VINTON METROPOLITAN HOUSING AUTHORITY

Vinton County, Ohio

Single Audit

October 1, 2005 through September 30, 2006

Fiscal Year Audited Under GAGAS: 2006

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Mary Taylor, CPA
Auditor of State

Board of Directors
Vinton Metropolitan Housing Authority
P.O. Box 487
310 West High Street
McArthur, Ohio 45651

We have reviewed the *Independent Auditor's Report* of the Vinton Metropolitan Housing Authority, Vinton 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 Vinton Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 18, 2007

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VINTON METROPOLITAN HOUSING AUTHORITY

Basic Financial Statements
For the Year Ended September 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Vinton Metropolitan Housing Authority
PO Box 487
310 W High Street
McArthur, OH 45651

We have audited the accompanying financial statements of the business-type activities of the Vinton Metropolitan Housing Authority (the Authority), Vinton 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 an opinion on these financial statements based on our audit.

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

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 23, 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 7 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 performed for the purpose of forming an opinion on the basic financial statements of Vinton Metropolitan Housing Authority taken as a whole. The supplemental financial data (pages 23 through 25) 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. 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 and the accompanying schedule of federal awards expenditures have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

February 23, 2007

It is a privilege to present for you the financial picture of Vinton Metropolitan Housing Authority. The Vinton Metropolitan Housing Authority's ("the Authority's") management 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 subsequent year challenges), and d) identify the single enterprise fund issues or concerns.

Since the Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes and current known facts, please read it in conjunction with the Authority's basic financial statements, which begin on page 8**.**

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2006 are as follows:

- Revenues increased by $135,136 (or 18.7%) during fiscal year 2006, and were $856,591 and $721,455 for 2006 and 2005, respectively.

- Expenses increased by $154,511 (or 21.2%) during fiscal year 2006, and were $881,779 and $727,268 for 2006 and 2005, respectively.

USING THIS ANNUAL FINANCIAL REPORT

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

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

BASIC FINANCIAL STATEMENTS

The basic financial statements, beginning on page 8, 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", 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 (as applicable):

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. The Authority did not have any restricted net assets during 2006.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt" and "Restricted Net Assets". This account resembles the old operating reserves account.

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 HUD grants, Operating Expenses, such as administrative, utilities, maintenance, and depreciation expense, and Non-operating revenues (expenses) such as investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in 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.

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

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority subsidizes rents to independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides funding to enable the Authority to structure a lease that requires a participant to pay a rent based on a percentage of their adjusted gross household income, typically 30%, and the Housing Authority subsidizes the balance.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
The following table reflects the condensed Statement of Net Assets compared to prior year.

TABLE 1

	2006	2005	Change
Assets			
Current and Other Assets	$66,205	$117,947	($51,742)
Capital Assets	65,380	70,833	(5,453)
Total Assets	131,585	188,780	(57,195)
Liabilities			
Long-term Liabilities	37,123	40,341	(3,218)
Current and Other Liabilities	20,356	49,145	(28,789)
Total Liabilities	57,479	89,486	(32,007)
Net Assets			
Invested in Capital Assets, Net of Debt	44,888	47,717	(2,829)
Unrestricted	29,218	51,577	(22,359)
Total Net Assets	$74,106	$99,294	($25,188)

MAJOR FACTORS AFFECTING THE STATEMENT OF NET ASSETS

Capital assets decreased due to depreciation expense during 2006. Current and other assets declined primarily due to a decrease in cash and cash equivalents of $47,116. This decrease was primarily due to an increase in housing assistance payments, salaries and benefits, and payments of liabilities which were partially offset by an increase in HUD grants. Housing assistance payments increased by $118,385 and salaries and benefits increased by $25,261.

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	Change
Revenues			
Operating Subsidies and Grants	$ 854,220	$ 721,455	$ 132,765
Investment Income - Unrestricted	2,371	-	2,371
TOTAL REVENUE	856,591	721,455	135,136
Expenses			
Housing Assistance Payments	693,595	575,210	118,385
Administrative Salaries	76,071	57,360	18,711
Employee Benefits	25,719	19,169	6,550
Other Administrative Expenses	51,949	49,192	2,757
Material and Labor/Maintenance	13,593	11,597	1,996
Utilities	1,202	1,969	(767)
General	13,455	4,586	8,869
Interest	742	1,676	(934)
Depreciation	5,453	6,509	(1,056)
TOTAL EXPENSES	881,779	727,268	154,511
CHANGE IN NET ASSETS	(25,188)	(5,813)	(19,375)
NET ASSETS, BEGINNING OF YEAR	99,294	105,107	(5,813)
NET ASSETS, END OF YEAR	$ 74,106	$ 99,294	$ (25,188)

The increase in revenues is primarily due to more operating subsidies and grants in 2006. The increase in expenses is primarily due to increases in housing assistance payments and salaries and benefits.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of year end, the Authority had $65,380 invested in a variety of capital assets as reflected in the following Table 3, which represents a net decrease (depreciation) of $5,453 from the end of last year. For additional information regarding Capital Assets, please see Note 5 to the basic financial statements.

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

	2006	2005
Land	$5,000	$5,000
Building and Improvements	46,739	48,525
Equipment	500	881
Vehicles	13,141	16,427
TOTAL	$65,380	$70,833

DEBT ADMINISTRATION

The Authority's debt is listed as current and long-term debt on the statement of net assets and consists of a capital lease obtained for the purchase of a new vehicle in 2003 and a mortgage obtained in 2002 for the construction of the Vinton Metropolitan Housing Authority's current administration building. For additional information regarding debt, please see Notes 7 and 8 to the basic financial statements.

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

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

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Richard Griffith, Executive Director of the Vinton Metropolitan Housing Authority at 740-596-5963.

VINTON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS - PROPRIETARY FUND TYPE
SEPTEMBER 30, 2006

Assets	
Current Assets:	
Cash and Cash Equivalents	$64,853
Accounts Receivable - Other	582
Prepaid Expenses and Other Assets	770
Total Current Assets:	66,205
Noncurrent Assets:	
Nondepreciable Capital Assets	5,000
Capital Assets, Net of Accumulated Depreciation	60,380
Total Noncurrent Assets:	65,380
Total Assets	$131,585
Liabilities	
Current Liabilities:	
Accrued Wages/Payroll Taxes Payable	2,495
Accounts Payable	10,991
Capital Leases Payable	4,250
Mortgage Payable	2,620
Total Current Liabilities:	20,356
Long Term Liabilities:	
Accrued Compensated Absences	23,501
Mortgage Payable - Net of Current Portion	13,622
Total Long Term Liabilities:	37,123
Total Liabilities	57,479
Net Assets	
Invested in Capital Assets, Net of Related Debt	44,888
Unrestricted Net Assets	29,218
Total Net Assets	$ 74,106

See accompanying notes to the basic financial statements

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

Operating Revenues:	
HUD Grants	$ 854,220
Total Operating Revenues	854,220
Operating Expenses:	
Housing Assistance Payments	693,595
Administrative Salaries	76,071
Employee Benefits	25,719
Other Administrative Expenses	51,949
Material and Labor/Maintenance	13,593
Utilities	1,202
General Expenses	13,455
Depreciation	5,453
Total Operating Expenses	881,037
Operating Loss	(26,817)
Non-operating Revenues (Expenses):	
Investment Income - Unrestricted	2,371
Interest Expense	(742)
Total Non-operating Revenues (Expenses)	1,629
Change in Net Assets	(25,188)
Net Assets, Beginning of the Year	99,294
Net Assets, End of Year	$ 74,106

See accompanying notes to the basic financial statements

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

Cash Flows From Operating Activities:	
Cash received from HUD	$ 829,836
Cash payments for Housing Assistance Payments	(693,595)
Cash payments for Administrative Salaries & Benefits	(97,472)
Cash payments for Other Administrative	(56,514)
Cash payments for Ordinary Maintanence	(13,593)
Cash payments for Other Operating Expenses	(14,783)
Net Cash Provided (Used) by Operating Activities	(46,121)
Cash Flows From Capital and related financing Activities:	
Mortgage - Principal Payment	(2,624)
Mortgage - Interest Payment	(742)
Net Cash Used By Capital Financing Activities	(3,366)
Cash Flows From Investing Activities:	
Investment Income - Unrestricted	2,371
Net Cash Provided By Capital Financing Activities	2,371
Net Increase In Cash	(47,116)
Cash At The Beginning Of Year	111,969
Cash At End Of Year	$ 64,853

Reconciliation of Operating Loss to Net Cash Provided (Used) By Operating Activities:

Operating Loss	$ (26,817)
Adjustments to Reconcile Net (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	5,453
Changes in Operating Assets and Liabilities that Increase (Decrease) Cash Flows:	
(Increase) Decrease In:	
Prepaid Expenses and Other Assets	4,626
Increase (Decrease) In:	
Accounts Payable	(9,317)
Compensated Absences Payable	3,778
HUD Advance	(24,384)
Accrued Wages	540
Total Adjustments	(24,757)
Net Cash Provided By Operating Activities	$ (46,121)

See accompanying notes to the basic financial statements.

NOTE 1—DESCRIPTION OF THE HOUSING AUTHORITY AND THE REPORTING ENTITY

Reporting Entity

The Vinton 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 Vinton Metropolitan Housing Authority was established for the purpose of engaging the development, acquisition, and administrative activities of the low-income housing program. An Annual Contributions contract (ACC) was signed by the Vinton Metropolitan Housing 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, as amended by GASB Statement No. 39, 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.

Description of Program

HOUSING CHOICE VOUCHERS - SECTION 8
The Authority administers the Housing Choice Voucher Program to operate housing programs within its jurisdiction. The program provides rental assistance to help very low income families afford decent, safe, and sanitary rental housing.

NOTE 2— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Vinton 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 a fund 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.

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 funds of the Authority are grouped into the following fund type.

NOTE 2— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. BASIS OF PRESENTATION - FUND ACCOUNTING (Continued)

PROPRIETARY FUND TYPE: The proprietary fund is 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.

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 before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The Authority also elects to apply FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The proprietary fund type is 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

The proprietary fund type uses 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.

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.

NOTE 2— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. CASH AND CASH EQUIVALENTS (Continued)

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 three 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 three months are reported as investments. The Authority had no investments at September 30, 2006.

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:

Description	Estimated Lives
Buildings and Improvements	30 years
Equipment	7 years
Vehicles	5-7 years

The Authority's policy is not to capitalize interest in the construction or purchase of capital assets.

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.

NOTE 2— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. COMPENSATED ABSENCES

The Authority follows 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 the proprietary fund, compensated absences are expensed when earned. The entire amount of compensated absences is reported as a fund liability.

I. TAX LIABILITY

The Authority is by law exempt from all federal, state, and local taxes and assessments

J. 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.

K. NET ASSETS

Net assets represents 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. Net assets are recorded as restricted when there are limitations imposed on their use by internal or external restrictions. The Authority did not have any restricted net assets for the year ended September 30, 2006.

L. 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.

NOTE 3—CASH AND CASH EQUIVALENTS

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.

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.

All deposits are carried at cost. The Authority had only checking accounts and petty cash on hand classified as cash and cash equivalents. As of September 30, 2006, the bank balances of the Authority's cash were $78,474. Of the bank balances, $78,474 was insured by FDIC insurance.

NOTE 4—RECEIVABLES

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

NOTE 5—PROPERTY AND EQUIPMENT

A summary of the Authority's capital assets follows:

	Beginning Balance 09/30/05	Additions	Deletions	Ending Balance 09/30/06
Nondepreciable Capital Assets				
Land	$ 5,000	$ -	$ -	$ 5,000
Capital Assets Being Depreciated				
Building and Improvements	56,039	-	-	56,039
Equipment	11,661	-	-	11,661
Vehicles	22,999	-	-	22,999
Total Capital Assets, Being Depreciated	90,699	-	-	90,699
Less Accumulated Depreciation:				
Building and Improvements	(7,514)	(1,786)	-	(9,300)
Equipment	(10,780)	(381)	-	(11,161)
Vehicles	(6,572)	(3,286)	-	(9,858)
Total Accumulated Depreciation	(24,866)	(5,453)	-	(30,319)
Total Capital Assets Being Depreciated, Net	65,833	(5,453)	-	60,380
Total Capital Assets, Net	$ 70,833	$ (5,453)	$ -	$ 65,380

NOTE 6—ADMINISTRATIVE FEE

The Authority receives an "administrative fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the Section 8 Housing Assistance Payments (HAP) Programs. The fee is a percentage of a HUD determined base rate for each unit per month under HAP contracts. The rate is as follows:

Units per month X $42.17/unit

NOTE 7—CAPITAL LEASES

The Authority entered into a capital lease obligation in fiscal year 2003 for the purchase of a vehicle. The lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Capital Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. This lease was capitalized and the amount reported as part of capital assets was $22,999. The following is a schedule of the minimum lease payments required under the capital lease and the present value of the minimum lease payments as of September 30, 2006:

NOTE 7—CAPITAL LEASES (Continued)

	Year Ending September 30,	Payment Amount
	2007	$4,625
Total of All Payments:		4,625
Less Amount Representing Interest:		(375)
Present Value of Minimum Lease Payments:		$ 4,250

NOTE 8—MORTGAGE PAYABLE

The Authority entered into a mortgage payable obligation in fiscal year 2002 in the amount of $26,500 at an interest rate of 4.95% for the Authority's administrative building. Payments are required on a monthly basis in the amount of $280.47 with the final payment due on March 25, 2012. The following is an amortization schedule of the payments required under the mortgage as of September 30, 2006:

Year Ending September 30,	Principal Amount	Interest Amount	Payment Amount
2007	$2,620	$746	$3,366
2008	2,751	615	3,366
2009	2,892	474	3,366
2010	3,039	327	3,366
2011	3,193	173	3,366
2012	1,747	27	1,774
Total of all Payments	$16,242	$2,362	$18,604

NOTE 9—DEFINED BENEFIT AND PENSION PLAN OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM PENSION PLAN

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

1) The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
2) The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
3) The Combined Plan (CO) – 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, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both 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 Ohio 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 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

NOTE 9—DEFINED BENEFIT AND PENSION PLAN OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM PENSION PLAN (Continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2005, 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 2006 member contribution rate was 9% for the Authority's employees. The 2006 employer contribution rate was 13.70% of covered payroll.

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 $8,939, $7,650, and $7,285 respectively which are equal to the required contributions for each year.

NOTE 10—POSTEMPLOYMENT BENEFITS

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

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional 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 No. 12.

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. For the Authority, the rate was 13.70% of covered payroll for both fiscal years 2006 and 2005; 4.0% was used to fund health care for the calendar years 2006 and 2005.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

Summary of Assumptions:

Actuarial Review - The assumptions and calculations below were based on OPERS' latest Actuarial Reviews performed as of December 31, 2004.

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 annually to reflect 25% of unrealized market appreciation or deprecation on investment assets annually.

Investment Return – The investment assumption rate for 2004 (the latest information available) was 8.00%.

NOTE 10—POSTEMPLOYMENT BENEFITS (Continued)

Active Employee Total Payroll – An annual increase of 4.0%, 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 4.0% base increase, were assumed to range from .50% to 6.30%.

Health Care – Health care cost were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEBs are advance-funded on an actuarially determined basis. The following disclosures are required:

1. The number of active contributing participants in the Traditional Pension and Combined Plans totaled 376,109 for 2005.

2. The portion of the Authority's contributions that were used to fund postemployment benefits was $2,639 for 2006.

3. $10.8 billion represents the actuarial value of OPERS' net assets available for OPEBs at December 31, 2004 (the latest information available).

4. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.5 billion and $18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

NOTE 11—OTHER EMPLOYEE BENEFITS

Compensated Absences: Vacation and sick leave policies are established by the Board of Commissioners based on local and state laws.

Sick leave is earned at a rate of 4.60 hours per (90) hours of service. Unused sick leave may be accumulated without limit. At the time of separation, employees shall be paid the value of up to (30) days of unused sick leave.

All permanent employees will earn vacation hours accumulated based on length of service. All vacation time accumulated will be paid upon separation.

At September 30, 2006, $23,501 was accrued by the Authority for unused vacation and sick leave.

NOTE 12—CONTINGENCIES

Under the terms of federal and state grants, periodic audits are required and certain expenditures may be questioned as not appropriate under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. Authority's management believes disallowances, if any, will be immaterial.

In the normal course of operations, the Authority may be subject to litigation and claims. At September 30, 2006, the Authority was involved in no matters management believes will have a material effect on the basic financial statements.

NOTE 13—ECONOMIC DEPENDENCY

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

NOTE 14—RISK MANAGEMENT

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

NOTE 15—OPERATING LEASES

The Authority has entered into several leases for equipment. The following table represents the noncancellable rental liabilities:

	Rental
2007	$5,540
2008	3,974
2009	2,981
	$12,495

The Authority does not have operating leases after 2009. During 2006, the Authority incurred expenses of $6,292 for noncancellable operating leases.

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

FROM U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
Section 8 Housing Choice Vouchers	14.871	$854,220
TOTAL - ALL PROGRAMS		$854,220

See accompanying Notes to the Schedule of Federal Awards Expenditures

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.

VINTON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
September 30, 2006

FDS Line Item No.	Account Description		Section 8
	ASSETS		
111	Cash-unrestricted		$ 64,853
100		TOTAL CASH	64,853
124	Accounts Receivable - Other		582
120		TOTAL ACCOUNTS RECEIVABLE	582
142	Prepaid expenses and other assets		770
150		TOTAL CURRENT ASSETS	66,205
161	Land		5,000
162	Building		56,039
164	Equipment		34,660
166	Accumulated depreciation		(30,319)
160		FIXED ASSETS, NET	65,380
190		TOTAL ASSETS	$ 131,585
	LIABILITIES		
312	Accounts payable <=90 days		10,991
321	Accrued wages/payroll taxes		2,495
345	Other Current Liabilities		4,250
348	Loan Liability-Current		2,620
		TOTAL CURRENT LIABILITIES	20,356
355	Loan liability - noncurrent		13,622
354	Accrued compensated absences - noncurrent		23,501
350		TOTAL NONCURRENT LIABILITIES	37,123
300		TOTAL LIABILITIES	57,479
508.1	Invested in capital assets, net of related debt		44,888
512.1	Unrestricted net assets		29,218
513		TOTAL EQUITY	74,106
600		TOTAL LIABILITIES AND EQUITY/NET ASSETS	$ 131,585

VINTON METROPOLITAN HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FDS Schedule Submitted to HUD

Proprietary Fund Type

Enterprise Fund

Year Ended September 30, 2006

FDS Line Item No.	Account Description	Section 8
	REVENUE	
706	HUD PHA Operating Grant	$ 854,220
711	Investment income - unrestricted	2,371
700	TOTAL REVENUE	856,591
	EXPENSES	
911	Administrative salaries	76,071
915	Employee benefit contributions-administrative	25,719
916	Other operating-administrative	51,949
931	Utilities-Water	226
932	Utilities-Electricity	976
942	Ordinary Maintenance and Operations-Material and Other	13,593
962	Other general expenses	13,455
967	Interest expense	742
969	TOTAL OPERATING EXPENSES	182,731
970	EXCESS OPERATING REVENUE OVER EXPENSES	673,860
973	Housing Assistance Payments	693,595
974	Depreciation expense	5,453
900	TOTAL EXPENSES	881,779
1000	DEFICIENCY OF OPERATING REVENUE UNDER EXPENSES	(25,188)
1103	Beginning equity	99,294
	ENDING EQUITY	$ 74,106
1102	Debt principal payments-Enterprise fund	(2,624)

VINTON METROPOLITAN HOUSING AUTHORITY

FOR THE YEAR ENDED SEPTEMBER 30, 2006

SUMMARY OF ACTIVITIES

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

	Units
Section 8 Housing Vouchers Program	190
TOTAL	190

Prior Audit Findings

No prior audit findings.

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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
Vinton Metropolitan Housing Authority
PO Box 487
310 W High Street
McArthur, OH 45651

We have audited the financial statements of the business-type activities of the Vinton Metropolitan Housing Authority, Vinton County, Ohio (the Authority), as of and for the year ended September 30, 2006 and have issued our report thereon dated February 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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.*

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.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

February 23, 2007

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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
Vinton Metropolitan Housing Authority
PO Box 487
310 W High Street
McArthur, OH 45651

Compliance

We have audited the compliance of the Vinton 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.

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

Balestra, Harr & Scherer, CPAs, Inc.

February 23, 2007

VINTON METROPOLITAN HOUSING AUTHORITY
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 #14.871, Section 8 Housing Choice Vouchers
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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.

Mary Taylor, CPA
Auditor of State

VINTON METROPOLITAN HOUSING AUTHORITY

VINTON 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 10, 2007

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