 in 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 Subsidies 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 fiscal year 2000.

Mainstream Vouchers – The Mainstream Vouchers Program provides subsidies (Housing Assistance Payments) on behalf of persons with disabilities (elderly and non-elderly) to participating housing owners.

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 development agreements.

Component Units – Lincoln Park Housing Partnership LP owns and operates 40 units of low-income housing tax credit apartments at Lincoln Park in Springfield, Ohio. Lincoln Park Housing Partnership II LP owns and operates 68 units of low-income housing tax credit apartments at Lincoln Park in Springfield, Ohio. The component units have fiscal year-ends of December and their first audits were from the period of inception (August 17, 2006 for both) through December 31, 2008, which is the period presented in these financial statements.

Financial Highlights

During the fiscal year ending September 30, 2008:

- Total assets increased by approximately $2,070,000 and capital assets increased by approximately $1,319,000, net of current year accumulated depreciation of approximately $1,067,000. Current and other assets increased by approximately $751,000, which was mostly due to an increase in accounts receivable from HUD for the HOPE VI project.

- Total liabilities increased by approximately $1,090,000 of which current liabilities increased by approximately $1,062,000. Accounts payable increased by $1,003,000, primarily related to HOPE VI obligations.

- Total revenues decreased by approximately $528,000. Program operating grants and subsidies (including Section 8, Capital Grants, and Hope VI) decreased by approximately $2,386,000 and capital grants increased by approximately $1,834,000.

- Total expenses decreased by approximately $256,000. Loss on disposal of assets decreased by approximately $881,000; administrative expenses decreased by approximately $653,000; maintenance expenses decreased approximately $281,000; pass-through grant expense increased by approximately $921,000; and housing assistance payments increased by approximately $548,000.

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 pages 13 through 29 of this report.

Financial Analysis of the Authority

Statement of Net Assets

The following table represents a condensed statement of net assets.

		2008	2007
Assets			
Current and other assets	$	5,447,732	4,696,768
Capital assets		14,536,693	13,217,693
Total assets	$	19,984,425	17,914,461
Liabilities			
Current liabilities	$	2,608,470	1,545,996
Long-term liabilities		181,770	154,087
Total liabilities		2,790,240	1,700,083
Net Assets			
Invested in capital assets		14,536,693	13,217,693
Restricted net assets		600,763	893,784
Unrestricted		2,056,729	2,102,901
Total net assets		17,194,185	16,214,378
Total liabilities and net assets	$	19,984,425	17,914,461

By far the largest portion of the Authority's net assets (85 percent) reflects its investments in capital assets (approximately $14,537,000). 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:

		2008	2007
Revenues			
Tenant rental income	$	987,694	909,706
Operating subsidy and grants		8,101,542	9,009,029
Subsidy for housing assistance payment		6,089,415	6,259,138
Capital grants		1,147,139	614,013
Other income		381,895	444,160
Total revenues		16,707,685	17,236,046
Expenses			
Administrative		2,396,596	3,052,156
Tenant services		400,257	397,617
Utilities		778,867	649,394
Maintenance		1,536,167	1,817,187
Protective services		72,381	85,759
General		221,887	213,250
Bad debts		50,306	71,522
Grant expense - pass-through to component units		3,494,498	2,573,678
Loss on disposal of assets		-	881,286
Housing assistance payment		5,709,687	5,174,410
Total expenses before depreciation		14,660,646	14,916,259
Change in net assets before depreciation	$	2,047,039	2,319,787
Depreciation		1,067,232	914,651
Change in net assets	$	979,807	1,405,136

Capital Assets

The following reconciliation summarizes the changes in capital assets:

		Beginning Balance	Additions	Disposals/ Reclassifications	Ending Balance
Capital assets, not being depreciated					
Land	$	2,129,529	14,859	4,122	2,148,510
Construction in progress		1,114,534	1,226,524	(2,341,058)	-
		3,244,063	1,241,383	(2,336,936)	2,148,510
Capital assets being depreciated					
Buildings		23,844,693	1,112,460	-	24,957,153
Furniture and equipment - administrative		764,021	32,389	-	796,410
Land improvements		-	-	2,336,936	2,336,936
Less accumulated depreciation		(14,635,084)	(1,067,232)	-	(15,702,316)
		9,973,630	77,617	2,336,936	12,388,183
Capital assets, net	$	13,217,693	1,319,000	-	14,536,693

Major capital asset purchases during fiscal year 2008 included the following:

- September 30, 2007 construction in progress, consisting solely of HOPE VI (Lincoln Park) project activity, increased by approximately $1,227,000 during 2008. After construction was completed in 2008, the construction in progress balance of approximately $2,341,000 was reclassified to land and land improvements.
- For the year ended September 30, 2008, the Authority spent approximately $692,000 on the Grayhill project.

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 89% for low income public housing for the year ending September 30, 2008.
- ✓ The slow economy has an impact on low-income households' ability to pay rent and 2008 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 2008, HUD did not fund excess utility expenses.
- ✓ The HOPEVI Revitalization Plan for the Authority's Lincoln Park Project included the demolition of all 210 existing units and redevelopment of 132 units on site, an on-site community center and park, and loan assistance to low-income households to purchase new housing to be developed in the revitalization area. The on-site component consists of 108 public/low-income housing tax credit units, completed in 2008, and 24 lease-to-purchase units, to be constructed in 2009. The off-site component will consist of loans assistance for 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, 2008 Primary Government		December 31, 2008 Component Units
Assets				
Current assets:				
Cash and cash equivalents	$	324,120	$	12,958
Accounts receivable, net:				
Tenants, net of allowance for doubtful accounts of $7,059		22,085		778
HUD		2,381,270		-
Other receivables		25,171		286,978
Notes receivable		231,500		-
Inventory, net of allowance for obsolete of $61,707		130,401		-
Prepaid expenses		31,605		12,545
Total current assets		3,146,152		313,259
Non-current assets:				
Restricted cash and cash equivalents		745,619		1,820,602
Land		2,148,510		-
Property and equipment, net of accumulated depreciation		12,388,183		18,434,110
Notes receivable		1,533,529		-
Other assets		22,432		434,432
Total non-current assets		16,838,273		20,689,144
Total assets	$	19,984,425	$	21,002,403
Liabilities and Net Assets				
Current liabilities:				
Accounts payable				
Trade	$	2,369,979	$	115,241
Other		-		1,176,255
Accrued wages and benefits		112,263		-
Accrued compensated absences		59,995		-
Tenant security deposits, payable from restricted assets		66,233		24,531
Unearned revenues		-		689
Total current liabilities		2,608,470		1,316,716
Long-term liabilities:				
Accrued compensated absences, non-current portion		103,147		-
Long-term debt		-		10,083,529
Other long-term liabilities		78,623		773,121
Total long-term liabilities		181,770		10,856,650
Total liabilities		2,790,240		12,173,366
Net Assets:				
Invested in capital assets		14,536,693		8,350,581
Restricted net assets		600,763		-
Unrestricted net assets		2,056,729		478,456
Total net assets		17,194,185		8,829,037
Total liabilities and net assets	$	19,984,425	$	21,002,403

See accompanying notes to the financial statements.

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended September 30, 2008 Primary Government	Period Ended December 31, 2008 Component Units
Operating revenue:		
Dwelling rent	$ 834,690	$ 109,511
Non-dwelling rental	153,004	-
Total rental revenue	987,694	109,511
Program operating grants/subsidies	14,190,957	-
Other grants	74,803	-
Other income	244,926	1,750
Total operating revenue	15,498,380	111,261
Operating expenses:		
Administrative	2,396,596	124,711
Tenant services	400,257	-
Utilities	778,867	29,411
Maintenance	1,536,167	35,799
Protective services	72,381	-
General	221,887	354,004
Bad debts	50,306	-
Grant expense - pass-through to component units	3,494,498	-
Housing assistance payments	5,709,687	-
Depreciation	1,067,232	374,457
Total operating expenses	15,727,878	918,382
Operating loss	(229,498)	(807,121)
Non-operating revenue (expense):		
Interest income	62,166	-
Total Non-operating revenues (expenses)	62,166	-
Capital grants	1,147,139	-
Capital contributions	-	9,636,158
Change in net assets	979,807	8,829,037
Net assets, beginning of the year (restated)	16,214,378	-
Net assets, end of the year	$ 17,194,185	$ 8,829,037

See accompanying notes to the financial statements.

SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS

	Year Ended September 30, 2008 Primary Government	Period Ended December 31, 2008 Component Units
Cash flows from operating activities:		
Cash received from HUD	$ 13,095,895	$ -
Cash received from other governments	74,803	-
Cash received from tenants	988,202	108,733
Cash received from other income	238,144	1,750
Cash payments for housing assistance payments	(5,709,687)	-
Cash passed through to component units	(2,403,587)	-
Cash payments for administrative	(2,402,285)	(124,711)
Cash payments for other operating expenses	(2,557,201)	(276,821)
Net cash provided (used in) by operating activities	1,324,284	(291,049)
Cash flows from investing activities:		
Investment income	39,734	-
Cash flows from capital and related financing activities:		
Capital acquisitions	(2,386,232)	(16,862,087)
Issuance of notes receivable	(38,973)	-
Issuance of long-term debt	-	10,083,529
Due from affiliates	-	(286,858)
Loan and other deferred costs paid	-	(446,133)
Capital contributions	-	9,636,158
Capital grant funds received	1,319,824	-
Net cash (used in) provided by financing activities	(1,105,381)	2,124,609
Increase in cash and cash equivalents	258,637	1,833,560
Cash and cash equivalents, beginning	811,102	-
Cash and cash equivalents, ending	$ 1,069,739	$ 1,833,560
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating loss	$ (229,498)	$ (807,121)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	1,067,232	374,457
(Increase) decrease in:		
Receivables - net of allowance	(1,101,336)	(898)
Inventory	4,041	-
Prepaid expenses	493,688	(12,545)
Increase (decrease) in:		
Accounts payable	1,002,504	129,838
Accrued wages and compensated absences	52,077	-
Tenant security deposits	4,935	24,531
Deferred credits and other liabilities	30,641	689
Net cash provided by (used in) operating activities	$ 1,324,284	$ (291,049)

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.

Discretely Presented Component Units

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 are 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 these criteria, the Authority has two component units as follows: Lincoln Park Housing Partnership LP and Lincoln Park Housing Partnership II LP. These partnerships are fiscally dependent on the loans and capital contributions received from the Authority and also lease land from the Authority for their operations. Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

Lincoln Park Housing Partnership LP (LPHPLP)
The Authority executed a Limited Partnership Agreement with Penrose GP LLC and the Ohio Equity Fund for Housing Limited Partnership XVI to form the Lincoln Park Housing Partnership LP on March 27, 2007. The Authority is a Special Limited Partner with a .001% ownership interest in this organization which developed, owns and operates 40 units of Low-Income Housing tax Credit housing at Lincoln Park. Under the terms of the Limited Partnership Agreement, no Limited Partner shall be personally liable for any loss or liability of the Partnership beyond the amount of such Limited Partner's agreed-upon Capital Contributions and no Limited Partner shall participate in the operation, management or control of the Partnership's business, transact any business in the Partnership's name or have any power to sign documents for or otherwise bind the Partnership. The Authority made a Capital Contribution to the Partnership in the amount of $1,032,500 (see note 5) through September 30, 2008 in HOPE VI funds for the development of 40 rental units (Lincoln Park Phase IA). Lincoln Park Housing Partnership LP has executed a long-term Ground Lease, a HOPE VI Loan Agreement (see note 3), a Regulatory and Operating Agreement and various other documents with the Authority for the purpose of financing, owning and operating the rental development commonly known as Lincoln Park Phase IA.

Lincoln Park Housing Limited Partnership II LP (LPHPIILP)
The Authority executed an Amended and Restated Limited Partnership Agreement with Penrose GP LLC and the Ohio Equity Fund for Housing Limited Partnership XVI to form the Lincoln Park Housing Partnership II LP on March 27, 2007. The Authority is a Special Limited Partner with a .001% ownership interest in this organization which developed, owns and operates 68 units of Low-Income Housing Tax Credit housing at Lincoln Park. Under the terms of the Limited Partnership Agreement, no Limited Partner shall be personally liable for any loss or liability of the Partnership beyond the amount of such Limited Partner's agreed-upon Capital Contributions and no Limited Partner shall participate in the operation, management or control of the Partnership's business, transact any business in the partnership's name or have any power to sign document for or otherwise bind the Partnership. The Authority made a Capital Contribution to the Partnership in the amount of $5,035,676 (see Note 5) through September 30, 2008, with total contributions expected to be

$6,197,410 for the development of 68 rental units (Lincoln Park Phase IB). Lincoln Park Housing Partnership II LP has executed a long-term Ground Lease, a HOPE VI Loan Agreement (see note 3), a Regulatory and Operating Agreement and various other documents with the Authority for the purpose of financing, owning and operating the rental development commonly known as Lincoln Park Phase IB.

Additional Partnership Provisions
In accordance with the Limited Partnership Agreements, the Authority has made capital contributions to the partnerships during the construction periods to pay for project costs. Requisitions by the partnerships are subject to HOPE VI regulations and for LPHPIILP, capital contributions are to repay funds advanced as security to Huntington Bank (see note 5). Capital contributions provided to Huntington Bank during the construction period were not recognized as capital contributions by LPHPIILP as of December 31, 2008. LPHPIILP will recognize these funds as capital contributions upon the repayment of the bonds payable to Huntington Bank.

At the time the Limited Partnership Agreement was executed, the Authority and partnerships entered into Right of Refusal and Option Agreements. During the term of the partnerships, the partnerships agree to give notice promptly to the Authority if the partnerships commence discussions with any third party regarding sale of the property. The Authority has the continuing right of refusal to purchase the property of the partnerships in the event the partnerships propose to sell substantially all of the partnership interests after the expiration of the compliance period (15 years). In addition, the partnerships grant the Authority the option to purchase the property following the close of the compliance period. This agreement provides the terms of the option price and sale of the property under the rights of refusal and options granted.

Basis of Presentation

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 from HUD. Capital funds 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 grant 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.

Mainstream Vouchers – Mainstream vouchers program provides subsidies (Housing Assistance Payments) on behalf of persons with disabilities (elderly and non-elderly) 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.

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.

Project Choice – Drug and alcohol prevention programs provided to children residing in the Housing Authority projects

Central Office Cost Center – The operating fund rule provides for a public housing authority to establish a central office cost center to account for non-project and non-federal program specific costs. The Authority's central office cost center is a cluster of activities that indirectly or directly support a project or program, but are not under direct control of a project or program manager. The costs for these activities are supported by management fees approved by HUD.

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 $7,059 at September 30, 2008.

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, 2008.

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 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.

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 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.

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 – As of September 30, 2008, the carrying amount of the Authority's deposits totaled \$20,602 and its bank balances were \$109,337. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of September 30, 2008, \$0 was exposed to custodial risk as discussed below, while \$109,337 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, 2008, 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	$1,049,137	AAAm

Interest rate risk is the risk of fair value losses arising from rising interest rates. The Ohio Revised Code generally limits investment to those having maturities within five years or less. The Authority has no limits on the amount the Authority may invest with one issuer. The Authority's total investments are in the money market fund. Money market funds held in the same financial institution as 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.

Component Units – At December 31, 2008, the carrying amount of the Component Units' deposits was $1,833,560, which $250,000 of the amount was covered by FDIC insurance. Each component unit maintains cash accounts at a single financial institution, respectively, where balances at times may exceed the $250,000 insured limit. The Component Units also have escrows and reserves held by the mortgage lender, and the balances may exceed $250,000.

3. Notes Receivable

HOPE VI Loan – Lincoln Park Phase IA

The Authority executed a HOPE VI Loan Agreement in the amount of $583,529 with Lincoln Park Housing Partnership LP for the development of 40 rental units (Phase IA) on March 22, 2007. The term of the loan promissory note began March 22, 2007 and continues until fifty (50) years from the first day of the month following the Substantial Completion Date as defined in the loan agreement. Each advance under the note bears interest during its term at the rate of 2% per annum, compounded annually. The loan is secured by an Open End Leasehold Mortgage and Security Agreement between Lincoln Park Housing Partnership LP (mortgagor) and the Authority (mortgagee). As a condition to providing funding for the loan, the Authority received the required Completion and Development Deficiency Guarantee from Penrose Properties LLC and Penrose Development LLC, each of whom is an affiliate of the general partner, Penrose GP LLC, of Lincoln Park Housing Partnership LP. Accrued interest receivable on this loan was $12,372 at September 30, 2008.

Subsequent to September 30, 2008, the Authority executed an additional promissory note with the partnership prior to the partnership's December 31, 2008 year-end. The total loan amount the Authority agreed to lend LPHPLP are $250,000 under the HOME Investment Partnership program with interest at 1% per annum, compounded annually. No payments are to be made during the term of the loan. The balance of principal and interest are due on March 22, 2047.

HOPE VI Loan – Lincoln Park IB

The Authority executed a HOPE VI Loan Agreement in the amount of $950,000 with Lincoln Park Housing Partnership II LP for the development of 68 rental units (Phase IB) on March 22, 2007. The term of the loan promissory note began on March 22, 2007 and continues until fifty (50) years from the first day of the month following the Substantial Completion Date as defined in the loan agreement. Each advance under the note bears interest during its term at the rate of 1% per annum, compounded annually. The loan is secured by an Open End Leasehold Mortgage and Security Agreement between Lincoln Park Housing Partnership LP (mortgagor) and The Authority (mortgagee). As a condition to providing funding for the loan, the Authority received the required Completion and Development Deficiency Guarantee from Penrose Properties, LLC and Penrose Development LLC, each of whom is an affiliate of the general partner, Penrose GP LLC, of Lincoln Park Housing Partnership II LP. Accrued interest receivable on this loan was $10,060 at September 30, 2008.

Subsequent to September 30, 2008, the Authority executed an additional promissory note with the partnership prior to the partnership's December 31, 2008 year-end. Total loan amounts the Authority agreed to lend LPHPIILP are $750,000 under the HOME Investment Partnership program with interest at 1% per annum, compounded annually. No payments are to be made during the term of the loan. The balance of principal and interest are due on March 22, 2047.

Penrose Properties, LLC

The Authority executed a HOPE VI Predevelopment Loan Agreement in the amount of $231,500 for the Homeownership Phase (Phase II) of the Lincoln Park project. The loan is non-interest bearing and shall be paid in full on the date of initial disbursement of the Authority's or other sources construction/permanent loan for the Homeownership Phase.

Subsequent to September 30, 2008, the predevelopment loan terminated upon occurrence of a construction and permanent loan by the Authority, in accord with the loan agreement. The Authority executed a non-recourse construction and permanent loan, on March 4, 2009, with Lincoln Park Housing Partnership III LP, from HOPE VI grant funds in the amount of $4,251,152 for the development of 24 rental units (Phase II). Proceeds from the initial disbursement of the permanent loan were used to repay the predevelopment loan in full.

The Authority's permanent loan ($4,251,152) bears interest at 0.25% per year with a 50 year term beginning upon the completion of construction, and requiring debt service due out of cash flow pursuant to a Regulatory and Operating agreement. Proceeds of the loan are provided for Bond Loan repayment and is secured by a leasehold mortgage on the Development having second priority during construction until bonds are repaid and thereafter being a first priority leasehold mortgage.

4. Capital Assets

The following is a summary of changes in the Authority's capital assets for the year ended September 30, 2008:

	Beginning Balance	Additions	Disposals/ Reclassifications	Ending Balance
Capital assets, not being depreciated				
Land	$ 2,129,529	14,859	4,122	2,148,510
Construction in progress	1,114,534	1,226,524	(2,341,058)	-
	3,244,063	1,241,383	(2,336,936)	2,148,510
Capital assets being depreciated				
Buildings	23,844,693	1,112,460	-	24,957,153
Furniture and equipment - administrative	764,021	32,389	-	796,410
Land improvements	-	-	2,336,936	2,336,936
Less accumulated depreciation	(14,635,084)	(1,067,232)	-	(15,702,316)
	9,973,630	77,617	2,336,936	12,388,183
Capital assets, net	$ 13,217,693	1,319,000	-	14,536,693

The depreciation expense for the year ended September 30, 2008 was $1,067,232.

The following is a summary of changes in the Component Units' capital assets for the period ended December 31, 2008:

	Beginning Balance	Additions	Disposals/ Reclassifications	Ending Balance
Capital assets being depreciated				
Buildings	-	17,587,008	-	17,587,008
Furniture and equipment	-	484,168	-	484,168
Land improvements	-	725,690	-	725,690
Less accumulated depreciation	-	(362,756)	-	(362,756)
	-	18,434,110	-	18,434,110
Capital assets, net	$ -	18,434,110	-	18,434,110

5. Long-Term Debt

	Total Component Units	LPHPLP	LPHPIILP
First mortgage notes (A)	$ 1,533,529	583,529	950,000
Second mortgage notes (B)	800,000	250,000	550,000
Third mortgage notes (C)	1,250,000	1,000,000	250,000
Bonds payable (D)	6,500,000	-	6,500,000
Total long-term debt	$ 10,083,529	1,833,529	8,250,000

(A) Amounts due the Authority (see Note 3)

(B) Amounts due the Authority issued after the Authority's September 30, 2008 year-end but before the Component Units' December 31, 2008 year-end. Total loan amounts the Authority agreed to lend LPHPLP and LPHPIILP are $250,000 and $750,000, respectively, under the HOME program with interest at 1% per annum, compounded annually. No payments are to be made during the term of the loans. The balance of principal and interest are due on March 22, 2047.

(C) Amounts due to the Ohio Equity Fund (OEF) for Housing Limited Partnership XVI and The Huntington National Bank (Huntington) from LPHPLP and LPHPIILP, respectively, for $1,000,000 and $400,000 total loan commitments. The OEF loan is non-recourse and non-interest bearing. Principal shall be payable in full upon closing of the Equity Bridge Loan with the Ohio Housing Finance Agency (OHFA - see below). The Huntington loan bears interest at 7.92% per annum and matures on December 31, 2009.

(D) LPHPIILP entered into a $6,500,000 loan agreement with Huntington (the trustee) and County of Clark, Ohio (the Issuer) on December 21, 2006. Interest accrues at 4.35% per annum with semiannual payments beginning June 1, 2007. The loan matures on December 1, 2010. Undisbursed funds are held in an interest-bearing trust account, which has a December 31, 2008 balance of $1,720,142 and is included in restricted cash on the statement of net assets. Interest expense for the period ended December 31, 2008 was $141,375 and is included in general expenses on the statement of revenues, expenses and changes in net assets.

OHFA has committed to lend a principal sum up to $1,000,000 with interest at 2% per annum. The loan will be amortized over a ten year period with annual principal and interest payments of $111,327. If the loan is not closed on or before June 30, 2010, this commitment will expire. No funds have been advanced as of December 31, 2008.

The above mortgages and bonds are collateralized by all land, buildings and equipment of the partnerships.

6. Changes in Other Long-Term Liabilities

	Balance 09/30/07	Payments/ Forfeits	Additions	Balance 09/30/08	Current	Non-current
Compensated Absences	$143,724	109,631	129,049	$163,142	$ 59,995	$103,147
Other long-term liabilities	47,982	-	30,641	78,623	-	78,623
	$191,706	109,631	159,690	$241,765	$ 59,995	$181,770

7. 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, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members are required to contribute 10.0 percent of their annual covered payroll to fund pension obligations and the Authority was required to contribute 14.00 percent of covered payroll during 2008. The Authority's required contributions, including the pick up portion for certain employees for the periods ended September 30, 2008, 2007 and 2006 were $266,921, $257,983, and $253,083, respectively.

8. Postemployment Benefits – Ohio Public Employees Retirement System:

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

OPERS provides retirement, disability, survivor and post retirement health 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 2008 employer contribution rate was 14.00 percent of covered payroll, and 7.00 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, 2007.

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 2007 was 6.50 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 .50 percent to 4 percent for the next 7 years. In subsequent years (8 and beyond) health care costs were assumed to increase at 4.00 percent.

OPEBs are advance-funded on an actuarially determined basis. At December 31, 2008, the number of active contributing participants in the Traditional and Combined Plans totaled 363,503. The number of active contributing participants for both plans used in the December 31, 2007, actuarial valuation was $364,076. The Authority's actual contributions for 2007 that were used to fund post employment benefits were $110,227, including the employee pick up portion. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2007 were $12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.8 billion and $17.0 billion, respectively.

In September 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 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased at January 1, 2006, 2007 and, 2008, 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.

9. 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.

10. Contingencies:

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.

The Authority is party to various legal proceedings from its normal course of business. No provision has been made in the financial statements for the effect, if any, of such contingencies. Although the outcome of these proceedings is not presently determinable, in the opinion of the Authority, the ultimate disposition of these matters will not materially affect the financial position of the Authority.

11. Concentrations

The Authority receives the majority of its revenue from the U.S. Department of Housing and Urban Development and is subject to mandated changes by HUD and changes in Congressional acts.

12. Commitments

As of September 30, 2008, the Authority was committed to future capital expenditures as follows:

Contractual commitments	
WENCO- Cole Manor	$ 49,917
Total future project costs	$ 49,917

13. Prior Period Adjustment

Certain errors resulting in overstatement of previously reported construction in progress and understatement of previously reported notes receivable were discovered during the current year. Accordingly, an adjustment of $2,381,151 was made during 2008 to write down construction in progress and record notes receivable as of the beginning of the Authority's fiscal year. A corresponding entry was made to reduce previously reported net assets (invested in capital assets) by $2,573,678 and increase unrestricted net assets by $192,527. The construction in progress adjustment relates to HOPE VI funds received by the Authority and passed through to LPHPLP and LPHPIILP in the form of capital contributions prior to October 1, 2007. The notes receivable adjustment relates to a HOPE VI loan to Penrose Properties, LLC described in Note 3.

A summary of the effect of the prior period adjustments on amounts previously reported is as follows:

		As Previously Reported	Prior Period Adjustment	As Restated
Note receivable, current	$	-	192,527	192,527
Construction in progress		3,688,212	(2,573,678)	1,114,534
Total assets		20,295,612	(2,381,151)	17,914,461
Net assets invested in capital assets		15,791,371	(2,573,678)	13,217,693
Total net assets		18,595,529	(2,381,151)	16,214,378
Grant expense – passed-through To partnerships		-	2,381,151	2,381,151
Change in net assets	$	3,978,814	(2,381,151)	1,597,663

Springfield Metropolitan Housing Authority
Supplemental Financial Data Schedules
Statement of Net Assets
Proprietary Fund Type - Enterprise Fund
September 30, 2008

FDS Line Item	Account Description	Low Rent Public Housing 14.850a	Mainstream Vouchers 14.879	Section 8 Vouchers 14.871	Section 8 New Const 14.182	Shelter Plus Care 14.238	Project Choice 93.959	HOPE VI 14.866	Central Office Cost Center	Eliminations	Total
	ASSETS										
111	Cash - unrestricted	$ 189,881	40,299	66,316	-	690	2,476	34,441	198,430	(208,413)	324,120
113	Cash - other restricted	-	-	679,386	-	-	-	-	-	-	679,386
114	Cash - tenant security deposits	66,233	-	-	-	-	-	-	-	-	66,233
100	Total cash	256,114	40,299	745,702	-	690	2,476	34,441	198,430	(208,413)	1,069,739
122	Accounts receivable - HUD other project	96,664	-	-	-	3,616	-	2,275,119	5,871	-	2,381,270
124	Accounts receivable - other state local	-	-	-	-	-	-	-	-	-	-
125	Accounts receivable - miscellaneous	-	-	-	3,504	-	19,504	-	7,434	(5,271)	25,171
126	A/R Tenants - dwelling rents	29,144	-	-	-	-	-	-	-	-	29,144
126	Allowance for doubtful accounts	(6,706)	-	(196)	-	-	-	-	(157)	-	(7,059)
127	Notes receivable, current	-	-	-	-	-	-	231,500	-	-	231,500
120	Total accounts receivable	119,102	-	(196)	3,504	3,616	19,504	2,506,619	13,148	(5,271)	2,660,026
142	Prepaid expenses and other assets	26,440	-	-	-	-	-	-	53,865	(48,700)	31,605
143	Inventories	189,114	-	-	-	-	-	-	2,994	-	192,108
143	Allowance for obsolete inventory	(60,745)	-	-	-	-	-	-	(962)	-	(61,707)
150	Total current assets	530,025	40,299	745,506	3,504	4,306	21,980	2,541,060	267,475	(262,384)	3,891,771
161	Land	1,881,721	-	-	-	-	-	116,969	149,820	-	2,148,510
162	Buildings	24,957,153	-	-	-	-	-	-	-	-	24,957,153
163	Furniture and equipment - dwellings	9,094	-	-	-	-	-	-	2,734	-	11,828
164	Furniture and equipment - admin	296,421	-	38,388	-	-	-	41,348	408,425	-	784,582
165	Land improvements	-	-	-	-	-	-	2,336,936	-	-	2,336,936
166	Accumulated depreciation	(15,242,431)	-	(33,806)	-	-	-	(116,634)	(309,445)	-	(15,702,316)
160	Total fixed assets, net	11,901,958	-	4,582	-	-	-	2,378,619	251,534	-	14,536,693
172	Notes receivable, long term	-	-	-	-	-	-	1,533,529	-	-	1,533,529
174	Other assets	-	-	-	-	-	-	22,432	-	-	22,432
180	Total non-current assets	11,901,958	-	4,582	-	-	-	3,934,580	251,534	-	16,092,654
190	Total assets	$ 12,431,983	40,299	750,088	3,504	4,306	21,980	6,475,640	519,009	(262,384)	19,984,425

Springfield Metropolitan Housing Authority
Supplemental Financial Data Schedules
Statement of Net Assets
Proprietary Fund Type - Enterprise Fund
September 30, 2008

FDS Line Item	Account Description	Low Rent Public Housing 14.850a	Mainstream Vouchers 14.879	Section 8 Vouchers 14.871	Section 8 New Const 14.182	Shelter Plus Care 14.238	Project Choice 93.959	HOPE VI 14.866	Central Office Cost Center	Eliminations	Total
	LIABILITIES										
311	Bank overdraft	$ 206,289	-	-	2,124	-	-	-	-	(208,413)	-
312	Accounts payable >=90 days	150,483	-	7,565	-	-	-	2,200,684	11,247	-	2,369,979
321	Accrued wages/payroll taxes	37,559	-	21,353	-	-	2,049	12,613	38,689	-	112,263
322	Accrued compensated absences, current	56,579	-	320	-	-	-	2,028	1,068	-	59,995
341	Tenant security deposits	66,233	-	-	-	-	-	-	-	-	66,233
342	Deferred revenue	-	-	-	-	-	-	-	-	-	-
345	Other current liabilities	-	-	33,427	-	5,271	-	15,273	-	(53,971)	-
310	Total current liabilities	517,143	-	62,665	2,124	5,271	2,049	2,230,598	51,004	(262,384)	2,608,470
353	Noncurrent liabilities - other	-	-	78,623	-	-	-	-	-	-	78,623
354	Accrued compensated absences, non-current	60,674	-	21,994	-	-	-	4,475	16,004	-	103,147
350	Total noncurrent liabilities	60,674	-	100,617	-	-	-	4,475	16,004	-	181,770
300	Total liabilities	577,817	-	163,282	2,124	5,271	2,049	2,235,073	67,008	(262,384)	2,790,240
	NET ASSETS										
508	Invested in capital assets, net of related debt	11,901,958	-	4,582	-	-	-	2,378,619	251,534	-	14,536,693
511	Restricted net assets	-	-	600,763	-	-	-	-		-	600,763
512	Unrestricted net assets	(47,792)	40,299	(18,539)	1,380	(965)	19,931	1,861,948	200,467	-	2,056,729
513	Total equity	11,854,166	40,299	586,806	1,380	(965)	19,931	4,240,567	452,001	-	17,194,185
600	Total liabilities and equity	$ 12,431,983	40,299	750,088	3,504	4,306	21,980	6,475,640	519,009	(262,384)	19,984,425

Springfield Metropolitan Housing Authority
Supplemental Financial Data Schedules
Statement of Net Assets
Discretely Presented Component Units
December 31, 2008

FDS Line Item	Account Description		Lincoln Park Housing Partnership LP	Lincoln Park Housing Partnership II LP	Total
	ASSETS				
111	Cash - unrestricted	$	2,351	10,607	12,958
113	Cash - other restricted		43,143	1,777,459	1,820,602
100	Total cash		45,494	1,788,066	1,833,560
125	Accounts receivable - miscellaneous		10,732	276,246	286,978
126	A/R Tenants - dwelling rents		557	221	778
120	Total accounts receivable		11,289	276,467	287,756
142	Prepaid expenses and other assets		4,739	7,806	12,545
150	Total current assets		61,522	2,072,339	2,133,861
162	Buildings		6,435,600	11,151,408	17,587,008
163	Furniture and equipment - dwellings		161,461	322,707	484,168
165	Land improvements		215,457	510,233	725,690
166	Accumulated depreciation		(142,297)	(220,459)	(362,756)
160	Total fixed assets, net		6,670,221	11,763,889	18,434,110
174	Other assets		263,707	170,725	434,432
180	Total non-current assets		6,933,928	11,934,614	18,868,542
190	Total assets	$	6,995,450	14,006,953	21,002,403
	LIABILITIES				
312	Accounts payable >=90 days	$	287,239	1,004,257	1,291,496
341	Tenant security deposits		8,843	15,688	24,531
342	Deferred revenue		153	536	689
310	Total current liabilities		296,235	1,020,481	1,316,716
352	Long-term debt, net of current portion		1,833,529	8,250,000	10,083,529
353	Noncurrent liabilities - other		-	773,121	773,121
350	Total noncurrent liabilities		1,833,529	9,023,121	10,856,650
300	Total liabilities		2,129,764	10,043,602	12,173,366
	NET ASSETS				
508	Invested in capital assets, net of related debt		4,836,692	3,513,889	8,350,581
512	Unrestricted net assets		28,994	449,462	478,456
513	Total equity		4,865,686	3,963,351	8,829,037
600	Total liabilities and equity	$	6,995,450	14,006,953	21,002,403

Springfield Metropolitan Housing Authority
Supplemental Financial Data Schedules
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund Type - Enterprise Fund
Year Ended September 30, 2008

FDS Line Item	Account Description	Low Rent Public Housing 14.850a	Mainstream Vouchers 14.879	Section 8 Vouchers 14.871	Section 8 New Const 14.182	Shelter Plus Care 14.238	Project Choice 93.959	HOPE VI 14.866	Central Office Cost Center	Total
	REVENUE									
703	Net tenant rental revenue	$ 832,995	-	775	-	-	-	-	920	834,690
704	Tenant revenue - other	153,004	-	-	-	-	-	-	-	153,004
705	Total tenant revenue	985,999	-	775	-	-	-	-	920	987,694
706	PHA HUD grants	2,727,862	205,260	5,809,101	35,142	39,912	-	749,965	-	9,567,242
706.1	Capital grants	1,147,139	-	-	-	-	-	4,623,715	-	5,770,854
708	Other government grants	-	-	11,514	-	-	63,289	-	-	74,803
711	Investment income - unrestricted	-	-	26,225	-	-	-	22,432	12,841	61,498
720	Investment income - restricted	-	-	668	-	-	-	-	-	668
714	Fraud recovery	-	-	18,490	-	-	-	-	119	18,609
715	Other revenue	27,052	-	173	-	-	-	-	199,092	226,317
	Total revenue	4,888,052	205,260	5,866,946	35,142	39,912	63,289	5,396,112	212,972	16,707,685
	EXPENSES									
911	Administrative salaries	-	-	381,552	-	-	-	202,623	233,423	817,598
912	Auditing fees	-	-	-	-	-	-	-	17,719	17,719
913	Management fee	162,372	-	-	-	-	-	-	(162,372)	-
915	Employee benefit contribution - admin	338,690	-	138,333	-	-	-	74,996	99,074	651,093
916	Other operating - administrative	167,356	-	75,135	-	-	238	260,215	323,979	826,923
917	Legal services	10,406	-	2,784	-	-	-	39,573	30,500	83,263
921	Tenant services - salaries	286,727	-	-	-	-	14,767	-	-	301,494
922	Relocation costs	-	-	-	-	-	-	12,260	-	12,260
923	Employee benefit contrib - ten svcs	1,336	-	-	-	-	61	-	-	1,397
924	Tenant services - other	8,385	3,701	26,124	-	-	17,011	20,277	9,608	85,106
931	Water	201,593	-	135	-	-	-	-	4,612	206,340
932	Electricity	231,416	-	2,380	-	-	-	2,171	35,610	271,577
933	Gas	213,965	-	1,247	-	-	-	-	30,456	245,668
938	Other utility expenses	49,094	-	59	-	-	-	-	6,129	55,282
941	Ord maintenance/op-labor	639,759	-	-	-	-	-	-	68,012	707,771
942	Ord maintenance/op - materials	189,626	-	1,926	-	-	182	435	30,622	222,791
943	Ord maintenance/op - cont costs	508,437	-	2,315	-	-	-	172	94,681	605,605
952	Protective services - other cont costs	70,755	-	135	-	-	-	-	1,491	72,381
961	Insurance premiums	128,256	-	1,921	-	-	-	-	4,486	134,663
962	Other general expenses	62,200	-	9,344	-	-	52,649	3,419,627	-	3,543,820
963	Payments in lieu of taxes	-	-	3,853	-	-	-	-	-	3,853
964	Bad debts - tenant rents	49,726	-	528	-	-	-	-	52	50,306
969	Total operating expenses	3,320,099	3,701	647,771	-	-	84,908	4,032,349	828,082	8,916,910
	EXCESS REVENUE OVER OPERATING EXPENSES	$ 1,567,953	201,559	5,219,175	35,142	39,912	(21,619)	1,363,763	(615,110)	7,790,775

Springfield Metropolitan Housing Authority
Supplemental Financial Data Schedules
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund Type - Enterprise Fund
Year Ended September 30, 2008

FDS Line Item	Account Description	Low Rent Public Housing 14.850a	Mainstream Vouchers 14.879	Section 8 Vouchers 14.871	Section 8 New Const 14.182	Shelter Plus Care 14.238	Project Choice 93.959	HOPE VI 14.866	Central Office Cost Center	Total
970	EXCESS REVENUE OVER OPERATING EXPENSES	$ 1,567,953	201,559	5,219,175	35,142	39,912	(21,619)	1,363,763	(615,110)	7,790,775
972	Casualty losses - non capitalized	21,675	-	-	-	-	-	-	-	21,675
973	Housing Assistance Payments	-	162,727	5,472,321	33,762	40,877	-	-	-	5,709,687
974	Depreciation expense	953,959	-	2,671	-	-	-	88,410	22,192	1,067,232
978	Dwelling units rent expense	12,374	-	-	-	-	-	-	-	12,374
	Total expenses	4,308,107	166,428	6,122,763	33,762	40,877	84,908	4,120,759	850,274	15,727,878
1000	EXCESS OF REVENUE OVER EXPENSES	579,945	38,832	(255,817)	1,380	(965)	(21,619)	1,275,353	(637,302)	979,807
1001	Operating transfers in	12,309	-	-	-	-	-	-	575,626	587,935
1002	Operating transfers out	(575,626)	-	-	-	-	-	-	(12,309)	(587,935)
1103	Beginning equity	11,837,538	1,467	842,623	-	-	41,550	5,346,365	525,986	18,595,529
1104	Prior period adjustments	-	-	-	-	-	-	(2,381,151)	-	(2,381,151)
	Ending equity	$ 11,854,166	40,299	586,806	1,380	(965)	19,931	4,240,567	452,001	17,194,185

Springfield Metropolitan Housing Authority
Supplemental Financial Data Schedules
Statement of Revenues, Expenses and Changes in Net Assets
Discretely Presented Component Units
Period Ended December 31, 2008

FDS Line Item	Account Description		Lincoln Park Housing Partnership LP	Lincoln Park Housing Partnership II LP	Total
	REVENUE				
703	Net tenant rental revenue	$	57,499	52,012	109,511
704	Tenant revenue - other		885	865	1,750
705	Total tenant revenue		58,384	52,877	111,261
715	Other revenue		5,198,233	4,437,925	9,636,158
	Total revenue		5,256,617	4,490,802	9,747,419
	EXPENSES				
911	Administrative salaries		39,957	40,211	80,168
912	Auditing fees		9,000	9,000	18,000
913	Management fee		12,645	13,746	26,391
915	Employee benefit contribution - admin		10,024	8,128	18,152
916	Other operating - administrative		27,478	24,027	51,505
917	Legal services		10,000	10,000	20,000
931	Water		8,956	9,539	18,495
932	Electricity		466	741	1,207
933	Gas		1,385	943	2,328
938	Other utility expenses		3,815	3,566	7,381
942	Ord maintenance/op - materials		1,317	95	1,412
943	Ord maintenance/op - cont costs		14,672	19,715	34,387
961	Insurance premiums		3,737	8,501	12,238
967	Interest expense and amortization costs		16,144	10,154	26,298
969	Total operating expenses		159,596	158,366	317,962
	EXCESS REVENUE OVER OPERATING EXPENSES		5,097,021	4,332,436	9,429,457
972	Casualty losses - non capitalized				
973	Housing Assistance Payments				
974	Depreciation expense		142,297	220,459	362,756
978	Dwelling units rent expense		89,038	148,626	237,664
	Total expenses		390,931	527,451	918,382
1000	EXCESS OF REVENUE OVER EXPENSES		4,865,686	3,963,351	8,829,037
1103	Beginning equity		-	-	-
	Ending equity	$	4,865,686	3,963,351	8,829,037

Springfield Metropolitan Housing Authority

Schedule of Net Assets

Discretely Presented Component Units

December 31, 2008

Assets		Lincoln Park Housing Partnership LP	Lincoln Park Housing Partnership II LP	Total Component Units
Current assets:				
Cash and cash equivalents	$	2,351	10,607	12,958
Accounts receivable, net:				
Tenants		557	221	778
Other receivables		10,732	276,246	286,978
Prepaid expenses		4,739	7,806	12,545
		18,379	294,880	313,259
Non-current assets:				
Restricted cash and cash equivalents		43,143	1,777,459	1,820,602
Property and equipment, net of accumulated depreciation		6,670,221	11,763,889	18,434,110
Other assets		263,707	170,725	434,432
		6,977,071	13,712,073	20,689,144
	$	6,995,450	14,006,953	21,002,403
Liabilities and Net Assets				
Current liabilities:				
Accounts payable				
Trade	$	37,939	77,302	115,241
Other		249,300	926,955	1,176,255
Tenant security deposits, payable from restricted assets		8,843	15,688	24,531
Unearned revenues		153	536	689
		296,235	1,020,481	1,316,716
Long-term liabilities:				
Long-term debt		1,833,529	8,250,000	10,083,529
Other long-term liabilities		-	773,121	773,121
		1,833,529	9,023,121	10,856,650
		2,129,764	10,043,602	12,173,366
Net Assets:				
Invested in capital assets		4,836,692	3,513,889	8,350,581
Unrestricted net assets		28,994	449,462	478,456
Total net assets		4,865,686	3,963,351	8,829,037
Total liabilities and net assets	$	6,995,450	14,006,953	21,002,403

Springfield Metropolitan Housing Authority

Schedule of Revenues, Expenses and Changes in Net Assets

Discretely Presented Component Units

Period Ended December 31, 2008

		Lincoln Park Housing Partnership LP	Lincoln Park Housing Partnership II LP	Total Component Units
Operating revenue:				
Dwelling rent	$	57,499	52,012	109,511
Other income		885	865	1,750
Total operating revenue		58,384	52,877	111,261
Operating expenses:				
Administrative		62,626	62,085	124,711
Utilities		14,622	14,789	29,411
Maintenance		15,989	19,810	35,799
General		147,652	206,352	354,004
Depreciation and amortization		150,042	224,415	374,457
Total operating expenses		390,931	527,451	918,382
Operating income		(332,547)	(474,574)	(807,121)
Capital contributions		5,198,233	4,437,925	9,636,158
Net assets, beginning of the period		-	-	-
Net assets, end of the period	$	4,865,686	3,963,351	8,829,037

Springfield Metropolitan Housing Authority
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2008

Federal Grantor/Program Title	Federal CFDA Number		Federal Expenditures
U.S. Department of Housing and Urban Development:			
PHA Owned Housing:			
Public and Indian Housing (operating subsidiary)	14.850 a	$	2,269,745
Public Housing Capital Fund	14.872		1,605,256
			3,875,001
Revitalization of Severely Distressed Public Housing	14.866		5,373,680
Housing Assistance Payments: Annual Contribution			
Housing choice vouchers	14.871		5,809,101
Mainstream vouchers	14.879		205,260
N/C S/R Section 8 Programs	14.182		35,142
Shelter Plus Care	14.238		39,912
			6,089,415
Total U.S. Deparment of Housing and Urban Development			15,338,096
U.S. Department of Health and Human Services:			
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		63,289
Total - all programs		$	15,401,385

Note to the Schedule of Expenditures of Federal Awards:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Springfield Metropolitan Housing Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of , the basic financial statements.

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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, 2008, and have issued our report thereon dated June 30, 2009. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. [2008-1 and 2008-2]

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 and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider both significant deficiencies 2008-1 and 2008-2 described above 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 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*.

We noted certain matters that we reported to management of the Springfield Metropolitan Housing Authority, in a separate letter dated June 30, 2009.

Springfield Metropolitan Housing Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Springfield Metropolitan Housing Authority's response and, accordingly, we express no opinion on it.

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.

Parsons & Company, LLC

June 30, 2009

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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, 2008. 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, 2008.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Springfield Metropolitan Housing Authority's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and that we consider to be material weaknesses.

A *control deficiency* in the entity's internal control over compliance 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 noncompliance with the type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with the type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider both items 2008-1 and 2008-2 to be material weaknesses.

Springfield Metropolitan Housing Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Springfield Metropolitan Housing Authority's response and, accordingly, we express no opinion on it.

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

June 30, 2009

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statement	Type of auditors' report issued	Unqualified
Internal control over financial reporting	Material weakness(es) identified?	Yes
Internal control over financial reporting	Significant deficiency(ies identified that are not considered to be material weakness(es)?	No
	Non-compliance material to the financial statement noted?	No
Federal Awards	Internal Controls over major programs: Material weakness(es) identified?	Yes
Federal Awards	Significant deficiency(es) identified that are not considered to be material weakness(es)	No
	Type of auditor's report issued on compliance for major programs:	Unqualified
	Any audit findings disclosed that are required to be reported under section 510(a) of OMB Circular A-133	Yes
	Identification of major programs (list):	Section 8 Housing Choice Vouchers CFDA #14.871 Public Housing Capital Fund CFDA #14.872 Revitalization of Severely Distressed PH CFDA #14.866
	Dollar threshold used to distinguish between Type A and Type B programs	Type A: > $462,000 Type B: all others
	Auditee qualified as low risk?	No

2. FINANCIAL STATEMENT FINDINGS

Findings Reference Number: 2008-1

ACCOUNTING AND REPORTING PROBLEMS - MATERIAL WEAKNESS

Criteria

Internal control is a process affected by those charge with governance, management, and other personnel designed to provide reasonable assurance about the achievement of the entity's objectives. These objectives fall into three categories: financial reporting, operations and compliance with laws and regulation.

A key objective of the internal control relates to insuring an effective accounting and financial reporting system exist which would result in the preparation of reliable financial statements.

The Statements on Auditing Standards has determined that the identification by the auditor of a material misstatement in the financial statements for the period under audit that is not initially identified by the entity's internal control represents at least a significant deficiency and possibly a material weakness.

A material weakness is a significant deficiency, or combination of significant deficiencies, that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected.

Condition

We noted that Springfield Metropolitan Housing Authority's (SMHA) internal controls over accounting and financial reporting was not effective for 2008. As a result, SMHA was unable to prepare accurate and timely financial statement and the audit noted a number of significant accounting and reporting errors which is considered a material weakness in internal controls.

Cause

The central cause for the accounting and report problems experienced by SMHA was the prior Finance Director did not possess the necessary experience and knowledge to effectively manage the finance department and maintain accurate accounting records in a controlled manner. We noted among other things that key control procedures were not followed during the year. For example, reconciliation of key accounts was not routinely performed. Additionally, the Finance Director had difficulty in implementing the organization's new financial accounting system and adopting the new HUD accounting and reporting requirements for asset-based accounting. While there could have been other contributing factors for the accounting and reporting problems, essentially basic accounting entries were not correctly performed, and there were a significant number of accounting errors both material and nonmaterial made in the accounting system during the year.

Management was slow to recognize the problems in the finance office because proper monitoring and oversight functions were not performed during the year. As a result, the problems in the finance department went undetected until well after the fiscal year had ended.

The previous Finance Director for SMHA resigned just before the audit was to start. Since the resignation, SMHA has hired another Finance Director who has participated in the audit process.

Effects

The effect of the inadequate controls in the finance department prevented SMHA from preparing accurate and timely financial statements. Among other problems, SMHA was unable to prepare and send accurate interim financial statements to HUD. Also, as the external auditors, we had to significantly increase the amount of time to conduct the yearly audit because of the risk of likely errors in the financial statements. We had to at one point pull out of the field to allow SMHA more time to correct their accounting records. The accounting and reporting problems also significantly delayed the completion of the audit because the audit process had to be delayed until many of the accounting problems could be corrected by the current fiscal staff and outside consultants. Even after providing the fiscal staff and outside consultants with more time to correct the accounting records, the audit process still disclosed a number of significant audit adjustments. This is an indication of the severity of the accounting problems which occurred during the year.

Recommendation

SMHA needs to perform a thorough assessment of the experience, skills and knowledge level that is required to fulfill the responsibilities of the Finance Director position. Also, historically, SMHA has, to a great degree, relied on its outside accounting consultants to assist in the accounting and reporting process. However, most of this assistance is provided after the fiscal year ended instead of throughout the year at key intervals when their assistance could be more effective. Waiting until after the fiscal year has ended, allows accounting issues and problems to go uncorrected and then more problems have to be corrected after the end of the year when there is less time to consider and correct the various accounting problems. In recent years, the accounting assistance is not provided until well after the fiscal year and this has further exacerbated the problems of inaccurate and untimely financial records being submitted to HUD and used as the basis to complete the audit.

Management also needs to improve the oversight and monitoring process over the finance department. Monthly reviews of the finance office should occur to assess whether key accounting controls are performed and accurate financial statements are prepared.

The Finance Director's performance should be assessed continually throughout the year and a Board committee such as the finance or audit committees should assess whether this assessment is being performed timely and whether needed corrective action is taken when necessary.

Management Response

Adoption of the new HUD accounting and reporting requirements for asset-based accounting and the related conversion to a new accounting software to handle these accounting and reporting changes was extremely taxing on the Authority, especially the finance department and the former Finance Director. This adoption/conversion took time away from normal duties and caused the Authority to fall behind on normal finance department activities. Management responded by hiring temporary accounting help; however, the Finance Director resigned and a replacement could not be hired until more than two months later. This new accountant has significant housing authority experience and is much more knowledgeable in this field. In addition, management kept one temporary person to assist in the "catch-up" of processing daily transactions and have hired an additional full-time general accountant to ensure adequate internal controls over financial reporting and timeliness of financial reporting. Finally, effective immediately, management will have our outside accounting consultants increase its assistance with periodic oversight and monitoring over financial reporting. This oversight assistance will occur at least on a quarterly basis. Management believes that these actions will correct the deficiencies noted.

Findings Reference Number: 2008-2

NON RECOGNITION OF NON-ROUTINE OR UNUSUAL TRANSACTIONS – MATERIAL WEAKNESS

Criteria

Subpart C .21 (b) of OMB Circular A-110 states that "Recipients' financial management system shall provide for (1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program."

Condition

In conjunction with a new redevelopment project, SMHA entered into various agreements and incurred various transactions. However, the impact of these agreements and transactions was not correctly reflected in a timely manner on the Organization's financial statements.

Cause

SMHA has a weakness in its internal control over reporting of non-routine or unusual transactions that prevents it from correctly identifying, assessed and recording for financial reporting.

Effect

Certain significant audit adjustments were necessary to correctly record various balances associated with the aforementioned transactions. Also, there were additional note disclosures required in the financial statements to properly reflect related transactions. The Statements of Auditing Standards has determined that the identification by the auditor of a material misstatement in the financial statements for the period under audit that was not initially identified by the entity's internal control represents at least a significant deficiency.

Recommendation

SMHA should strengthen its existing internal control procedures to improve its ability to properly identify, evaluate and record necessary information for proper financial reporting of non-routine or unusual transactions. Some matters to consider include, but are not limited to, selecting and applying accounting principles, risk assessments of changes in operations (funding, activities, programs), communicating events and transactions occurring to finance/accounting, including communications with independent accountant or auditor, capturing information in the financial reporting system, and developing procedures for recognizing and disclosing transactions in the financial statements.

Management Response

HOPE VI-related transactions have proven very complex and involve a significant amount of agreements and legal documents supporting these transactions. Management of the Authority recognizes that not all documentation was properly disseminated to the finance department so that proper accounting treatment could be evaluated. Before December 31, 2009, management will develop an internal control procedure to ensure proper distribution of documentation to the finance department and for complex transactions; we will consult with our outside accounting consultants regarding these transactions at the time they are entered into. This will help ensure proper accounting treatment and on a timely basis. The Authority contact regarding resolution follow-up is Ellen Baldemor, (937) 325-7331 ext. 217.

3. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

ACCOUNTING AND REPORTING PROBLEMS - MATERIAL WEAKNESS

See Findings Reference Number 2008-1 above.

NON RECOGNITION OF NON-ROUTINE OR UNUSUAL TRANSACTIONS – MATERIAL WEAKNESS

See Findings Reference Number 2008-2 above.

Non-Routine or Unusual Transactions – Not Corrected

Prior Finding
In conjunction with a new redevelopment project, SMHA entered into various agreements and incurred various transactions. However, the impact of these agreements and transactions was not correctly reflected in a timely manner on organization's financial statements.

Resolution

This finding is still present. Please see current finding 2008-2

Account Reconciliations – Not Corrected

Prior Finding
We noted that reconciliations of key accounts balances is not routinely being performed a part of the accounting closing process. Consequently, as part of the audit process, we had to perform reconciliations of key account balance such as HUD receivables, construction in progress and accounts payable to help insure account balances were correctly stated.

Resolution

This finding is still present. Please see current finding 2008-1

Accounting for Administrative Cost Versus HAP Payments - Corrected

Prior Finding
SMHA accounting system does not adequately identify administrative type costs from HAP payments so that the organization's restricted equity can be correctly determined.

Resolution
With the implementation of the SMHA's new computer accounting system, this issue has been satisfactorily resolved.

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
NOVEMBER 10, 2009

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