AUDITED BASIC FINANCIAL STATEMENTS

OF THE

MARION METROPOLITAN HOUSING AUTHORITY

JULY 1, 2005 -JUNE 30, 2006

Mary Taylor, CPA
Auditor of State

Board of Directors
Marion Metropolitan Housing Authority
P. O. Box 1029
Mansfield, Ohio 44901

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 30, 2007

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MARION METROPOLITAN HOUSING AUTHORITY
TABLE OF CONTENTS

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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, 2006, 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 Standard*s 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 Marion Metropolitan Housing Authority, Marion County as of June 30, 2006, 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 reclassification of certain accounts.

In accordance with *Government Auditing Standard*s, we have also issued a report dated November 30, 2006, 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
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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, Shannon & Snow, Inc.

Newark, Ohio
November 30, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Marion Metropolitan Housing Authority's (the Authority) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent 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 13).

FINANCIAL HIGHLIGHTS

- During fiscal year 2006, the Authority's net assets decreased by $323,626 (or 72.12%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net Assets for fiscal year 2005 were $448,725 (as restated) and $125,099 for fiscal year 2006.

- Revenue increased by $316,575 (or 12.97%) during fiscal year 2006, and was $2,440,930 and $2,757,505 for fiscal year 2005 and fiscal year 2006, respectively.

- The total expenses of the Authority increased by $662,756 (or 27.41%). Total expenses were $2,418,375 and $3,081,131 for fiscal year 2005 and fiscal year 2006, respectively.

USING THIS ANNUAL REPORT

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

MD&A

~ Management Discussion and Analysis – pgs 3-11 ~

Basic Financial Statements

~ Financial Statements – pgs 13-15 ~
~ Notes to the Basic Financial Statements – pgs 17-25 ~

Other Required Supplementary Information

~ Required Supplementary Information - none~
(Other than MD&A)

The primary focus of the Authority's financial statement is on the Authority as a whole. This perspective allows the user to address relevant questions, broaden basis for comparison (year-to-year or Authority-to-Authority), and enhance the Authority's accountability.

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: This component of Net Assets consists of all net 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. The Authority does not have any outstanding debt.

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, 2006.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets", 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, maintenance, and depreciation, and Non-Operating Revenue, such as investment income.

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

Finally, 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.

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:

Business-Type Activities:

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 and 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 other activities the Authority is involved with are listed below:

> Home Investment Partnership Program – represents HUD resources developed from contracts with the City of Marion

> Community Development Block Grant – represents HUD resources developed from contracts with the City of Marion

> State/Local Activities – represents resources developed from services provided to other metropolitan housing authorities

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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.

STATEMENT OF NET ASSETS

	2006	(Restated) 2005
Current and Other Assets	$ 169,862	$ 467,477
Capital Assets	5,706	12,217
Total Assets	175,568	479,694
Other Liabilities (restated for 2005)	21,159	10,019
Non-Current Liabilities	29,310	20,950
Total Liabilities	50,469	30,969
Net Assets:		
Invested in Capital Assets	5,706	12,217
Unrestricted (restated for 2005)	119,393	436,508
Total Net Assets	$ 125,099	$ 448,725

For more detailed information see page 13 for the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

Current and other assets (primarily cash and investments) decreased by the $297,615 which represents the need for the Authority to use surplus revenue from prior years to cover excess costs in the current year. Liabilities increased by $19,500 primarily as a result of the Authority receiving $10,077 in fiscal year 2007 program funds before the end of fiscal year 2006 which is recorded as deferred revenue.

The Capital Assets had a net decrease of $6,511. This is the amount of current year's depreciation. For more detail see "Capital Assets and Debt Administration" on page 10.

CHANGE OF UNRESTRICTED NET ASSETS

Unrestricted Net Assets June 30, 2005 (as restated, see Note 8)		$ 436,508
Results of Operations	$(323,626)	
Adjustments:		
Depreciation (1)	6,511	
Adjusted Results from Operations		(317,115)
Unrestricted Net Assets June 30, 2006		$ 119,393

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

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.

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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.

	2006	2005
Revenues		
HUD PHA Operating Grants	$2,674,630	$2,377,211
Interest	3,994	886
Other Revenues – Port Admin Fees	-	344
Other Revenues - Service Income	77,174	61,803
Other Revenues – Fraud Recovery	1,707	686
Total Revenues	2,757,505	2,440,930
Expenses		
Administrative	382,611	375,242
Materials and Labor - Maintenance	6,832	5,432
General	11,574	11,312
Housing Assistance Payments	2,673,603	2,019,877
Depreciation	6,511	6,512
Total Expenses	3,081,131	2,418,375
Change in Net Assets	(323,626)	22,555
Net Assets at July 1 (Restated)	448,725	426,170
Net Assets at June 30	$ 125,099	$ 448,725

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

HUD PHA Operating Grants increased because of the increase in the leasing rate from fiscal year 2005's 90% to an over 100% leasing rate for fiscal year 2006; respectively, Housing Assistance Payments increased in fiscal year 2006.

Investment Revenues increased because of the large amount of "Undesignated HAP Funds" the authority had due to the reclassification of excess HAP funding from fiscal year 2005, becoming undesignated HAP funds on which the Authority could use to generate interest.

Administrative Expenses increase reflected the staffing changes and pay raises, which occurred during the fiscal year.

Most other expenses increased moderately due to inflation.

CAPTIAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2006, the Authority had $5,706 invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation).

CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)

	Business-type Activities	
	2006	2005
Total Capital Assets at Cost	$ 32,386	$ 32,386
Total Accumulated Depreciation	(26,680)	(20,169)
Capital Assets, net	$ 5,706	$ 12,217

The following reconciliation summarizes the change in Capital Assets, which is presented within Note 4.

CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance	$ 12,217
Additions	-
Disposals	-
Depreciation	(6,511)
Ending Balance	$ 5,706

Debt Outstanding

As of June 30, 2006, 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.

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MARION METROPOLITAN HOUSING AUTHORITY
STATEMENTS OF NET ASSETS
JUNE 30, 2006

Assets		
Current Assets:		
Cash and Cash Equivalents	$	148,338
Accounts Receivable - Other		80
Prepaid Items		6,562
Total Current Assets		154,980
Non-Current Assets:		
Accounts Receivable -Fraud Recovery		14,882
Capital Assets:		
Furniture and Equipment		32,386
Accumulated Depreciation		(26,680)
Total Capital Assets		5,706
Total Non-Current Assets		20,588
Total Assets		175,568
Liabilities		
Current Liabilities:		
Accounts Payable		7,017
Accrued Wages and Payroll Taxes		3,556
Accrued Compensated Absences		509
Deferred Revenue		10,077
Total Current Liabilities		21,159
Non-Current Liabilities:		
Accrued Compensated Absences		14,428
Other Non-Current Liabilities		14,882
Total Non-Current Liabilities		29,310
Total Liabilities		50,469
Net Assets		
Invested in Capital Assets		5,706
Unrestricted		119,393
Total Net Assets	$	125,099

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

MARION METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET FUND ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Operating Revenues		
HUD Grants		$ 2,674,630
Other Revenues		78,881
Total Operating Revenue		2,753,511
Operating Expenses		
Housing Assistance Payments	$ 2,673,603	
Administrative Salaries	188,553	
Employee Benefits	77,729	
Other Administrative Expense	116,329	
Material and Labor - Maintenance	6,832	
Depreciation	6,511	
General	11,574	
Total Operating Expenses		3,081,131
Operating Loss		(327,620)
Nonoperating Revenues		
Interest		3,994
Change in Net Assets		(323,626)
Net Assets at July 1, 2005 (Restated, see Note 8)		448,725
Net Assets at June 30, 2006		$ 125,099

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, 2006

Cash flows from operating activities:		
Cash received from HUD	$	2,674,630
Cash received from other sources		3,947
Cash payments to employees for services		(268,621)
Cash payments for good or services - HUD		(2,673,603)
Cash payments for goods or services		(46,002)
Net cash used for operating activities		(309,649)
Cash flows from investing activities:		
Interest		3,994
Net change in cash and cash equivalents		(305,655)
Cash and cash equivalents at July 1, 2005		453,993
Cash and cash equivalents at June 30, 2006	$	148,338
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$	(327,620)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		6,511
Changes in assets and liabilities:		
Increase in accounts receivable		(7,826)
Increase in prepaid items		(213)
Increase in accounts payable		483
Increase in accrued wages and payroll taxes		143
Increase in other liabilities		18,873
Net cash used for operating activities	$	(309,649)
Noncash operating activities:		
Net effect of the prior period adjustments to surplus grant revenue	$	354,161

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

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MARION METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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.

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 basic 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 2006.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Compensated absences are expensed when earned with the amount reported as a current liability.

Budgetary Accounting

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets net of accumulated depreciation. 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.

Prepaid Items

Payments made to vendors for services that will benefit beyond fiscal year-end are reported as prepaid items via the consumption method.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts Receivable

Management considers all accounts receivable (excluding the fraud recovery receivable) to be collected in full. Receivables are presented as gross on the balance sheet.

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.

Cash and cash equivalents included in the Authority's cash position at June 30, 2006 are as follows:

Demand Deposits:	
Bank balance – Checking	$ 162,942
Items-in-transit	(14,629)
Carrying balance	$ 148,313

Of the year-end cash balance, $100,000 was covered by federal deposit insurance and $48,313 was secured by pledged securities held by a third party trustee. In addition, the Authority maintains $25 in petty cash funds.

Based on the Authority having only demand deposits at June 30, 2006, 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 2006, 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, 2006:

	Balance June 30, 2005	Additions	Disposals	Balance June 30, 2006
Governmental Activities - Cost				
Furniture, fixtures, and equipment	$ 23,326	$ -	$ -	$ 23,326
Vehicles	9,060	-	-	9,060
Total at cost	32,386	-	-	32,386
Less: accumulated depreciation				
Furniture, fixture, and equipment	(15,639)	(4,700)	-	(20,339)
Vehicles	(4,530)	(1,811)	-	(6,341)
Total accumulated depreciation	(20,169)	(6,511)	-	(26,680)
Capital assets, net	$ 12,217	$ (6,511)	$ -	$ 5,706

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, 2004, 2005, and 2006 were $25,976, $25,056, and $25,623 respectively, which are equal to the required contributions for each year. In fiscal year 2006, the Authority paid the employees share of OPERS which totaled $16,456.

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 376,109 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 statue.

The assumptions and calculations below were based on OPERS latest Actuarial Review performed as of December 31, 2004 (the latest actuarial review). 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 2004 was 8 percent.

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, 2004, 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 $29.5 billion and $18.7 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.

6. POSTRETIREMENT EMPLOYEE BENEFITS - CONTINUED

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 by creating a separate investment pool for 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. As an additional component of the plan, member and employee contribution rates increased as of January 1, 2006, which allows for additional funds to be allocated to the health care plan.

7. RELATED PARTY TRANSACTIONS

During fiscal year 2006, the Authority disbursed $18,282 in housing assistance payments to related parties. The Authority has acquired permission from HUD to allow these related parties to receive housing assistance payments.

8. PRIOR PERIOD ADJUSTMENT

At year end June 30, 2005, the Department of Housing and Urban Development had not yet settled the method for accounting for unused advances in grants to the Authority. The Authority recorded the advance as deferred revenue in accordance with guidance previously prescribed by HUD. Per Public and Indian Housing Notice 2006-03, all accounts receivable due from HUD or accounts payable due HUD should be recorded to an Undesignated HAP fund account which is a component of Unrestricted Net Assets. The following illustrates this effect:

Unrestricted Net Assets at July 1, 2005	$ 82,347
Adjustments to Reclassify Grant Surplus Received	354,161
Unrestricted Net Assets at July 1, 2005, as restated	436,508
Invested in Capital Assets at July 1, 2005	12,217
Net Assets at July 1, 2005, as restated	$448,725

9. CONTINGENT LIABILITIES

A. Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any such disallowed claims could have a material adverse effect on the overall financial position of the Authority at June 30, 2006.

B. Litigation

The Authority is unaware of any outstanding lawsuits or other contingencies.

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MARION METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
JUNE 30, 2006

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers	14.239 Home Investment Partnership Program	Total
	Current Assets			
	Cash			
111	Cash - Unrestricted	$ 138,262	$ 10,076	$ 148,338
100	Total Cash	138,262	10,076	148,338
	Accounts Receivable			
125	Miscellaneous	80	-	80
120	Total Accounts Receivable	80	-	80
	Other Assets			
142	Prepaid Items	6,562	-	6,562
	Total Other Assets	6,562	-	6,562
150	Total Current Assets	144,904	10,076	154,980
	Noncurrent Assets			
128	Fraud Recovery	14,882	-	14,882
	Capital Assets			
164	Furniture and Equipment - Administration	32,386	-	32,386
166	Accumulated Depreciation	(26,680)	-	(26,680)
160	Total Capital Assets net of accumulated depreciation	5,706	-	5,706
180	Total Noncurrent Assets	20,588	-	20,588
190	Total Assets	$ 165,492	$ 10,076	$ 175,568

MARION METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
JUNE 30, 2006

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers	14.239 Home Investment Partnership Program	Total
	Current Liabilities			
312	Accounts Payable	$ 7,017	$ -	$ 7,017
321	Accrued Wages and Payroll Taxes	3,556	-	3,556
322	Accrued Compensated Absences - Current	509	-	509
342	Deferred Revenue	1	10,076	10,077
310	Total Current Liabilities	11,083	10,076	21,159
	Non-Current Liabilities			
354	Accrued Compensated Absences - Noncurrent	14,428	-	14,428
353	Non-Current Liabilities - Other	14,882	-	14,882
350	Total Non-Current Liabilities	29,310	-	29,310
300	Total Liabilities	40,393	10,076	50,469
	Net Assets			
508	Invested in Capital Assets	5,706	-	5,706
512	Unrestricted Net Assets	119,393	-	119,393
	Total Net Assets	125,099	-	125,099
600	Total Liabilities and Net Assets	$ 165,492	$ 10,076	$ 175,568

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, 2006

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers	14.239 Home Investment Partnership Program	14.228 Community Development Block Grants / State Program	State/Local	Total
	Revenue					
706	HUD Grants	$ 2,531,343	$ 139,287	$ 4,000	$ -	$ 2,674,630
711	Investment Income - Unrestricted	3,994	-	-	-	3,994
714	Fraud Recovery	1,707	-	-	-	1,707
715	Other Revenue	-	-	-	77,174	77,174
	Total Revenue	2,537,044	139,287	4,000	77,174	2,757,505
	Expenses					
911	Administrative Salaries	118,504	7,812	3,847	57,881	188,044
912	Auditing Fees	6,367	-	-	-	6,367
914	Compensated Absences	509	-	-	-	509
915	Employee Benefit Contribution - Administrative	54,763	3,571	102	19,293	77,729
916	Other Operating - Administrative	108,638	1,273	51	-	109,962
942	Ordinary Maintenance and Operation - Materials and Other	6,832	-	-	-	6,832
961	Insurance Premiums	11,574	-	-	-	11,574
	Total Operating Expenses	307,187	12,656	4,000	77,174	401,017
970	Excess Operating Revenue Over Operating Expenses	2,229,857	126,631	-	-	2,356,488
	Other Expenses					
973	Housing Assistance Payments	2,546,972	126,631	-	-	2,673,603
974	Depreciation Expense	6,511	-	-	-	6,511
	Total Other Expenses	2,553,483	126,631	-	-	2,680,114
900	Total Expenses	2,860,670	139,287	4,000	77,174	3,081,131
1000	Excess of Revenues under Expenses	(323,626)	-	-	-	(323,626)
1103	Beginning Net Assets	94,564	-	-	-	94,564
1104	Prior Period Adjustment	354,161	-	-	-	354,161
	Ending Net Assets	$ 125,099	$ -	$ -	$ -	$ 125,099

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

Federal Grantor / Pass Through Grantor Program Title	Pass-Through Number	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Section 8 Housing Choice Vouchers	N/A	14.871	$ 2,860,670
Passed through the City of Marion			
Home Investment Partnership Program	N/A	14.239	139,287
Community Development Block Grants/State's Program	N/A	14.228	4,000
Total Federal Award Expenditures			$ 3,003,957

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES

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.

<u>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*</u>

Board of Directors
Marion Metropolitan Housing Authority
150 Park Avenue 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 fiscal year ended June 30, 2006, and have issued our report thereon dated November 30, 2006. As disclosed within Note 8, the Authority restated net assets. 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.

<u>Internal Control over Financial Reporting</u>

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.

Wilson, Shannon & Snow, Inc.
CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
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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 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, Shannon & Snow, Inc.

Newark, Ohio
November 30, 2006

Report on Compliance with Requirements Applicable to Its Major Program and on Internal Control over Compliance in Accordance with *OMB Circular A-133*

Board of Directors
Marion Metropolitan Housing Authority
150 Park Avenue 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, 2006. 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, 2006.

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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, Shannon & Snow, Inc.

Newark, Ohio
November 30, 2006

MARION METROPOLITAN HOUSING AUTHORITY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505

JUNE 30, 2006

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

MARION METROPOLITAN HOUSING AUTHORITY

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

JUNE 30, 2006

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

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
FEBRUARY 13, 2007

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