

BASIC FINANCIAL STATEMENTS
of the
Marion Metropolitan Housing Authority
June 30, 2005



**Auditor of State
Betty Montgomery**

Board of Directors
Marion Metropolitan Housing Authority
PO Box 1029
Mansfield, Ohio 44901

We have reviewed the Independent Auditor's Report of the Marion Metropolitan Housing Authority, Marion County, prepared by Wilson, Shannon, & Snow, Inc., for the audit period July 1, 2004 to June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 27, 2005

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MARION METROPOLITAN HOUSING AUTHORITY
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Board of Directors
Marion Metropolitan Housing Authority
150 Park Avenue West
Mansfield, Ohio 44901

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the Marion Metropolitan Housing Authority, Marion County, Ohio (the Authority) as of and for the fiscal year ended June 30, 2005, 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 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 financial position of the Metropolitan Housing Authority, Marion County as of June 30, 2005, and the changes in its financial position and its cash flows, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 8, the Authority restated net assets for improperly recording certain accounts receivable. In addition, the Authority adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures* as disclosed in Note 9.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 21, 2005, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

The management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
October 21, 2005

**Marion Metropolitan Housing Authority
Management's Discussion and Analysis
June 30, 2005**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Marion Metropolitan Housing Authority's (the Authority's) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent fiscal year challenges), and (d) identify individual fund issues or concerns.

Since the Management's 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 12).

FINANCIAL HIGHLIGHTS

- During fiscal year 2005, the Authority's net assets increased by \$22,555 (or 31.32%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$72,009 (as restated) and \$94,564 for fiscal year 2004 and fiscal year 2005, respectively.
- The revenue decreased by \$149,248 (or 5.76%) during fiscal year 2005, and was \$2,590,178 and \$2,440,930 for fiscal year 2004 and fiscal year 2005, respectively.
- The total expenses of the Authority decreased by \$195,950 (or 7.50%). Total expenses were \$2,614,325 and \$2,418,375 for fiscal year 2004 and fiscal year 2005, respectively.

**Marion Metropolitan Housing Authority
Management's Discussion and Analysis - Continued
June 30, 2005**

USING THIS ANNUAL REPORT

The following is a graphic outlining the three major sections of the report.

<p>MD&A</p> <p>~ Management Discussion and Analysis ~</p>
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<p>Basic Financial Statements</p> <p>~ Fund Financial Statement – pgs <i>12-14</i> ~ ~ Notes to Financial Statements – pgs <i>15-22</i> ~</p>
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<p>Other Required Supplementary Information</p> <p>~ Required Supplementary Information - none~ (Other than MD&A)</p>
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The primary focus of the Authority's financial statement is on the Authority as a whole (Authority-wide) and the major individual fund. Both perspectives (Authority-wide and major fund) allow the user to address relevant questions, broaden basis for comparison (year-to-year or Authority-to-Authority), and enhance the Authority's accountability.

Marion Metropolitan Housing Authority
Management's Discussion and Analysis - Continued
June 30, 2005

Authority-Wide Financial Statements

The Authority-wide financial statements 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, equal "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 represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets 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. The Authority had no restricted net assets at June 30, 2005.

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 grant income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as investment income and interest expense.

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, the 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.

**Marion Metropolitan Housing Authority
Management's Discussion and Analysis - Continued
June 30, 2005**

THE AUTHORITY'S FUNDS

The Authority's financial statements include all programs that are considered to be within its administrative control. The Authority generally maintains separate accounting records for each grant program or annual contribution contract, as required by HUD. A list of more significant programs is as follows:

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% of adjusted household income.

Other Programs - In addition to the major program above, the Authority also maintains other grant programs. The only other activity the Authority is involved with is listed below:

State/Local Activities – represents HUD resources developed from contracts with the City of Marion.

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**Marion Metropolitan Housing Authority
Management's Discussion and Analysis - Continued
June 30, 2005**

AUTHORITY-WIDE STATEMENT

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities of the Authority using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. The following table reflects the condensed Statement of Net Assets compared to the prior year. The Authority is engaged only in Business-Type Activities.

TABLE 1

STATEMENT OF NET ASSETS

	<u>2005</u>	(Restated) <u>2004</u>
Current and Other Assets (restated for 2004)	\$ 467,477	\$ 179,410
Capital Assets	<u>12,217</u>	<u>18,729</u>
Total Assets	<u>479,694</u>	<u>198,139</u>
Other Liabilities	364,180	124,054
Non-Current Liabilities	<u>20,950</u>	<u>2,076</u>
Total Liabilities	<u>385,130</u>	<u>126,130</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	12,217	18,729
Restricted	-	-
Unrestricted (restated for 2004)	<u>82,347</u>	<u>53,280</u>
Total Net Assets	<u>\$ 94,564</u>	<u>\$ 72,009</u>

For more detailed information see page 12 for the Statement of Net Assets.

**Marion Metropolitan Housing Authority
Management's Discussion and Analysis - Continued
June 30, 2005**

Major Factors Affecting the Statement of Net Assets

Current assets (primarily cash and investments) were increased by the \$288,067 and liabilities were increased by \$259,000. These large changes were caused by HUD's changing of funding to a Calendar year and HUD advancing 2005 funds.

The Capital Assets had a net decrease of \$6,512. This is the amount of current year's depreciation. For more detail see "Capital Assets and Debt Administration" below.

TABLE 2

CHANGE OF UNRESTRICTED NET ASSETS

Unrestricted Net Assets June 30, 2004		\$ 58,280
Results of Operations	\$22,555	
Adjustments:		
Depreciation (1)	6,512	
Prior Period Adjustment (2)	<u>(5,000)</u>	
Adjusted Results from Operations		<u>24,067</u>
Unrestricted Net Assets June 30, 2005		\$ <u>82,347</u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets

(2) Prior Period Adjustment HUD deducted \$5,000 of Homeownership Fees from the fiscal year 2004 year end report.

While the result of operations is 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.

**Marion Metropolitan Housing Authority
Management's Discussion and Analysis - Continued
June 30, 2005**

TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET FUND ASSETS

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

	<u>2005</u>	<u>(Restated)</u> <u>2004</u>
Revenues		
HUD PHA Operating Grants	\$2,377,211	\$2,535,183
Investment Income	886	473
Other Revenues – Port Admin Fees	344	-
Other Revenues - Service Income	61,803	54,422
Other Revenues – Fraud Recovery	<u>686</u>	<u>100</u>
Total Revenue	<u>2,440,930</u>	<u>2,590,178</u>
Expenses		
Administrative	375,242	381,056
Maintenance	5,432	9,529
General	11,312	10,288
Housing Assistance Payments	2,019,877	2,207,650
Depreciation	<u>6,512</u>	<u>5,802</u>
Total Expenses	<u>2,418,375</u>	<u>2,614,325</u>
Net Increase/(Decrease)	<u>\$ 22,555</u>	<u>\$ (24,147)</u>

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

HUD's decreases in funding had the PHA Grants decreasing \$157,972 from fiscal year 2004 to fiscal year 2005. HAP costs alone decreased \$187,733. The leasing rate for fiscal year 2005 was 90% compared to a 99.9% in fiscal year 2004.

Administrative Expenses decrease reflected the staffing changes during the year. No rate increase was given at the start of fiscal year 2005.

Most other expenses fluctuated moderately due to inflation and need.

**Marion Metropolitan Housing Authority
Management's Discussion and Analysis - Continued
June 30, 2005**

CAPTIAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2005, the Authority had \$12,217 invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation).

TABLE 4

**CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	Business-type Activities	
	<u>2005</u>	<u>2004</u>
Equipment – Administrative	\$ 32,386	\$ 43,565
Accumulated Depreciation	(20,169)	(24,836)
Total	\$ <u>12,217</u>	\$ <u>18,729</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 19 of the notes.

TABLE 5

CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance	\$ 18,729
Additions	-
Disposition	-
Depreciation	(6,512)
Ending Balance	\$ <u>12,217</u>

The Authority disposed of \$11,179 of fully depreciated capital assets during fiscal year 2005.

**Marion Metropolitan Housing Authority
Management's Discussion and Analysis - Continued
June 30, 2005**

Debt Outstanding

As of June 30, 2005, the Authority has no outstanding debt.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

The individual to be contacted regarding this report is Marsha K. Inscho; Finance Manager for the Marion Metropolitan Housing Authority, at (419) 526-1622. Specific requests may be submitted to the Authority at P.O. Box 1029, Mansfield, OH 44901.

Marion Metropolitan Housing Authority
Statement of Net Assets
June 30, 2005

Assets

Current Assets

Cash and Cash Equivalents	\$ 453,993
Accounts Receivable - Fraud Recovery	6,523
Accounts Receivable - Other	612
Prepaid Items	6,349
Total Current Assets	467,477

Non-Current Assets

Furniture and Equipment	32,386
Less Accumulated Depreciation	(20,169)
Total Non-Current Assets	12,217
Total Assets	479,694

Liabilities

Current Liabilities

Accounts Payable	6,534
Accrued Wages and Payroll Taxes	3,413
Deferred Revenue	354,233
Total Current Liabilities	364,180

Non-Current Liabilities

Accrued Compensated Absences	14,427
Other Non-Current Liabilities	6,523
Total Non-Current Liabilities	20,950

Total Liabilities	385,130
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Net Assets

Invested in Capital Assets, Net of Related Debt	12,217
Unrestricted	82,347

Total Net Assets	\$ 94,564
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The notes to the basic financial statements are an integral part of this statement.

Marion Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Net Fund Assets
For the Fiscal Year Ended June 30, 2005

Operating Revenues		
HUD Grants		\$ 2,377,211
Other		
Income		<u>62,833</u>
Total Operating Revenue		<u>2,440,044</u>
Operating Expenses		
Housing Assistance Payments	\$ 2,019,877	
Administrative Salaries	184,918	
Employee Benefits	73,642	
Other Administrative	116,682	
Material and Labor - Maintenance	5,432	
Depreciation	6,512	
General	<u>11,312</u>	
Total Operating Expenses		<u>2,418,375</u>
Operating Income		<u>21,669</u>
Non-Operating Revenues (Expenses)		
Interest	<u>886</u>	
Total Non-Operating Income		<u>886</u>
Change in Net Assets		22,555
Net Assets at July 1, 2004 (Restated)		<u>72,009</u>
Net Assets at June 30, 2005		<u><u>\$ 94,564</u></u>

The notes to the basic financial statements are an integral part of this statement.

Marion Metropolitan Housing Authority
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2005

<u>Cash flows from operating activities:</u>	
Cash received from HUD	\$ 2,877,879
Cash received from other sources	1,372
Cash payments to employees for services	(268,578)
Cash payments for goods or services - HUD	(2,019,877)
Cash payments for goods or services	<u>(144,555)</u>
Net cash provided by operating activities	<u>446,241</u>
 <u>Cash flows from investing activities:</u>	
Receipt of interest	<u>886</u>
Net cash provided by investing activities	<u>886</u>
Net change in cash and cash equivalents	447,127
Cash and cash equivalents at July 1, 2004	<u>6,866</u>
Cash and cash equivalents at June 30, 2005	<u><u>\$ 453,993</u></u>
 Cash flows from operating activity	
Operating income	\$ 21,669
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	6,512
Changes in assets and liabilities	
Accounts receivable	160,862
Prepaid items	(1,803)
Accounts payable	(81,130)
Accrued wages and payroll taxes	1,292
Accrued compensated absences	(487)
Deferred revenue	334,878
Other liabilities	<u>4,448</u>
Net cash provided by operating activities	<u><u>\$ 446,241</u></u>

The notes to the basic financial statements are an integral part of this statement.

Marion Metropolitan Housing Authority
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The basic financial statements of the Marion Metropolitan Housing Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate. The accompanying basic financial statements comply with the provisions of GASB Statement No. 39, *Determining Whether Organizations are Component Units*, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

Marion Metropolitan Housing Authority
Notes to Basic Financial Statements - Continued
For the fiscal year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Excluded Entity

An entity that conducts activities for the benefit of the Authority or its residents is excluded from the combined financial statements. This entity is:

Marion Housing Development Association, Inc. – In accordance with housing subsidy contracts, the Authority has designated this organization as a Section 8 nonprofit corporation to serve as an instrumentality of the Authority to assist in the development and financing of housing projects. The Board of the Authority appoints the Board of Trustees of the Marion Housing Development Association, Inc. the members of which are all the same. The Authority's Board of Commissioners must approve all actions of the instrumentality and, upon their dissolution, all assets and residual receipts are to be distributed to the Authority. This Section 8 nonprofit corporation has no employees, performs no day-to-day functions, and the officers thereof serve in a non-paid status. There are no assets or liabilities in this corporation and there were no revenues earned or expenses incurred during 2005.

Fund Accounting

The Authority uses a proprietary fund to report on its financial position and the results of its operations for the Section 8 housing program. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Proprietary Fund Types:

Proprietary funds are used to account for the Authority's ongoing activities that are similar to those found in the private sector. The following is the Authority's proprietary fund type:

Enterprise Fund – The Authority 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 the Authority are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets. The statement of cash flows provides information about how the Authority finances and meets cash flow needs.

The Authority accounts for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use*

Marion Metropolitan Housing Authority
Notes to Basic Financial Statements - Continued
For the fiscal year June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary Fund Accounting, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Capital Assets

Capital assets are stated at cost and depreciation is computed using the straight line method over the estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized. The capitalization threshold used by the Authority is \$500. The following are the useful lives used for depreciation purposes:

Furniture – dwelling	7
Furniture – non-dwelling	7
Equipment – dwelling	5
Equipment – non-dwelling	7
Autos and trucks	5
Computer hardware	3
Computer software	3

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the fiscal year end by those employees who currently are eligible to receive termination payments. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1) The employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee, 2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In the proprietary fund, the compensated absences are expensed when earned.

Marion Metropolitan Housing Authority
Notes to Basic Financial Statements - Continued
For the fiscal year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budgetary Accounting

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is submitted to the Department of Housing and Urban Development and once approved is adopted by the Board of the Housing Authority.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Operating Revenues and Expenses

Operating revenues are those revenues that are derived from tenant rentals, HUD subsidies, and other income. Operating expenses are necessary costs incurred to provide the services as it related to the primary activity of the Authority. Revenues and expenses which do not meet these definitions are reported as non-operating revenues and expenses.

2. CASH AND CASH EQUIVALENTS

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

All monies are deposited into banks as determined by the Authority. Funds are deposited in either interest bearing or non-interest bearing accounts at the Authority's discretion. Security shall be furnished for all accounts in the Authority's name.

Marion Metropolitan Housing Authority
Notes to Basic Financial Statements - Continued
For the fiscal year June 30, 2005

2. CASH AND CASH EQUIVALENTS - CONTINUED

Cash and cash equivalents included in the Authority's cash position at June 30, 2005 are as follows:

Demand Deposits			
Bank balance – General	\$ 457,362	Bank balance – HAP	\$11,350
Items-in-transit	<u>(10,980)</u>	Items-in-transit	<u>(3,764)</u>
Carrying balance	\$ <u>446,382</u>	Carrying balance	\$ <u>7,586</u>

Of the year-end cash balance, \$100,000 was covered by federal deposit insurance, \$368,712 was cover by pledged securities held by a third party trustee, and \$25 was maintained in petty cash funds.

Based on the Authority having only demand deposits at June 30, 2005, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

3. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year 2005, the Authority contracted with Cincinnati Insurance for vehicle, health, general liability, building contents, and real property insurance.

Vehicle insurance carries a \$100 comprehensive deductible and \$250 collision deductible. Property insurance carries a \$250 deductible. The deductible for general liability and electronic data processing insurance are \$250 each. The deductible for public officials liability insurance is \$2,500.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

4. CAPITAL ASSETS

The following is a summary of capital assets at June 30, 2005:

	Balance <u>June 30, 2004</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2005</u>
<u>Governmental Activities - Cost</u>				
Furniture, fixtures, and equipment	\$ 34,505	\$ -	\$ (11,179)	\$ 23,326
Vehicles	<u>9,060</u>	<u>-</u>	<u>-</u>	<u>9,060</u>
Total at cost	<u>43,565</u>	<u>-</u>	<u>(11,179)</u>	<u>32,386</u>
<u>Less: accumulated depreciation</u>				
Furniture, fixture, and equipment	(22,118)	(4,700)	11,179	(15,639)
Vehicles	<u>(2,718)</u>	<u>(1,812)</u>	<u>-</u>	<u>(4,530)</u>
Total accumulated depreciation	<u>(24,836)</u>	<u>(6,512)</u>	<u>-</u>	<u>(20,169)</u>
Capital assets, net	\$ <u>18,729</u>	\$ <u>(6,512)</u>	\$ <u>-</u>	\$ <u>12,217</u>

Marion Metropolitan Housing Authority
Notes to Basic Financial Statements - Continued
For the fiscal year ended June 30, 2005

5. DEFINED BENEFIT PENSION PLANS – OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

All employees participate in the Ohio Public Employees Retirement System (OPERS), a cost sharing multiple employer public employee retirement system administered by the Public Employee Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established and amended by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the Authority was required to contribute 13.55 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Authority's required contributions to OPERS are equal to 100% of the dollar amount billed (13.55% of covered payroll). The Authority's required contributions to OPERS for the years ended June 30, 2003, 2004, and 2005 were \$25,663, \$25,976, and \$25,056, respectively, which are equal to the required contributions for each year. In fiscal year 2005, the Authority paid the employees share of OPERS which totaled \$15,781.

6. POSTRETIREMENT EMPLOYEE BENEFITS

OPERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit, and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available under OPERS. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB). A portion of each employer's OPERS contribution is set aside for the funding of postretirement health care. The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to OPERS. The number of active contributing participants was 369,885 as of December 31, 2004.

As required by state statute, a portion of each employer's contribution to OPERS is used for the funding of the postemployment health care. Based on the employer's contribution of 13.55% of covered payroll; 4.00% was used to fund health care for the year. Employer contributions are advance-funded on an actuarially determined basis and are determined by state statute.

The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2003 (the latest information available). 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 (actual gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2003 was 8 percent.

Marion Metropolitan Housing Authority
Notes to Basic Financial Statements - Continued
For the fiscal year June 30, 2005

6. POSTRETIREMENT EMPLOYEE BENEFITS - CONTINUED

OPERS (assuming the number of active employees remains constant) assumes an annual increase of 4.00% compounded annually for the base portion of an individual's pay increase. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.3%.

As of December 31, 2003, the audited estimated net assets available for future OPEB payments were \$10.5 billion. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were \$26.9 billion and \$16.4 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2004, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit.

The benefit recipients will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

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 the 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.

7. RELATED PARTY TRANSACTIONS

During fiscal year 2005, the Authority disbursed \$11,233 in housing assistance payments to related parties. The Authority has acquired permission from HUD to allow these related parties to receive housing assistance payments.

Marion Metropolitan Housing Authority
Notes to Basic Financial Statements - Continued
For the fiscal year ended June 30, 2005

8. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to reduce the fiscal year 2004 Account Receivable from HUD, due to HUD deducting \$5,000 in Home Ownership Fees from the fiscal year end report. Net Assets at June 1, 2004 were restated from \$77,009 to \$72,009.

9. CHANGE IN ACCOUNTING PRINCIPLES

The Authority has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements*. Implementation of this GASB had no impact on the Authority's financial position or results of operation.

Marion Metropolitan Housing Authority
Statement of Net Assets
FDS Schedule Submitted to HUD
June 30, 2005

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers Program	14.239 Home Program	14.228 Community Development Block Grant	Total
	Current Assets				
	Cash				
111	Cash - Unrestricted	\$ 453,921	\$ 72	\$ -	\$ 453,993
100	Total Cash	453,921	72	-	453,993
	Accounts Receivable				
125	Accounts receivable - Miscellaneous	612	-	-	612
128	Fraud Recovery	6,523	-	-	6,523
120	Total Accounts Receivable	7,135	-	-	7,135
	Other Assets				
142	Prepaid Items	6,349	-	-	6,349
	Total Other Assets	6,349	-	-	6,349
150	Total Current Assets	467,405	72	-	467,477
	Noncurrent Assets				
	Capital Assets				
164	Furniture and Equipment - Administration	32,386	-	-	32,386
166	Accumulated Depreciation	(20,169)	-	-	(20,169)
160	Total Capital Assets net of accumulated depreciation	12,217	-	-	12,217
180	Total Noncurrent Assets	12,217	-	-	12,217
190	Total Assets	\$ 479,622	\$ 72	\$ -	\$ 479,694

Marion Metropolitan Housing Authority
Statement of Net Assets
FDS Schedule Submitted to HUD
June 30, 2005

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers Program	14.239 Home Program	14.228 Community Development Block Grant	Total
Current Liabilities					
312	Accounts Payable	\$ 6,534	\$ -	\$ -	\$ 6,534
321	Accrued Wages and Payroll Taxes	3,413	-	-	3,413
342	Deferred Revenue	354,161	72	-	354,233
310	Total Current Liabilities	<u>364,108</u>	<u>72</u>	<u>-</u>	<u>364,180</u>
Non-Current Liabilities					
354	Accrued Compensated Absences - Noncurrent	14,427	-	-	14,427
353	Non-Current Liabilities - Other	6,523	-	-	6,523
350	Total Non-Current Liabilities	<u>20,950</u>	<u>-</u>	<u>-</u>	<u>20,950</u>
300	Total Liabilities	<u>385,058</u>	<u>72</u>	<u>-</u>	<u>385,130</u>
Net Assets					
508	Invested in Capital Assets	12,217	-	-	12,217
512	Unrestricted Net Assets	82,347	-	-	82,347
	Total Net Assets	<u>94,564</u>	<u>-</u>	<u>-</u>	<u>94,564</u>
600	Total Liabilities and Net Assets	<u>\$ 479,622</u>	<u>\$ 72</u>	<u>\$ -</u>	<u>\$ 479,694</u>

Marion Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Net Assets
FDS Schedule Submitted to HUD
For the Fiscal Year ended June 30, 2005

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers Program	14.239 Home Program	14.228 Community Development Block Grant	Total
Revenue					
706	HUD Grants	\$ 2,242,007	\$ 100,204	\$ 35,000	\$ 2,377,211
711	Investment Income - Unrestricted	886	-	-	886
714	Fraud Recovery	686	-	-	686
715	Other Revenue	344	61,803	-	62,147
	Total Revenue	<u>2,243,923</u>	<u>162,007</u>	<u>35,000</u>	<u>2,440,930</u>
Expenses					
911	Administrative Salaries	106,512	52,497	25,909	184,918
912	Auditing Fees	6,168	-	-	6,168
915	Employee Benefit Contribution - Administrative	47,163	17,729	8,750	73,642
916	Other Operating - Administrative	109,480	693	341	110,514
942	Ordinary Maintenance and Operation - Materials and Other	5,432	-	-	5,432
961	Insurance Premiums	11,312	-	-	11,312
	Total Operating Expenses	<u>286,067</u>	<u>70,919</u>	<u>35,000</u>	<u>391,986</u>
970	Excess Operating Revenue Over Operating Expenses	<u>1,957,856</u>	<u>91,088</u>	<u>-</u>	<u>2,048,944</u>
Other Expenses					
973	Housing Assistance Payments	1,928,789	91,088	-	2,019,877
974	Depreciation Expense	6,512	-	-	6,512
	Total Other Expenses	<u>1,935,301</u>	<u>91,088</u>	<u>-</u>	<u>2,026,389</u>
900	Total Expenses	<u>2,221,368</u>	<u>162,007</u>	<u>35,000</u>	<u>2,418,375</u>
1000	Excess of Revenues over Expenses	22,555	-	-	22,555
1103	Beginning Net Assets	77,009	-	-	77,009
1104	Prior Period Adjustment	(5,000)	-	-	(5,000)
	Ending Net Assets	<u>\$ 94,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,564</u>

**Marion Metropolitan Housing Authority
Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2005**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Pass-Through Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures For The Year Ended</u>
<u>U.S. Department of Housing and Urban Development</u>			
Section 8 Housing Choice Vouchers	N/A	14.871	\$ 2,221,368
Passed through the City of Marion			
Home Investment Partnership Program	N/A	14.239	162,007
Community Development Block Grants/ State's Program	N/A	14.228	<u>35,000</u>
Total Federal Award Expenditures			<u><u>\$ 2,418,375</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

Marion Metropolitan Housing Authority
Notes to the Schedule of Federal Awards Expenditures
For the fiscal year ended June 30, 2005

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



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
Marion Metropolitan Housing Authority
150 Park Ave. West
Mansfield, Ohio 44901

We have audited the financial statements of the Marion Metropolitan Housing Authority, Marion County, Ohio (the Authority) as of and for the year ended June 30, 2005, and have issued our report thereon dated October 21, 2005. As disclosed within Note 9, the Authority adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures* and restated net assets as disclosed in Note 8. 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 over financial reporting 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

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Wilson, Shanna & Snow, Inc.

Newark, Ohio
October 21, 2005



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 Directors
Marion Metropolitan Housing Authority
150 Park Ave. West
Mansfield, Ohio 44901

Compliance

We have audited the compliance of the Marion Metropolitan Housing Authority, Marion County, (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 fiscal year ended June 30, 2005. As disclosed in Note 9, the Authority adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosure*. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. 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 on 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 fiscal year ended June 30, 2005.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
(740) 345-6611
1-800-523-6611
FAX (740) 345-5635

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 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.

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

Wilson, Shuman & Snow, Inc.

Newark, Ohio
October 21, 2005

Marion Metropolitan Housing Authority

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505

June 30, 2005

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Housing Choice Vouchers/ C.F.D.A. #14.871
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

Marion Metropolitan Housing Authority

**SCHEDULE OF FINDINGS -CONTINUED
OMB CIRCULAR A-133 §.505**

June 30, 2005

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

None were noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

MARION METROPOLITAN HOUSING AUTHORITY

MARION 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
DECEMBER 30, 2005**