

**MONROE METROPOLITAN HOUSING AUTHORITY
WOODSFIELD, OHIO**

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2006



Mary Taylor, CPA
Auditor of State

Board of Directors
Monroe Metropolitan Housing Authority
1100 Maple Court
Cambridge, Ohio 43725

We have reviewed the *Independent Auditor's Report* of the Monroe Metropolitan Housing Authority, Monroe County, prepared by James G. Zupka, CPA, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 18, 2007

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MONROE METROPOLITAN HOUSING AUTHORITY
WOODSFIELD, OHIO
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Monroe Metropolitan Housing Authority
Woodsfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying basic financial statements of the Monroe Metropolitan Housing Authority as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the Monroe Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Monroe Metropolitan Housing Authority as of June 30, 2006, and the changes in net assets and the 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 September 14, 2006 on our consideration of the Monroe Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

James G. Zupka, CPA, Inc.
Certified Public Accountants

November 27, 2006

MONROE METROPOLITAN HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2006

(Unaudited)

Throughout this document, references to “we”, “our”, “Authority” or “us” refer to the Monroe Metropolitan Housing Authority.

Management's Discussion and Analysis

The Monroe 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 (it's ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

This Management Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 11).

Financial Highlights

- The Authority's net assets decreased by \$17,776 (or 172 percent) during 2006. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Total net assets were \$(7,421) and \$10,355 for 2006 and 2005 respectively.
- The business-type activities revenues decreased by \$46,138 (or 7 percent) during 2006, and were \$607,278 and \$649,416 for 2006 and 2005 respectively.
- The total expenses of all Authority programs decreased by \$46,236 (or 7 percent). Total expenses were \$603,013 and \$649,249 for 2006 and 2005 respectively.

MONROE METROPOLITAN HOUSING AUTHORITY

**MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2006
(Unaudited)**

Using This Annual Report

The report includes three major sections, the “Management’s Discussion and Analysis (MD&A)”, “Basic Financial Statements”, and “Other Required Supplementary Information”:

MD&A
**- Management Discussion
and Analysis -**

Basic Financial Statements
**- Authority-Wide Financial Statements
- pgs 11 - 13**
**- Notes to Financial Statements
(Expanded/Restructured) - pgs 14 - 18**

**Other Required Supplementary
Information**
**- Required Supplementary Information
pgs 19 - 21
(Other than MD&A)
(Expanded)**

The primary focus of the Authority’s financial statements is on both the Authority as a whole (Authority-wide) and the major individual funds. Both perspectives (Authority-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority’s accountability.

MONROE METROPOLITAN HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) FOR THE YEAR ENDED JUNE 30, 2006 (Unaudited)

Authority-Wide Financial Statements

The Authority-wide financial statements (see pages 11 - 13) are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire 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", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

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

Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other 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 Authority-wide financial statements also include a **Statement of Revenues, Expenses and Changes in Fund Net Assets** (similar to an Income Statement). This statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income, and interest income.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Finally, 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.

MONROE METROPOLITAN HOUSING AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2006
(Unaudited)**

Fund Financial Statements

The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting. The Authority only has one program, the Housing Choice Voucher Program. The financial statements reflect the transaction for this program.

The Authority's Funds

Business Type Funds

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30 percent of household income.

Authority-Wide Statement

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

Table 1 - Statement of Net Assets

	<u>2006</u>	<u>2005</u>
Current and Other Assets	\$ 40,756	\$ 49,674
Capital Assets	<u>0</u>	<u>0</u>
Total Assets	<u>\$ 40,756</u>	<u>\$ 49,674</u>
Other Liabilities	\$ 46,426	\$ 37,573
Long-Term Liabilities	<u>1,751</u>	<u>1,746</u>
Total Liabilities	<u>48,177</u>	<u>39,319</u>
Net Assets:		
Unrestricted	<u>(7,421)</u>	<u>10,355</u>
Total Net Assets	<u>\$ (7,421)</u>	<u>\$ 10,355</u>

MONROE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2006
(Unaudited)

Authority-Wide Statement (Continued)

Statement of Net Assets (Continued)

For more detailed information see page 11 for the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

The reduction in current assets of \$8,918 was due mainly to the over expenditure of housing assistance payments. The per unit costs for HAP payments increased significantly during 2006 and was not covered by available funds provided by HUD.

Table 2 presents details on the change in Unrestricted Net Assets

Table 2 - Change of Unrestricted Net Assets

	Millions of <u>Dollars</u>
Unrestricted Net Assets June 30, 2005	\$ 10,355
Results of Operations	(2,674)
Net Asset Adjustment	<u>(15,102)</u>
Ending Balance - June 30, 2006	<u>\$ (7,421)</u>

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

MONROE METROPOLITAN HOUSING AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2006
(Unaudited)**

Major Factors Affecting the Statements of Net Assets (Continued)

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

Table 3 - Statement of Revenues, Expenses and Changes in Net Assets

	<u>2006</u>	<u>2005</u>
Revenues		
HUD PHA Operating Grant	\$ 603,147	\$ 633,945
Investment Income	131	167
Other Revenues	<u>0</u>	<u>15,304</u>
Total Revenues	<u>603,278</u>	<u>649,416</u>
Expenses		
Administrative	77,302	82,999
Housing Assistance Payments	<u>528,650</u>	<u>566,250</u>
Total Expenses	<u>605,952</u>	<u>649,249</u>
Prior Period Adjustment	<u>(15,102)</u>	<u>0</u>
Net Increase (Decrease)	<u>\$ (17,776)</u>	<u>\$ 167</u>

Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Assets

HUD PHA Operating Grants decreased by \$30,798. This decrease was primarily due to the way that the Department of Housing and Urban Development funds housing authorities. The maximum subsidy did not cover the increased per unit cost associated with housing assistance payments.

The decrease in total expenses by \$5,697 is mainly due to the forgiveness of \$5,500 in outside management fees to Cambridge Metropolitan Housing Authority.

Capital Assets and Debt

The Authority currently has no capital assets or debt that it is responsible for.

MONROE METROPOLITAN HOUSING AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED JUNE 30, 2006
(Unaudited)**

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- 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.

Financial Contact

The individual to be contacted regarding this report is Jolinda Baranich, Executive Director, Monroe Metropolitan Housing Authority, P.O. Box 1388, Cambridge, Ohio 43725.

BASIC FINANCIAL STATEMENTS

MONROE METROPOLITAN HOUSING AUTHORITY
WOODSFIELD, OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2006

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 38,098
Tenant Accounts Receivable	<u>906</u>
Total Current Assets	<u>39,004</u>

Restricted Assets

Cash and Cash Equivalents - Restricted:	
FSS Escrow	<u>1,752</u>
Total Restricted Assets	<u>1,752</u>

TOTAL ASSETS **\$ 40,756**

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 46,426
Total Current Liabilities	<u>46,426</u>

Noncurrent Liabilities

FSS Program Liability	<u>1,751</u>
Total Noncurrent Liabilities	<u>1,751</u>

TOTAL LIABILITIES **48,177**

Net Assets

Unrestricted Net Assets	<u>(7,421)</u>
TOTAL NET ASSETS	<u>\$ (7,421)</u>

See accompanying notes to the basic financial statements.

**MONROE METROPOLITAN HOUSING AUTHORITY
WOODSFIELD, OHIO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006**

<u>Operating Revenues</u>	
HUD Grants	\$ 603,147
Total Operating Revenues	<u>603,147</u>
<u>Operating Expenses</u>	
Housing Assistance Payments	528,650
Outside Management Fees	73,872
Audit Fees	<u>3,430</u>
Total Operating Expenses before Depreciation	<u>605,952</u>
Operating Income (Loss)	<u>(2,805)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest Income	<u>131</u>
Total Non-Operating Revenues (Expenses)	<u>131</u>
Change in Net Assets	<u>(2,674)</u>
Total Net Assets - Beginning of Year	10,355
Prior Period Adjustment (Note 7)	<u>(15,102)</u>
Total Net Assets - End of Year	<u>\$ (7,421)</u>

See accompanying notes to the basic financial statements.

**MONROE METROPOLITAN HOUSING AUTHORITY
WOODSFIELD, OHIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006**

Cash Flows from Operating Activities

Cash Received from HUD	\$ 603,177
Cash Received from Tenants	678
Cash Payments for Housing Assistance	(525,711)
Cash Payments for Administrative Expenses	(74,818)
Cash Payments to FSS Escrow	<u>5</u>
Net Cash Provided by Operating Activities	<u>3,301</u>

Cash Flows from Investing Activities

Interest Received	<u>131</u>
Net Cash Provided by Investing Activities	<u>131</u>

Net (Decrease) in Cash and Cash Equivalents	3,432
Cash and Cash Equivalents, Beginning	<u>36,418</u>

Cash and Cash Equivalents, Ending **\$ 39,850**

Reconciliation of Operating Income to Net

Cash Provided by Operating Activities

Operating Income	\$ (2,805)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase (Decrease) in:	
Tenant Accounts Receivable	678
(Increase) Decrease in:	
Accounts Payable	5,423
FSS Program Liability	<u>5</u>
Net Cash Provided by Operating Activities	<u>\$ 3,301</u>

See accompanying notes to the basic financial statements.

MONROE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

The Monroe Metropolitan Housing Authority (the Authority) was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing, and administration of a low-rent housing program. An Annual Contributions Contract (ACC) was signed by the Authority and the U. S. Department of Housing and Urban Development (HUD) under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring, constructing, maintaining, operating, improving, extending, and repairing housing facilities.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the “primary government”. A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity.

Basis of Presentation

The financial statements of 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.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989 that do not conflict with GASB pronouncements. The Authority will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board.

MONROE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Presentation (Continued)

The Authority's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus and Basis of Accounting

The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flows needs of its enterprise activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include housing assistance payments and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Change in Accounting Principle

For fiscal 2006, the Authority has implemented GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. GASB Statement No. 42 establishes accounting and financial standards for impairment of capital assets. This statement also clarifies and establishes accounting revenues for insurance recoveries. The implementation of GASB Statement No. 42 did not have an effect on the financial statements of the Authority.

MONROE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2: **DEPOSITS AND INVESTMENTS**

Deposits

At fiscal year end, the carrying amount of the Authority's deposits was \$39,850 (\$38,098 of unrestricted funds and \$1,752 of restricted funds) and the bank balance was \$40,691. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2006, the Authority's bank balance of \$40,691 was covered by Federal Depository Insurance.

Custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Authority's Board. All deposits are collateralized with eligible securities in amounts equal to 105 percent of the carrying value of deposits. Such collateral, as permitted by Chapter 135 of the ORC, is held in financial institution pools at 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 the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

MONROE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

Investments

The Authority has a formal investment policy; however, the Authority held no investments at June 30, 2006. Therefore, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks, and foreign currency risks.

NOTE 3: **RESTRICTED ASSETS**

The Authority's assets restricted as to purpose are as follows:

Family Self Sufficiency (FSS) Program Escrow	<u>\$ 1,752</u>
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The FSS Program is designed to promote employment and increase savings among families receiving Section 8 vouchers or living in public housing.

NOTE 4: **RISK MANAGEMENT**

The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public officials liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance risk pool comprised of thirty-six (36) Ohio housing authorities, of which Monroe is one. Settled claims have not exceeded the Authority's insurance in any of the past three years.

NOTE 5: **CONTINGENCIES**

The Authority is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

The Authority has received federal grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

MONROE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006
(CONTINUED)

NOTE 6: **MANAGEMENT AGREEMENT**

The Monroe Metropolitan Housing Authority (the Authority) entered into a housing management agreement with the Cambridge Metropolitan Housing Authority (Cambridge) on August 27, 1990. Pursuant to the agreement Cambridge provides all management services to the Authority in order that the Authority shall comply with all applicable laws of the State of Ohio and of the United States Government, and with the terms of all contracts which the Authority has executed or may, from time to time, execute with HUD. As compensation for these services, the Authority transfers to Cambridge the monthly earned administrative fees as determinable by the Department of Housing and Urban Development. Total administrative fees earned for the fiscal year ended June 30, 2006 were \$73,872.

NOTE 7: **PRIOR PERIOD ADJUSTMENT**

The prior period adjustment of \$15,102 represents funds that the Authority had reflected as revenue in the 2005 fiscal year. Due to a change in the HUD funding methods, the Authority will not be receiving this payment.

MONROE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET ASSETS
JUNE 30, 2006

Line Item No.	Account Description	Housing Choice Vouchers	Total
ASSETS			
Current Assets:			
111	Cash - Unrestricted	\$38,098	\$38,098
113	Cash - Other Restricted	\$1,752	\$1,752
100	Total Cash	\$39,850	\$39,850
126	Accounts Receivable - Tenants - Dwelling Rents	\$2,212	\$2,212
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(\$1,306)	(\$1,306)
120	Total Receivables, net of allowances for doubtful accounts	\$906	\$906
150	Total Current Assets	\$40,756	\$40,756
Noncurrent Assets:			
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$0
180	Total Non-Current Assets	\$0	\$0
190	TOTAL ASSETS	\$40,756	\$40,756
LIABILITIES AND NET ASSETS			
Current Liabilities:			
312	Accounts Payable <= 90 Days	\$46,426	\$46,426
310	Total Current Liabilities	\$46,426	\$46,426
Noncurrent Liabilities:			
353	Noncurrent Liabilities - Other	\$1,751	\$1,751
350	Total Noncurrent Liabilities	\$1,751	\$1,751
300	Total Liabilities	\$48,177	\$48,177
NET ASSETS			
508	Total Contributed Capital	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$0
511	Total Reserved Fund Balance	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0
512.1	Unrestricted Net Assets	(\$7,421)	(\$7,421)
513	Total Equity/Net Assets	(\$7,421)	(\$7,421)
600	TOTAL LIABILITIES AND NET ASSETS	\$40,756	\$40,756

MONROE METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
JUNE 30, 2006

Line Item No.	Account Description	Housing Choice Vouchers	Total
REVENUES			
705	Total Tenant Revenue	\$0	\$0
706	HUD PHA Operating Grants	\$603,147	\$603,147
711	Investment Income - Unrestricted	\$131	\$131
700	Total Revenue	\$603,278	\$603,278
EXPENSES			
912	Auditing Fees	\$3,430	\$3,430
913	Outside Management Fees	\$73,872	\$73,872
969	Total Operating Expenses	\$77,302	\$77,302
970	Excess Operating Revenue over Operating Expenses	\$525,976	\$525,976
973	Housing Assistance Payments	\$528,650	\$528,650
900	Total Expenses	\$605,952	\$605,952
1010	Total Other Financing Sources (Uses)	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(\$2,674)	(\$2,674)
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0
1103	Beginning Equity	\$10,355	\$10,355
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	(\$15,102)	(\$15,102)
1113	Maximum Annual Contributions Commitment (Per ACC)	\$603,147	\$603,147
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$9,956	\$9,956
1116	Total Annual Contributions Available	\$613,103	\$613,103
1120	Unit Months Available	2,005	2,005
1121	Number of Unit Months Leased	2,005	2,005

MONROE METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
Direct Programs:		
<u>Section 8 Programs</u>		
Section 8 Tenant Based Program:		
Section 8 Housing Choice Voucher Program	14.871	\$ <u>603,147</u>
Total Federal Assistance		\$ <u>603,147</u>

NOTE: This schedule is prepared on the accrual basis of accounting.

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

Board of Directors
Monroe Metropolitan Housing Authority
Woodsfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying basic financial statements of the Monroe Metropolitan Housing Authority as of and for the year ended June 30, 2006, and have issued our report thereon dated November 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monroe Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic 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 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 Monroe Metropolitan Housing Authority's basic 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*.

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

James G. Zupka, CPA, Inc.
Certified Public Accountants

November 27, 2006

JAMES G. ZUPKA, C.P.A., INC.

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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
Monroe Metropolitan Housing Authority
Woodsfield, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Monroe 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 June 30, 2006. Monroe Metropolitan Housing 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 Monroe Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Monroe 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 material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Monroe 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 Monroe Metropolitan Housing Authority's compliance with those requirements.

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

Internal Control Over Compliance

The management of the Monroe Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered Monroe Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

We noted other matters involving the internal control over Federal compliance that do not require inclusion in this report that we have reported to the management of the Authority in a separate letter dated November 27, 2006.

This report is intended solely for the information and use of the Board of Directors, management, Auditor of State, and Federal Awarding Agencies and is not intended to be used by anyone other than these specified parties.

James G. Zupka, CPA, Inc.
Certified Public Accountants

November 27, 2006

MONROE METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 OMB CIRCULAR A-133 & .505
 JUNE 30, 2006

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

2006(i)	Type of Financial Statement Opinion	Unqualified
2006(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2006(ii)	Were there any other reportable control weakness conditions reported at the financial statements level (GAGAS)?	No
2006(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2006(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2006(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2006(v)	Type of Major Program's Compliance Opinion	Unqualified
2006(vi)	Are there any reportable findings under .510?	No
2006(vii)	Major Programs (list):	Section 8 Housing Choice Voucher CFDA #14.871
2006(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: > all others
2006(ix)	Low Risk Auditee?	Yes

MONROE METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
JUNE 30, 2006
(CONTINUED)

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

None.

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

None.



Mary Taylor, CPA
Auditor of State

MONROE METROPOLITAN HOUSING AUTHORITY

MONROE 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
JANUARY 30, 2007**