

IRONTON METROPOLITAN HOUSING AUTHORITY

Lawrence County, Ohio

Single Audit

October 1, 2005 through September 30, 2006

Fiscal Year Audited Under GAGAS: 2006

BALESTRA, HARR & SCHERER, CPAS, INC.

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Mary Taylor, CPA

Auditor of State

Board of Commissioners
Ironton Metropolitan Housing Authority
720 Washington Street
Ironton, Ohio 45638

We have reviewed the *Independent Auditor's Report* of the Ironton Metropolitan Housing Authority, Lawrence County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period October 1, 2005 through September 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 1, 2007

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IRONTON METROPOLITAN HOUSING AUTHORITY

Basic Financial Statements
For the Year Ended September 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Ironton Metropolitan Housing Authority
720 Washington Street
Ironton, Ohio 45638

We have audited the accompanying financial statements of the business-type activities of the Ironton Metropolitan Housing Authority (the Authority), Lawrence County, as of and for the year ended September 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

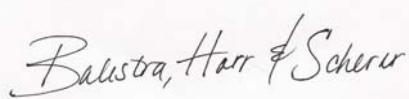
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of September 30, 2006, and the respective changes in financial position and cash flows thereof for the year then 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 February 1, 2007, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The supplemental financial data presented on pages 21 through 23 is presented for additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 11 to the basic financial statements, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*.



Balestra, Harr & Scherer, CPAs, Inc.

February 1, 2007

IRONTON METROPOLITAN HOUSING AUTHORITY
IRONTON, OHIO
FOR THE YEAR ENDED SEPTEMBER 30, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

It is a privilege to present for you the financial picture of Ironton Metropolitan Housing Authority. The Ironton Metropolitan Housing Authority's ("the Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify the single enterprise fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements, which will begin on page 9.

FINANCIAL HIGHLIGHTS

- The revenue decreased by \$18,016 (or 1.0%) during 2006, and was \$1,828,032 and \$1,846,048 for 2006 and 2005, respectively.
- The total expenses increased by \$133,307 (or 8.0%). Total expenses were \$1,798,901 and \$1,665,594 for 2006 and 2005, respectively.

USING THIS ANNUAL REPORT

The following is a summary of the presentation of the Authority's financial statements:

<p>MD&A ~ Management Discussion and Analysis ~</p>
<p>Basic Financial Statements ~ Statement of Net Assets ~ ~ Statement of Revenues, Expenses and Changes in Net Assets ~ ~ Statement of Cash Flows ~ ~ Notes to Basic Financial Statements ~</p>

The focus is on the Authority as a single enterprise fund. This format allows the user to address relevant questions, broadens a basis for comparison (year to year or Authority to Authority) and enhances the Authority's accountability.

IRONTON METROPOLITAN HOUSING AUTHORITY
IRONTON, OHIO
FOR THE YEAR ENDED SEPTEMBER 30, 2006
MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

The basic financial statements, beginning on page 9, are designed to be corporate-like in that all business type programs are consolidated into one single enterprise fund for the Authority.

These statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equals "Net Assets." Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current."

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets are reported in three broad categories (as applicable):

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Net Capital Assets (net of accumulated depreciation), reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

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

The basic financial statements also include a Statement of Revenues, Expenses and Changes in Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Assets is the "Change in Net Assets."

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

The Authority's programs that are consolidated into a single enterprise fund are as follows:

Public Housing Program – The public housing program is designed to provide low-cost housing within Lawrence County. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

Modernization Programs (CFP) – Substantially all additions to land, structures, and equipment are accomplished through modernization programs (included in the financial statements under the public housing program). Modernization funds replace or materially upgrade deteriorated portions of existing Authority property.

Housing Assistance Payments Program-Section 8 – The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income families under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family.

IRONTON METROPOLITAN HOUSING AUTHORITY
IRONTON, OHIO
FOR THE YEAR ENDED SEPTEMBER 30, 2006
MANAGEMENT'S DISCUSSION AND ANALYSIS

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

The following table reflects the condensed Statement of Net Assets compared to the prior year.

TABLE 1
STATEMENT OF NET ASSETS

	2006	2005
Current and Other Assets	\$ 1,635,541	\$ 1,605,413
Capital Assets	4,612,683	4,536,764
TOTAL ASSETS	6,248,224	6,142,177
Other Liabilities	117,944	97,168
Long-term liabilities	87,122	30,982
TOTAL LIABILITIES	205,066	128,150
Net Assets:		
Invested in Capital Assets, Net of Related Debt	4,612,683	4,536,764
Unrestricted	1,430,475	1,477,263
TOTAL NET ASSETS	\$ 6,043,158	\$ 6,014,027

MAJOR FACTORS AFFECTING THE STATEMENT OF NET ASSETS

Capital assets increased due to additions as discussed further in Table 4. Cash increased by \$3,026 primarily due to the cash flow effect of the increase in accounts payable of \$13,247 and because cash basis operating receipts exceeded cash basis operating disbursements during 2006. Accounts receivable for tenant dwelling rents increased from 2005 to 2006 by \$33,503 due to some tenants not paying their rent as timely as prior years which increased the receivable. Accounts payable increased due to some payments being made in fiscal year 2007 rather than in fiscal year 2006. Long-term liability for compensated absences increased from 2005 to 2006 by \$56,946 due to 2005 being lower than normal since a long-term employee retired in fiscal year 2004 which reduced compensated absences in 2005.

IRONTON METROPOLITAN HOUSING AUTHORITY
IRONTON, OHIO
FOR THE YEAR ENDED SEPTEMBER 30, 2006
MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The following schedule compares the revenues and expenses for the current and previous fiscal years.

	2006	2005
Revenues		
Tenant Revenue - Rents and Other	\$ 603,473	\$ 547,327
Operating Subsidies and Grants	726,663	773,370
Capital Grants	364,863	437,065
Investment Income/Other Revenues	133,033	88,286
TOTAL REVENUE	1,828,032	1,846,048
Expenses		
Administration	285,241	229,931
Tenant services	16,251	3,650
Utilities	278,608	269,938
Ordinary Maintenance and Operations	504,116	470,892
General	97,497	89,298
Housing Assistance Payment	234,817	226,422
Depreciation	382,371	375,463
TOTAL EXPENSES	1,798,901	1,665,594
NET INCREASE	\$ 29,131	\$ 180,454
Net Assets, Beginning of Year	6,014,027	5,833,573
Net Assets, End of Year	\$ 6,043,158	\$ 6,014,027

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

Tenant rental revenues increased by \$56,146 due to an increase in the number of rental units, while government operating grants decreased by \$46,707 from fiscal year 2005 to 2006, due to reduction of federal funding. Administrative and ordinary maintenance and operation expenses increased by \$55,310 and \$33,224, respectively, from fiscal year 2005 to 2006, due to an increase in the number of rental units. Capital grants decreased by \$72,202 from fiscal year 2005 to 2006 due to reduction in federal funding. Other than these changes the Authority operated consistently between the years.

IRONTON METROPOLITAN HOUSING AUTHORITY
IRONTON, OHIO
FOR THE YEAR ENDED SEPTEMBER 30, 2006
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of year end, the Authority had \$4,612,683 invested in a variety of capital assets (net of accumulated depreciation) as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation) of \$75,919 from the end of last year.

TABLE 3
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)

	2006	2005
Land and Land Rights	\$ 500,242	\$ 500,242
Buildings and Improvements	9,809,590	9,269,657
Equipment - Administrative	225,694	211,033
Equipment - Dwellings	214,880	207,070
Accumulated Depreciation	(6,459,760)	(6,098,853)
Construction in Progress	322,037	447,615
TOTAL	\$ 4,612,683	\$ 4,536,764

The following reconciliation summarizes the change in Capital Assets.

TABLE 4
CHANGE IN CAPITAL ASSETS

BEGINNING BALANCE		\$ 4,536,764
Additions (Net)		458,290
Depreciation		(382,371)
ENDING BALANCE		\$ 4,612,683

This year's major additions are:

Capital improvements (CFP) completed on the Authority's Public Housing complexes		\$ 526,068
TOTAL ADDITIONS		\$ 526,068

See note 5 to the basic financial statements for more information regarding the Authority's capital assets.

**IRONTON METROPOLITAN HOUSING AUTHORITY
IRONTON, OHIO
FOR THE YEAR ENDED SEPTEMBER 30, 2006
MANAGEMENT'S DISCUSSION AND ANALYSIS**

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding levels of the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs
- Market rates for rental housing

IN CONCLUSION

Ironton Metropolitan Housing Authority takes great pride in its financial management and is pleased to report on the consistent and sound financial condition of the Authority.

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Jim Johnson, Executive Director of the Ironton Metropolitan Housing Authority at 740-532-5440.

IRONTON METROPOLITAN HOUSING AUTHORITY
 IRONTON, OHIO
 STATEMENT OF NET ASSETS
 PROPRIETARY FUND TYPE- ENTERPRISE FUND
 AS OF SEPTEMBER 30, 2006

	<u>ENTERPRISE</u>
<i>Assets</i>	
Current Assets:	
Cash - Unrestricted	\$ 1,559,553
Accounts Receivable:	
Tenants - Dwelling Rents, net of allowance for doubtful accounts	40,045
Other Government	1,979
Accrued Interest Receivable	11,917
Prepaid Expenses and Other Assets	22,047
Total Current Assets:	1,635,541
Noncurrent Assets:	
Capital Assets:	
Nondepreciable Capital Assets	822,279
Depreciable Capital Assets, Net of Accumulated Depreciation	3,790,404
Total Noncurrent Assets:	4,612,683
<i>Total Assets</i>	\$ 6,248,224
 <i>Liabilities</i>	
Current Liabilities:	
Accounts Payable	\$ 21,848
Compensated Absences	20,521
Tenant Security Deposits	43,244
Intergovernmental Payable	32,331
Total Current Liabilities:	117,944
Long Term Liabilities:	
Compensated Absences	87,122
Total Long Term Liabilities:	87,122
<i>Total Liabilities</i>	205,066
Net Assets:	
Invested In Capital Assets	4,612,683
Unrestricted	1,430,475
<i>Total Net Assets</i>	\$ 6,043,158

See accompanying notes to the basic financial statements.

IRONTON METROPOLITAN HOUSING AUTHORITY
 IRONTON, OHIO
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUND TYPE- ENTERPRISE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	ENTERPRISE
<i>Operating Revenues</i>	
Tenant Rental Revenues	\$ 587,828
Tenant Revenue - Other	15,645
Government Operating Grants	726,663
Other	66,886
Total Operating Revenue	1,397,022
<i>Operating Expenses</i>	
Administrative	285,241
Tenant Services	16,251
Utilities	278,608
Ordinary Maintenance & Operation	504,116
General Expenses	97,497
Housing Assistance Payments	234,817
Depreciation Expense	382,371
Total Operating Expenses	1,798,901
Operating Loss	(401,879)
<i>Non-Operating Revenue</i>	
Capital Grants	364,863
Investment Income - Unrestricted	66,147
Total Non-Operating Revenues	431,010
Change in Net Assets	29,131
Net Assets, Beginning of the Year	6,014,027
Net Assets, End of Year	\$ 6,043,158

See accompanying notes to the basic financial statements.

IRONTON METROPOLITAN HOUSING AUTHORITY
 IRONTON, OHIO
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE - ENTERPRISE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	ENTERPRISE
Cash flows from operating activities:	
Receipts from tenants	\$ 569,970
Receipts from operating grants	724,789
Other operating receipts	66,886
Housing assistance payments	(234,817)
Payments for general and administrative expense	(1,092,380)
Net cash provided by operating activities	34,448
Cash flows from capital and related financing activities:	
Construction and acquisitions of capital assets	(458,290)
Capital grants	364,863
Net cash flow used by capital and related financing activities	(93,427)
Cash flows from investing activities:	
Interest received on investments	62,005
Net cash used by investing activities	62,005
Net increase in cash and cash equivalents	3,026
Cash at beginning of year	1,556,527
Cash at end of year	\$ 1,559,553

CASH FLOWS FROM OPERATING ACTIVITIES

Net Operating Loss	\$ (401,879)
Adjustments to reconcile net gain/(loss) to net cash provided by operating activities	
(Increase)Decrease In:	
Accounts Receivable	(35,377)
Prepaid Expenses and Other Assets	12,417
Interprogram Due From	(4,435)
Increase(Decrease) In:	
Accounts Payable	13,247
Accrued Wages/Payroll Taxes Payable	(99)
Compensated Absences	56,946
Tenant Security Deposits	1,750
Intergovernmental Payable	5,072
Interprogram Due To	4,435
Depreciation Expense	382,371
Net Cash Provided By Operating Activities	\$ 34,448

See accompanying notes to the basic financial statements.

IRONTON METROPOLITAN HOUSING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2006

1. DESCRIPTION OF THE HOUSING AUTHORITY AND REPORTING ENTITY

The Ironton Metropolitan Housing Authority (the Authority) is a political subdivision of the State of Ohio, created under Section 3735.27 of the Ohio Revised Code.

The Ironton Metropolitan Housing Authority was established for the purpose of engaging the development, acquisition, and administrative activities of the low-income housing program and other programs with similar objectives. The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the low-income housing program under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make grants to assist the local housing authorities in financing the acquisition, construction, and/or leasing of housing units and to make annual contributions (subsidies) to the local housing authorities for the purpose of maintaining the low-rent character of the local housing program.

DESCRIPTION OF PROGRAMS:

A. *PUBLIC HOUSING PROGRAM*

The public housing program is designed to provide low-cost housing within Lawrence County. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

B. *CAPITAL FUND PROGRAM (CFP)*

The Capital Fund Program also is the primary funding source for physical and management improvements to the Authority's properties. CFP funding is based on a formula allocation that takes into consideration the size and age of the Authority's housing stock.

C. *HOUSING ASSISTANCE PAYMENTS PROGRAM - SECTION 8*

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income families under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family.

REPORTING ENTITY

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Authority are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Authority. For the Authority, this includes general operations, public housing, Section 8, and modernization programs. 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) the Authority is able to significantly influence the programs or services performed or provided by the organization or (2) the Authority is legally entitled to or can otherwise access the organization's resources; (3) the Authority is legally obligated or has assumed responsibility to finance the deficits of, or provide fiscal support to, the organization; (4) the Authority 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 the budget, the levying of taxes or issuance of debt. The Authority did not have any component units or other related organizations in 2006.

IRONTON METROPOLITAN HOUSING AUTHORITY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ironton Metropolitan Housing Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applies to governmental units. The Governmental Accounting Standards Board 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.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The Authority uses funds to report on its financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities.

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, Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or after November 30, 1989 that do not conflict with or contradict GASB pronouncements.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. For financial statement presentation purposes, the various programs of the Authority are grouped into the following fund type:

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

Enterprise Fund - The enterprise fund is used to account for operations 1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services of the general public on a continuing basis be financed or recovered primarily through user charges; or 2) 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 control, accountability, or other purposes.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type income statements represent increases (e.g. revenues and other financing sources) and decreases (e.g. expenditures and other financing uses) in net total assets.

C. BASIS OF ACCOUNTING

Proprietary fund types use accrual basis of accounting for reporting purposes. Revenues are recognized when they are earned and measurable and expenses are recorded at the time liabilities are incurred, if measurable.

IRONTON METROPOLITAN HOUSING AUTHORITY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGETARY DATA

The Authority is not required to follow the budgetary requirements of the Ohio Revised Code. However, the Authority does maintain a budget for management purposes.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of funds deposited in checking accounts. Cash equivalents are stated at cost, which approximates market value.

The Authority has investments in the form of certificates of deposits. Except for nonparticipating investment contracts, investments are reported at fair value which is based upon quoted market prices. Nonparticipating investment contracts such as certificates of deposit are reported at cost.

For purposes of the Statement of Cash Flows and for presentation on the Statement of Net Assets, investments of the Authority with an original maturity of six months or less at the time they are purchased by the Authority are considered to be cash equivalents. Investments with an initial maturity of more than six months are reported as investments.

F. CAPITAL ASSETS

The capital asset values initially were determined by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. Donated capital assets are capitalized at estimated fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

Enterprise Fund Capital Assets: Capital assets reflected in the enterprise fund are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year. Depreciation has been provided on a straight-line basis over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	20-40 years
Building Improvements	20 years
Equipment, Furniture and Fixtures	5-10 years
Other Equipment and Machinery	3-10 years

Capital assets acquired from resources externally restricted for capital acquisition (e.g. capital grants) are recorded as revenue in the benefiting proprietary fund. Depreciation on these assets is recorded as an expense.

IRONTON METROPOLITAN HOUSING AUTHORITY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. PREPAID ITEMS

Payments made to vendors for services that will benefit periods beyond September 30, 2006, are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

H. COMPENSATED ABSENCES

In 1999, the Authority implemented the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method.

The liability includes the employees who are currently eligible to receive termination benefits and by those employees for whom it is probable will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end.

In proprietary funds, compensated absences are expensed when earned. The entire amount of compensated absences is reported as a fund liability.

H. TAX LIABILITY

The Authority is by law exempt from all federal, state, and local taxes and assessments. The Authority has elected to pay a Payment in Lieu of Taxes (PILOT) based principally on a percentage of tenant dwelling income received from HUD-assisted programs.

I. INTERGOVERNMENTAL REVENUES

Grants, entitlements or shared revenues received for enterprise fund operating purposes are recognized in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as revenue.

J. USE OF 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 certain reported amounts and accompanying notes. Accordingly, actual results could differ from those estimates.

L. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets-net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Unrestricted net assets represents the portion of net assets not restricted.

IRONTON METROPOLITAN HOUSING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

3. CASH AND INVESTMENTS

The Governmental Accounting Standards Board has established three (3) risk categories for deposits. Category 1 includes deposits insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name. Category 3 includes uncollateralized deposits.

All deposits are carried at cost. The Authority had only checking accounts, certificates of deposit, and cash on hand classified as cash. As of September 30, 2006, the bank balances of the Authority's cash totaled \$1,662,251. Of the bank balances, \$200,000 was insured by FDIC insurance. The remaining balance of \$1,462,251 was classified as Category 2 for deposits.

HUD Handbook 7475.1, Chapter 4, section 1, authorized the PHA to make investments in direct obligations of the Federal Government, obligation of Federal Government Agencies, securities of Government-sponsored Agencies and demand and savings deposits and certificates of deposits.

4. RECEIVABLES

Receivables at September 30, 2006 consisted of accounts receivable from tenants for rent and materials, miscellaneous receivables which includes late charges and utilities owed to the Authority by the tenants and HUD Project funding.

5. CAPITAL ASSETS

A summary of changes in the Authority's capital assets for the year ended September 30, 2006, follows:

	<u>Balance -</u> <u>09/30/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance -</u> <u>09/30/06</u>
Capital Assets Not Being Depreciated:				
Land and Land Rights	\$ 500,242	\$ -	\$ -	\$ 500,242
Construction in Progress	447,615	400,490	(526,068)	322,037
Total Capital Assets Not Being Depreciated	947,857	400,490	(526,068)	822,279
Capital Assets Being Depreciated:				
Buildings and Improvements	9,269,657	539,933	-	9,809,590
Equipment-Dwellings	207,070	33,995	(26,185)	214,880
Equipment-Administrative	211,033	14,661	-	225,694
Total Capital Assets Being Depreciated	9,687,760	588,589	(26,185)	10,250,164
Accumulated Depreciation:				
Buildings and Improvements	(5,764,429)	(354,969)	-	(6,119,398)
Equipment-Dwellings	(137,963)	(18,265)	21,464	(134,764)
Equipment-Administrative	(196,461)	(9,137)	-	(205,598)
Total Depreciation	<u>(6,098,853)</u>	<u>(382,371)</u>	<u>21,464</u>	<u>(6,459,760)</u>
Net Capital Assets Being Depreciated	<u>3,588,907</u>	<u>206,218</u>	<u>(4,721)</u>	<u>3,790,404</u>
Net Capital Assets	<u>\$ 4,536,764</u>	<u>\$ 606,708</u>	<u>\$ (530,789)</u>	<u>\$ 4,612,683</u>

IRONTON METROPOLITAN HOUSING AUTHORITY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

6. DEFINED BENEFIT PENSION PLAN PUBLIC EMPLOYEES

RETIREMENT SYSTEM PENSION PLAN

All Ironton Metropolitan Housing Authority's full time employees participate in the Public Employees Retirement System of Ohio ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

1. The Traditional Plan—a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan—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.
3. The Combined Plan—a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension 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 and disability benefits, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension 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. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 42315-4562 or by calling (614) 222-6701 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2006, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan. The employee contribution rates effective for 2006 were 8.5% of their salary. The 2006 employer contribution rate relating to employees was 13.55% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. As of September 30, 2006, the Authority had no outstanding amounts owed to OPERS. The Authority's contribution to OPERS for the years ending September 30, 2006, 2005 and 2004 were \$35,789, \$36,459, and \$39,165 respectively which are equal to the required contributions for each year.

7. POSTEMPLOYMENT BENEFITS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—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, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment 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 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Postemployment Benefit (OPEB) as described in GASB Statement 12.

IRONTON METROPOLITAN HOUSING AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2006

7. POSTEMPLOYMENT BENEFITS (Continued)

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program is separated into two divisions, law enforcement and public safety with separate employee contribution rates and benefits. The 2006 employer contribution rate for state employers was 13.31% of covered payroll, of which 4.00% was used to fund health care for the year. For local government employer units, the rate was 13.55% of covered payroll, and 4.00% was used to fund health care for the year. For both the public safety and law enforcement divisions, the 2006 employer rate was 16.70%, and 4.00% was used to fund health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

Actuarial Review—The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2005.

Funding Method—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 unfunded actuarial accrued liability.

Assets Valuation Method—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, not to exceed a 12% corridor.

Investment Return—The investment assumption rate for 2005 was 6.50%.

Active Employee Total Payroll—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—Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEB's are advanced-funded on an actuarially determined basis. The following disclosures are required:

The Traditional Pension and Combined Plans had 369,214 active contributing participants as of December 31, 2006. The number of active contributing participants for both plans used in the December 31, 2005 actuarial valuation was 358,804.

The rates stated in Section A, above, are the actuarially determined contribution requirements for OPERS. The employer contributions that were used to fund postemployment benefits were \$10,565 for 2006. \$11.1 billion represents the actuarial value of OPERS' net assets available for OPEBs at December 31, 2005. The actuarially accrued liability and the unfunded actuarially accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

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

IRONTON METROPOLITAN HOUSING AUTHORITY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

8. OTHER EMPLOYEE BENEFITS

Compensated Absences: Vacation leave is earned at rates which vary depending upon length of service and standard work week. Current policy credits vacation on the employee's anniversary date. Vacation time can be carried over for one year, but must be taken in the year following the year earned. Employees are paid for earned, unused vacation leave at the time of termination.

Sick leave is earned at a rate of 4.60 hours per pay period (2 weeks). Employees who retire are paid for their earned, unused sick leave hours up to a maximum of 30 days, or the full balance may be transferred to another governmental agency. Such payment shall be based on the employee's rate of pay at the time of retirement. At September 30, 2006 the current amount of unpaid compensated absences was \$20,521 and the noncurrent amount was \$87,122.

9. ECONOMIC DEPENDENCY

The Authority is economically dependent on receiving operating subsidies from the U.S. Department of Housing and Urban Development (HUD).

10. RISK MANAGEMENT

The Authority maintains comprehensive liability insurance coverage with private carriers. Coverage provided by this private carrier is as follows:

Property	\$8,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year. Health, Dental, Vision, and Life insurance is offered to Authority employees through a commercial insurance company, McNelly, Patrick & Associates.

11. CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year 2006, the Authority implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, and GASB Statement No. 47, *Accounting for Termination Benefits*. GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. GASB Statement No. 46 requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. GASB Statement No. 47 establishes accounting standards for termination benefits. The application of these new standards did not have a material effect on the financial statements, nor did their implementation require a restatement of prior year balances.

IRONTON METROPOLITAN HOUSING AUTHORITY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

12. CONTINGENCIES

A. Grants

The Authority received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Authority at September 30, 2006.

B. Litigation

The Authority is not party to any legal proceedings.

IRONTON METROPOLITAN HOUSING AUTHORITY
IRONTON, OHIO
STATEMENT OF NET ASSETS BY PROGRAM
AS OF SEPTEMBER 30, 2006

<i>Assets</i>	Section 8	Public Housing	Capital Fund	TOTAL ENTERPRISE
Current Assets:				
Cash - Unrestricted	\$ 341,393	\$ 1,218,160	\$ -	\$ 1,559,553
Accounts Receivable:				
Tenants - Dwelling Rents, net of allowance for doubtful accounts	-	40,045	-	40,045
Other Government	1,979	-	-	1,979
Accrued interest receivable	474	11,443	-	11,917
Interprogram Due From	-	52,830	-	52,830
Prepaid Expenses and Other Assets	-	22,047	-	22,047
Total Current Assets:	<u>343,846</u>	<u>1,344,525</u>	<u>-</u>	<u>1,688,371</u>
Noncurrent Assets:				
Capital Assets:				
Land	-	500,242	-	500,242
Building	-	9,809,590	-	9,809,590
Furniture, Equipment & Machinery - Dwellings	-	214,880	-	214,880
Furniture, Equipment & Machinery - Administration	1,560	224,134	-	225,694
Construction in Progress	-	-	322,037	322,037
Accumulated Depreciation	(1,560)	(6,458,200)	-	(6,459,760)
Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>4,290,646</u>	<u>322,037</u>	<u>4,612,683</u>
Total Noncurrent Assets:	<u>-</u>	<u>4,290,646</u>	<u>322,037</u>	<u>4,612,683</u>
<i>Total Assets</i>	<u>\$ 343,846</u>	<u>\$ 5,635,171</u>	<u>\$ 322,037</u>	<u>\$ 6,301,054</u>
<i>Liabilities</i>				
Current Liabilities:				
Accounts Payable:				
<= 90 Days Past Due	-	21,848	-	21,848
Compensated Absences	1,436	19,085	-	20,521
Tenant Security Deposits	-	43,244	-	43,244
Interprogram Due To	52,830	-	-	52,830
Intergovernmental Payable	-	32,331	-	32,331
Total Current Liabilities:	<u>54,266</u>	<u>116,508</u>	<u>-</u>	<u>170,774</u>
Long Term Liabilities:				
Compensated Absences	6,099	81,023	-	87,122
Total Long Term Liabilities:	<u>6,099</u>	<u>81,023</u>	<u>-</u>	<u>87,122</u>
<i>Total Liabilities</i>	<u>60,365</u>	<u>197,531</u>	<u>-</u>	<u>257,896</u>
Net Assets:				
Invested In Capital Assets	-	4,290,646	322,037	4,612,683
Unrestricted	283,481	1,146,994	-	1,430,475
<i>Total Net Assets</i>	<u>\$ 283,481</u>	<u>\$ 5,437,640</u>	<u>\$ 322,037</u>	<u>\$ 6,043,158</u>

IRONTON METROPOLITAN HOUSING AUTHORITY
 IRONTON, OHIO
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY PROGRAM
 FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Section 8 Voucher	Public Housing	Capital Fund	TOTAL ENTERPRISE
<i>Operating Revenues</i>				
Tenant Rental Revenue	\$ -	\$ 587,828	\$ -	\$ 587,828
Tenant Revenue - Other	-	15,645	-	15,645
HUD PHA Grants/OperatingGrants	271,427	455,236	-	726,663
Other Revenue	1,887	64,999	-	66,886
Total Operating Revenues	273,314	1,123,708	-	1,397,022
<i>Operating Expenses</i>				
Administrative:				
Administrative Salaries	20,615	160,340	-	180,955
Auditing and Accounting Fees	2,444	7,365	-	9,809
Employee Benefit Contributions	22,499	21,726	-	44,225
Other Operating	11,256	38,996	-	50,252
Total Administrative	56,814	228,427	-	285,241
Tenant Services:				
Tenant Services - Salaries	-	2,472	-	2,472
Tenant Services- Other	-	13,779	-	13,779
Total Tenant Services	-	16,251	-	16,251
Utilities:				
Water	-	101,028	-	101,028
Electricity	-	107,398	-	107,398
Gas	-	70,182	-	70,182
Total Utilities	-	278,608	-	278,608
Ordinary Maintenance & Operation:				
Labor	-	116,422	-	116,422
Materials and Other	-	46,174	-	46,174
Contract Costs	-	279,816	-	279,816
Employee Benefit Contributions	-	61,704	-	61,704
Total Ordinary Maintenance & Operation	-	504,116	-	504,116
General Expenses:				
Insurance Premiums	-	37,742	-	37,742
Payments in Lieu of Taxes	-	32,331	-	32,331
Bad Debt - Tenant Rents	-	27,424	-	27,424
Total General Expenses	-	97,497	-	97,497
Housing Assistance Payments	234,817	-	-	234,817
Depreciation Expense	-	382,371	-	382,371
Total Operating Expenses	291,631	1,507,270	-	1,798,901
Operating Loss	(18,317)	(383,562)	-	(401,879)
Other Non-Operating Revenues (Expenses):				
Capital Grants	-	-	364,863	364,863
Investment Income - Unrestricted	12,669	53,478	-	66,147
Equity Transfers	-	490,441	(490,441)	-
Total Other Income (Expenses)	12,669	543,919	(125,578)	431,010
Excess/(Deficiency) of Operating Revenue Over Over/(Under) Expenses	(5,648)	160,357	(125,578)	29,131
Net Assets, Beginning of the Year	289,129	5,277,283	447,615	6,014,027
Net Assets, End of Year	\$ 283,481	\$ 5,437,640	\$ 322,037	\$ 6,043,158

IRONTON METROPOLITAN HOUSING AUTHORITY
IRONTON, OHIO
STATEMENT OF CASH FLOWS BY PROGRAM
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Section 8 Voucher	Public Housing	Capital Fund	TOTAL ENTERPRISE
Cash flows from operating activities:				
Receipts from tenants	\$ -	\$ 569,970	\$ -	\$ 569,970
Receipts from operating grants	269,553	455,236	-	724,789
Other operating receipts	1,887	64,999	-	66,886
Housing assistance payments	(234,817)	-	-	(234,817)
Payments for general and administrative expense	(48,393)	(1,043,987)	-	(1,092,380)
Net cash provided by operating activities	<u>(11,770)</u>	<u>46,218</u>	<u>-</u>	<u>34,448</u>
Cash flows from capital and related financing activities:				
Construction and acquisitions of capital assets	-	(93,427)	(364,863)	(458,290)
Capital grants	-	-	364,863	364,863
Net cash flow used by capital and related financing activities	<u>-</u>	<u>(93,427)</u>	<u>-</u>	<u>(93,427)</u>
Cash flows from investing activities:				
Interest received on investments	12,621	49,384	-	62,005
Net cash used by investing activities	<u>12,621</u>	<u>49,384</u>	<u>-</u>	<u>62,005</u>
Net increase in cash and cash equivalents	851	2,175	-	3,026
Cash at beginning of year	340,542	1,215,985	-	1,556,527
Cash at end of year	<u>\$ 341,393</u>	<u>\$ 1,218,160</u>	<u>\$ -</u>	<u>\$ 1,559,553</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Operating Income (Loss)	\$ (18,317)	\$ (383,562)	\$ -	\$ (401,879)
Adjustments to reconcile net gain/(loss) to net cash provided by operation activities				
(Increase)Decrease In:				
Accounts Receivable	(1,874)	(33,503)	-	(35,377)
Prepaid Expenses and Other Assets	-	12,417	-	12,417
Interprogram Due From	-	(4,435)	-	(4,435)
Increase(Decrease) In:				
Accounts Payable	-	13,247	-	13,247
Accrued Wages/Payroll Taxes Payable	-	(99)	-	(99)
Compensated Absences	3,986	52,960	-	56,946
Tenant Security Deposits	-	1,750	-	1,750
Intergovernmental Payable	-	5,072	-	5,072
Interprogram Due To	4,435	-	-	4,435
Depreciation Expense	-	382,371	-	382,371
Net Cash Provided By Operating Activities	<u>\$ (11,770)</u>	<u>\$ 46,218</u>	<u>\$ -</u>	<u>\$ 34,448</u>

**IRONTON METROPOLITAN HOUSING AUTHORITY
 IRONTON, OHIO
 SCHEDULE OF FEDERAL AWARDS EXPENDITURES
 FOR THE YEAR ENDED SEPTEMBER 30, 2006**

<u>FROM U.S. DEPARTMENT OF HUD DIRECT PROGRAMS</u>	<u>FEDERAL CFDA NUMBER</u>	<u>2006 FEDERAL EXPENDITURES</u>
Public and Indian Housing	14.850	\$ 455,236
Section 8 Housing Choice Vouchers	14.871	\$ 271,427
Public Housing Capital Fund	14.872	<u>\$ 364,863</u>
TOTAL - ALL PROGRAMS		<u><u>\$ 1,091,526</u></u>

See accompanying notes to the Schedule of Federal Awards Expenditures.

IRONTON METROPOLITAN HOUSING AUTHORITY
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

BALESTRA, HARR & SCHERER, CPAs, INC.

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Ohio Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
Ironton Metropolitan Housing Authority
720 Washington Street
Ironton, Ohio 45638

We have audited the financial statements of the business-type activities of the Ironton Metropolitan Housing Authority, Lawrence County, Ohio (the Authority), as of and for the year ended September 30, 2006 and have issued our report thereon dated February 1, 2007, wherein we noted the Authority adopted Governmental Accounting Standards Board Statements number 42, 46, & 47. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

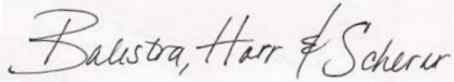
In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Ironton Metropolitan Housing Authority
Lawrence County
Independent Accountants' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Required by
Government Auditing Standards
Page 2

This report is intended for the information and use of the audit committee, management, the members of Board, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored, slightly textured background.

Balestra, Harr & Scherer, CPAs, Inc.

February 1, 2007

BALESTRA, HARR & SCHERER, CPAs, INC.

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Ohio Society of Certified Public Accountants

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Commissioners
Ironton Metropolitan Housing Authority
720 Washington Street
Ironton, Ohio 45638

Compliance

We have audited the compliance of the Ironton Metropolitan Housing Authority (the 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 its major federal program for the year ended September 30, 2006. The Authority's major federal program is 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 its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the 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 the 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 of the Authority's compliance with those requirements.

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

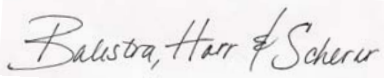
Internal Control Over Compliance

The management of the 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 the internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Ironton Metropolitan Housing Authority
Lawrence County
Report on Compliance with Requirements Applicable to Each Major Program
And on Internal Control Over Compliance in Accordance With OMB Circular A-133
Page 2

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

This report is intended solely for the information and use of the audit committee, management, members of the Board, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.
February 1, 2007

IRONTON METROPOLITAN HOUSING AUTHORITY
 LAWRENCE COUNTY
 SEPTEMBER 30, 2006

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 SECTION .505

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA #14.850 Public and Indian Housing
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

IRONTON METROPOLITAN HOUSING AUTHORITY
LAWRENCE COUNTY
SEPTEMBER 30, 2006

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

IRONTON METROPOLITAN HOUSING AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2006

SUMMARY OF ACTIVITIES

At the close of fiscal year ended September 30, 2006, the Ironton Metropolitan Housing Authority had the following operations management:

	<u>Units</u>
<u>Public Housing</u>	
Owned	259
<u>Section 8</u>	
Existing	<u>84</u>
TOTAL	<u>343</u>
<u>Prior Audit Findings</u>	
No prior audit findings.	

IRONTON METROPOLITAN HOUSING AUTHORITY
FOR THE YEAR ENDED SEPTEMBER 30, 2006

ACTUAL MODERNIZATION COST CERTIFICATES

MODERNIZATION PROJECT NUMBER: OH16P019501-04

Original Funds Approved:	\$508,000
Funds Disbursed:	\$508,000
Funds Expended (Actual Modernization Cost)	\$508,000
Amount to be Recaptured:	Not Applicable
Excess of Funds Disbursed:	Not Applicable



Mary Taylor, CPA
Auditor of State

IRONTON METROPOLITAN HOUSING AUTHORITY

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 15, 2007**