

**BASIC FINANCIAL STATEMENTS  
AND SINGLE AUDIT**

**of the**

**MORGAN METROPOLITAN  
HOUSING AUTHORITY**

**for the**

**Year Ended June 30, 2007**





Mary Taylor, CPA  
Auditor of State

Board of Directors  
Morgan Metropolitan Housing Authority  
4580 SR 376, NW  
McConnelsville, Ohio 43756

We have reviewed the *Independent Auditors' Report* of the Morgan Metropolitan Housing Authority, Morgan County, prepared by Jones, Cochenour & Co., for the audit period July 1, 2006 through June 30, 2007. 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 Morgan Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 13, 2007

**This Page is Intentionally Left Blank.**

**MORGAN METROPOLITAN HOUSING AUTHORITY  
TABLE OF CONTENTS**

	<u>Page</u>
<b>Independent Auditors' Report</b> .....	1
<b>Management's Discussion and Analysis</b> .....	2 - 6
<b>Basic Financial Statements:</b>	
<b>Statement of Net Assets</b> .....	7
<b>Statement of Revenues, Expenses and Changes in Net Assets</b> .....	8
<b>Statement of Cash Flows</b> .....	9
<b>Notes to the Basic Financial Statements</b> .....	10 - 16
<b>Supplemental Data:</b>	
<b>FDS Schedule</b> .....	17 - 20
<b>Cost Certification</b> .....	21
<b>Schedule of Federal Awards Expenditures</b> .....	22
<b>Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b> .....	23 - 24
<b>Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133</b> .....	25 - 26
<b>Summary of Auditors' Results and Schedule of Findings</b> .....	27 - 28
<b>Status of Prior Year Findings</b> .....	29



125 West Mulberry Street  
Lancaster, Ohio 43130

[www.JCCcpa.com](http://www.JCCcpa.com)

740.653.9581 tel

614.837.2921 tel

740.653.0983 fax

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Morgan Metropolitan Housing Authority  
McConnelsville, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

We have audited the accompanying basic financial statements of Morgan Metropolitan Housing Authority, as of and for the year ended June 30, 2007, as listed in the table of contents. These basic financial statements are the responsibility of the Morgan Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Morgan Metropolitan Housing Authority, as of June 30, 2007, and the results of its operations and the cash flows of its proprietary fund type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2007 on our consideration of Morgan Metropolitan Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Jones, Cochenour & Co.  
September 26, 2007

*much more than an accounting firm*

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2007**

**Unaudited**

**It is a privilege to present for you the financial picture of Morgan Metropolitan Housing Authority. The Morgan Metropolitan Housing Authority's ("the Authority") *Management Discussion and Analysis* is designed to:**

- (a) Assist the reader in focusing on significant financial issues**
- (b) Provide an overview of the Authority's financial activity**
- (c) Identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges)**
- (d) Identify the single enterprise fund issues or concerns.**

**The *M D & A* is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements, which follow.**

**FINANCIAL HIGHLIGHTS**

- **Total revenues: FYE 6/30/06: \$953,872  
FYE 6/30/07: \$1,039,214 Increase of \$85,342 (8.9%) in 2007**
- **Total expenses: FYE 6/30/06: \$952,188  
FYE 6/30/07: \$960,183 Increase of \$7,995 (1.0%) in 2007**

**USING THIS ANNUAL REPORT**

**The following graphic outlines the format of this report:**

<b>MD&amp;A</b> ~ Management Discussion and Analysis (new) ~
<b>Basic Financial Statements</b> ~ Statement of Net Assets ~ ~ Statement of Revenues, Expenses and Changes in Net Assets ~ ~ Statement of Cash Flows ~ ~ Notes to Financial Statements ~

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

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2007**

**Unaudited**

**BASIC FINANCIAL STATEMENTS**

The basic financial statements, beginning on page 3 are designed to be corporate-like in that all business type programs are consolidated into one single enterprise fund for the Authority.

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

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

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

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

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

The basic financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest 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, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

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

Conventional Public Housing (PH) – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income.

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. Funds are allocated by a formula allocation and based on size and age of the authority's units.

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

Resident Opportunities and Self Sufficiency (ROSS) – A grant program that provides funds for job training and supportive services to help residents of public housing transition from welfare to work. ROSS also provides funding to link elderly/disabled residents to critical services which can help them continue to live independently.



**MORGAN METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2007**

Unaudited

**BASIC FINANCIAL STATEMENTS**

**STATEMENT OF NET ASSETS**

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

**TABLE 1  
STATEMENT OF NET ASSETS**

	<u>FYE 6/30/07</u>	<u>FYE 6/30/06</u>
Current and Other Assets	\$ 304,932	\$ 313,841
Capital Assets	<u>2,275,522</u>	<u>2,132,659</u>
<i>TOTAL ASSETS</i>	<u>\$ 2,580,454</u>	<u>\$ 2,446,500</u>
Other Liabilities	\$ 137,201	\$ 78,765
Long-Term Liabilities	<u>16,614</u>	<u>20,127</u>
<i>TOTAL LIABILITIES</i>	<u>\$ 153,815</u>	<u>\$ 98,892</u>
Net Assets:		
Invested in Capital Assets, net of Related Debt	\$ 2,275,522	\$ 2,132,659
Unrestricted	<u>151,117</u>	<u>214,949</u>
<i>TOTAL NET ASSETS</i>	<u>\$ 2,426,639</u>	<u>\$ 2,347,608</u>

NOTE: For more detailed information, see the *Statement of Net Assets*.

The interprogram payable/receivable in the amount of \$15,878 is eliminated on the basic financial statements. Major factors affecting the *Statement of Net Assets*: Current Assets decreased by \$8,909. Liabilities increased by \$54,923. Capital Assets increased by \$142,863 and unrestricted net assets decreased by \$63,832. All of these changes were due, in large part, to the Capital Fund Furnace Project. Timing of the Capital Fund draw downs and the expenditure of this money caused the fluctuation in assets and liabilities.

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

The following schedule compares the revenues and expenses for the current and previous fiscal year:

	<u>FYE 6/30/07</u>	<u>FYE 6/30/06</u>
Revenue:		
Tenant Revenue (Rent and Other)	\$ 81,901	\$ 69,930
Operating Subsidies and Grants	748,234	774,497
Capital Grants	184,236	96,150
Fraud Recovery	2,760	3,000
Investment Income	12,278	1,895
Other Revenues	<u>9,805</u>	<u>8,400</u>
<i>TOTAL REVENUE</i>	<u>\$1,039,214</u>	<u>\$ 953,872</u>
Expenses:		
Administration	\$ 190,101	\$ 181,088
Utilities	66,828	65,764
Maintenance	88,650	108,631
General Expenses	22,514	22,176
Housing Assistance Payments	452,159	439,976
Depreciation	135,911	133,243
Bad Debt	<u>4,020</u>	<u>1,310</u>
<i>TOTAL EXPENSES</i>	<u>\$ 960,183</u>	<u>\$ 952,188</u>

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2007**

Unaudited

Major factors affecting the *Statement of Revenue, Expenses, and Changes in Net Asset*: Total revenue and total expenses increased from the previous year. The increase in income was due to a small increase in Operating Subsidy, large Capital Fund project and Tenant Rent Revenue that increased due to the success of our clients finding/maintaining employment. Slight changes in all expense categories caused the total expenses to increase. A majority of the increase is due to the increased HAP expense (increased leasing coupled with increased rents).

**CAPITAL ASSETS**

As of year end, the Authority had \$2,275,522 invested in net capital assets as reflected in the following schedule which represents a net increase (addition, deductions and depreciation) of \$142,863 from the end of last year.

**TABLE 3  
CAPITAL ASSETS AT YEAR-END  
(Net of Depreciation)**

	<u>FYE 6/30/07</u>	<u>FYE 6/30/06</u>
Land and Land Rights	\$ 251,650	\$ 251,650
Buildings	3,571,305	3,292,531
Equipment-Administrative	134,784	134,784
Equipment-Dwellings	118,863	118,864
Accumulated Depreciation	(2,048,703)	(1,912,793)
Leasehold Improvements	<u>247,623</u>	<u>247,623</u>
<b>TOTAL</b>	<b><u>\$ 2,275,522</u></b>	<b><u>\$ 2,132,659</u></b>

**TABLE 4  
CHANGE IN CAPITAL ASSETS**

The following reconciliation summarizes the change in Capital Assets.

Beginning Balance	\$ 2,132,659
Improvements	278,773
Depreciation	<u>(135,910)</u>
Ending Balance:	<b><u>\$ 2,275,522</u></b>

Additions relate to *Capital Fund Program* grant improvements and furnaces paid from public housing in the amount of \$94,538.

**MORGAN METROPOLITAN HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2007**

**Unaudited**

**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, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income**
- **Inflationary pressure on utility rates, supplies and other costs**

**IN CONCLUSION**

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

**FINANCIAL CONTACT**

**If you have any questions regarding this report, you may contact Kelly Hardman, Executive Director of the Morgan Metropolitan Housing Authority at (740) 962-4930.**

**Respectfully submitted,**

**Kelly Hardman, Executive Director**

**Morgan Metropolitan Housing Authority  
Statement of Net Assets  
June 30, 2007**

**ASSETS**

Cash and cash equivalents	\$	182,062
Security deposits		21,551
Receivables - net of allowance		69,879
Inventories - net of allowance		12,794
Prepaid expenses and other assets		<u>2,768</u>
<b>TOTAL CURRENT ASSETS</b>		<b>289,054</b>

Land		251,650
Capital assets - net		<u>2,023,872</u>
<b>TOTAL CAPITAL ASSETS</b>		<b><u>2,275,522</u></b>

**TOTAL ASSETS** **2,564,576**

**LIABILITIES**

Accounts payable		76,808
Accrued liabilities		1,647
Intergovernmental payables		858
Tenant security deposits		21,551
Accrued compensated absences		5,163
Deferred revenue		<u>15,296</u>

**TOTAL CURRENT LIABILITIES** **121,323**

Accrued compensated absences		5,635
FSS liability		<u>10,979</u>
<b>TOTAL LONG TERM LIABILITIES</b>		<b><u>16,614</u></b>

**TOTAL LIABILITIES** **137,937**

**NET ASSETS**

Invested in capital assets - net of related debt		2,275,522
Unrestricted net assets		<u>151,117</u>

**NET ASSETS** **\$ 2,426,639**

See accompanying notes to the basic financial statements

**Morgan Metropolitan Housing Authority  
Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2007**

<b>OPERATING REVENUE</b>	
Tenant revenue	\$ 81,901
HUD operating grants	748,234
Other revenue	<u>12,565</u>
<b>TOTAL OPERATING REVENUE</b>	<b>842,700</b>
 <b>OPERATING EXPENSES</b>	
Administrative	159,519
Tenant services	457
Utilities	66,828
Maintenance	117,917
General	23,372
Housing assistance payments	452,159
Depreciation	135,911
Bad debts	<u>4,020</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>960,183</u></b>
<b>OPERATING LOSS</b>	<b>(117,483)</b>
 <b>NON-OPERATING REVENUE</b>	
Interest income - unrestricted	12,278
HUD capital grants	<u>184,236</u>
<b>CHANGE IN NET ASSETS</b>	<b>79,031</b>
<b>NET ASSETS BEGINNING OF YEAR</b>	<b><u>2,347,608</u></b>
<b>NET ASSETS END OF YEAR</b>	<b><u><u>\$ 2,426,639</u></u></b>

See accompanying notes to the basic financial statements

**Morgan Metropolitan Housing Authority  
Statement of Cash Flows  
Year Ended June 30, 2007**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from tenants	\$ 83,159
Cash received from HUD	701,116
Cash payments for administrative	(303,178)
Cash payments for housing assistance payments	(452,159)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>28,938</b>
 <b>CASH FLOWS FROM CAPITAL ACTIVITIES</b>	
Acquisition of capital assets	(278,774)
Capital grants received for capital assets	184,236
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment activity	12,278
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	(53,322)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	235,384
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>\$ 182,062</b>
 <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH (USED FOR) OPERATING ACTIVITIES</b>	
Operating (loss)	\$ (117,483)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	135,911
(Increase) decrease in:	
Receivables - net of allowance	(62,819)
Inventories - net of allowance	367
Prepaid expenses and other assets	10,515
Increase (decrease) in:	
Accounts payable	56,842
Accrued compensated absences	(4,639)
Intergovernmental payables	363
Accrued wages/payroll taxes	(3,375)
Other liabilities	(2,040)
Deferred revenue	15,296
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 28,938</b>

See accompanying notes to the basic financial statements

Morgan Metropolitan Housing Authority  
Notes to the basic financial statements  
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Morgan Metropolitan Housing Authority (the “Authority”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or after November 30, 1989, to its business-type activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the Authority’s accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments.

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 financial statements comply with the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*, and Statement No. 39, *Determining Whether Certain Organizations are Component Units*, in that the financial statements include all organizations, activities, and functions for which the Authority is financially accountable. Financial accountability is defined by the component unit being fiscally dependent on the Authority. The Authority is not a component unit of any larger entity.

Basis of Presentation

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

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

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

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources 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 changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Enterprise Fund

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

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

The following are the various programs which are included in the single enterprise fund:

Conventional Public Housing (PH) – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Capital Fund Program (CFP)** – This is the current primary funding source for the Authority’s physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on the size and age of the units.

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

**Ross Program (ROSS)** – A grant program that provides funds for job training and supportive services to help residents of public housing transition from welfare to work. ROSS also provides funding to link elderly/disabled residents to critical services which can help them continue to live independently.

**Accounting and Reporting for Nonexchange Transactions**

The Authority adopted GASB 33. Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of nonexchange transactions as follows:

- **Derived tax revenues:** result from assessments imposed on exchange transactions (i.e., income taxes, sales taxes and other assessments on earnings or consumption).
- **Imposed nonexchange revenues:** result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (i.e. property taxes and fines).
- **Government-mandated nonexchange transactions:** occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (i.e., federal programs that state or local governments are mandated to perform).
- **Voluntary nonexchange transactions:** result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).

PHA grants and subsidies will be defined as a government-mandated or voluntary nonexchange transactions.

GASB 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

- **Time requirements** specify (a) the period when resources are required to be used or when use may begin (for example, operating or capital grants for a specific period) or (b) that the resources are required to be maintained intact in perpetuity or until a specified date or event has occurred (for example, permanent endowments, term endowments, and similar agreements). Time requirements affect the timing of recognition of nonexchange transactions.
- **Purpose restrictions** specify the purpose for which resources are required to be used. (i.e. capital grants used for the purchase of capital assets). Purpose restrictions do not affect when a nonexchange transaction is recognized. However, PHAs that receive resources with purpose restrictions should report resulting net assets, equity, or fund balance as restricted.

The PHA will recognize assets (liabilities) when all applicable eligibility requirements are met or resources received whichever is first. Eligibility requirements established by the provider may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies.

The PHA will recognize revenues (expenses) when all applicable eligibility requirements are met. For transactions that have a time requirement for the beginning of the following period, PHAs should record resources received prior to that period as deferred revenue and the provider of those resources would record an advance.

The PHA receives government-mandated or voluntary nonexchange transactions, which do not specify time requirements. Upon award, the entire subsidy should be recognized as a receivable and revenue in the period when applicable eligibility requirements have been met.



Morgan Metropolitan Housing Authority  
Notes to the basic financial statements  
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2007 for both programs totaled \$12,278.

Deferred Revenue

Deferred revenue arises when revenues are received before revenue recognition criteria have been satisfied.

Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

Capital Assets

Fixed assets are stated at cost and depreciation is computed using the straight line method over an 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 Authority's capitalization policy is \$500. The following are the estimated useful lives used for depreciation purposes:

Buildings – residential	27.5
Buildings – non residential	40
Building improvements	15
Furniture – dwelling	7
Furniture – non-dwelling	7
Equipment – dwelling	5
Equipment – non-dwelling	7
Autos and trucks	5
Computer hardware	3
Computer software	3
Leasehold improvements	15
Land improvements	15

Cash and Cash Equivalents

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

Due From/To Other Programs

On the basic financial statements, receivables and payables resulting from the short-term interprogram loans are eliminated.

Accrued Liabilities

All payables and accrued liabilities are reported in the basic financial statements.

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 balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. 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.

Morgan Metropolitan Housing Authority  
Notes to the basic financial statements  
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund 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.

Estimates

The preparation of financial statements 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.

Receivables – net of allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for uncollectable tenant receivables was \$889 at June 30, 2007.

Inventories

Inventories are stated at cost, (first-in, first-out method). Inventory consists of supplies and maintenance parts. The allowance for obsolete inventory was \$1,500 at June 30, 2007.

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. There was no related debt as of June 30, 2007. Net assets are recorded as restricted when there are limitations imposed on their use either by internal or external restrictions.

Operating/Nonoperating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are tenant revenues, operating grants from HUD and other miscellaneous revenue.

Nonoperating revenues are HUD capital grants and interest income. HUD capital grants are the amounts received by the Authority for capital improvements and administration of the public housing programs.

Operating expenses are those expenses that are expended directly for the primary activity of the proprietary fund. For the Authority, these expenses are administrative, utilities, maintenance, PILOT, insurance, depreciation, bad debt and housing assistance payments.

2. CASH AND INVESTMENTS

Cash

Ohio statutes classify monies held by the Authority into three categories.

Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Authority has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit account is including, but not limited to passbook accounts.

**2. CASH AND INVESTMENTS - CONTINUED**

Interim deposits are deposits of interim monies. Interim monies are those monies, which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) by eligible securities pledged by the financial institution as security for repayment, but surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

At fiscal year end June 30, 2007, the carrying amount of the Authority's deposits totaled \$203,613 and its bank balance was \$191,016. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2007, \$0 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Depository Insurance Corporation and the remaining \$91,016 was covered by specific collateral pledged by the financial institution in the name of the Authority.

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

**Investments**

HUD, State Statute and Board Resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose or arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's Trust department or agent in the Authority's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its Trust department but not in the Authority's name. The Authority had no investments at June 30, 2007.

**3. NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

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

**4. RISK MANAGEMENT**

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

Morgan Metropolitan Housing Authority  
Notes to the basic financial statements  
June 30, 2007

4. RISK MANAGEMENT - CONTINUED

The Authority maintained insurance with Housing Authority Insurance Group up to June 15, 2007 and then switched to SHARP insurance pool. SHARP is a comprehensive general liability insurance group operated as a joint venture by its public housing authority members. The Housing Authority paid a prorated premium of \$8,948 which will go through December 1, 2007.

5. CAPITAL ASSETS

The following is a summary:

	Balance 6/30/06	Additions	Balance 6/30/07
<b>CAPITAL ASSETS, NOT BEING DEPRECIATED</b>			
Land	\$ 251,650	\$ -	\$ 251,650
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>\$ 251,650</b>	<b>\$ -</b>	<b>\$ 251,650</b>
<b>CAPITAL ASSETS, BEING DEPRECIATED</b>			
Buildings and Improvements	\$ 3,540,154	\$ 278,774	\$ 3,818,928
Furniture and equipment	253,648	-	253,648
Totals at Historical Costs	3,793,802	278,774	4,072,576
Less: Accumulated Depreciation	(1,912,793)	(135,911)	(2,048,704)
<b>TOTAL CAPITAL ASSETS, NET BEING DEPRECIATED</b>	<b>\$ 1,881,009</b>	<b>\$ 142,863</b>	<b>\$ 2,023,872</b>

The depreciation expense for the year then ended June 30, 2007 was \$135,911.

6. PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

The Authority contributes to the Public Employees' Retirement System of Ohio ("OPERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the State. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish an amend benefits is provided by State Statute per Chapter 145 of the Ohio Revised Code. The Public Employees' Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Authority's contributions to OPERS, representing 100% of employer contributions, was \$19,757, \$21,495, and \$18,312 for the years ended June 30, 2007, 2006, and 2005, respectively.

Other postemployment benefits for health care costs provided by OPERS are as follows:

- OPERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12. *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*. A portion of each contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2006 employer contribution rate for state employers was 13.54% of covered payroll; 4.5% was the portion that was used to fund health care for the year. These rates are the actuarially determined contribution requirement for OPERS. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

Morgan Metropolitan Housing Authority  
Notes to the basic financial statements  
June 30, 2007

**6. PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

- The assumptions and calculations below were based on the OPERS's latest Actuarial Review performed as of December 31, 2005. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the 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 annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2006 was 6.50%. An annual increase of 4.00% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate, plus an additional factor ranging from 0.5% to 6% for increase 4% (the projected wage inflation rate).
- OPEB are advance-funded on an actuarially determined basis. As of December 31, 2005, the actuarial value of the OPERS's net assets available for OPEB was \$11.1 billion. The number of active contributing participants was 369,214. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

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

**7. FDS SCHEDULE SUBMITTED TO HUD**

For the fiscal year ended June 30, 2007, the Authority electronically submitted an unaudited version of the combining balance sheet, statement of revenues, expenses and changes in retained earnings and other data to HUD as required on the GAAP basis. The audited version of the FDS schedules are in the supplemental data. The schedules are presented in the manner prescribed by Housing and Urban Development. These schedules can be used to tie the total assets and liabilities into the combined statements.

**8. CONTINGENT LIABILITIES**

Under the terms of Federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenses under the terms of the grants. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

**Morgan Metropolitan Housing Authority  
Balance Sheet  
FDS Schedule Submitted to HUD  
Proprietary Fund Type  
Enterprise Fund  
June 30, 2007**

FDS Line Item No.	Account Description	14.871 Section 8 Vouchers	14.850 Public & Indian Hsg	14.872 Capital Fund	Other Business Activity	TOTAL
	<b>ASSETS</b>					
111	Cash - unrestricted	\$ 6,674	\$ -	\$ -	\$ 25,200	\$ 31,874
113	Cash - Restricted prepaid health	-	-	-	-	-
113	Cash - other restricted	9,683	1,296	-	-	10,979
114	Cash - tenant security deposits	-	21,551	-	-	21,551
115	Cash - current liabilities	19,010	34,019	-	-	53,029
100	TOTAL CASH	<u>35,367</u>	<u>56,866</u>	<u>-</u>	<u>25,200</u>	<u>117,433</u>
122	Accounts receivable - HUD other proj	-	-	63,960	-	63,960
125	Accounts receivable - miscellaneous	-	4,977	-	-	4,977
126	A/R Tenants - dwelling rents	-	1,942	-	-	1,942
126.1	Allowance for doubtful accts	-	(1,000)	-	-	(1,000)
126.2	Allowance for doubtful accts - other	2,210	-	-	-	2,210
128.1	Allowance for doubtful accts	(2,210)	-	-	-	(2,210)
129	Accrued interest receivable	-	-	-	-	-
128	Fraud recovery	-	-	-	-	-
120	TOTAL ACCOUNTS RECEIVABLE	<u>-</u>	<u>5,919</u>	<u>63,960</u>	<u>-</u>	<u>69,879</u>
131	Investments - unrestricted	86,180	-	-	-	86,180
	Investments - restricted for current					
135	liabilities	-	-	-	-	-
142	Prepaid expenses and other assets	28	2,740	-	-	2,768
143	Inventories	-	14,294	-	-	14,294
143.1	Allowance for obsolete inventory	-	(1,500)	-	-	(1,500)
144	Interprogram due from	-	15,878	-	-	15,878
150	TOTAL CURRENT ASSETS	<u>121,575</u>	<u>94,197</u>	<u>63,960</u>	<u>25,200</u>	<u>304,932</u>
161	Land	-	251,650	-	-	251,650
162	Buildings	-	3,387,069	184,236	-	3,571,305
163	Furniture and equipment - dwellings	-	118,863	-	-	118,863
164	Furniture and equipment - admin	24,177	110,607	-	-	134,784
165	Leasehold improvements	-	206,687	40,936	-	247,623
166	Accumulated depreciation	(23,662)	(2,017,598)	(7,443)	-	(2,048,703)
160	TOTAL FIXED ASSETS, NET	<u>515</u>	<u>2,057,278</u>	<u>217,729</u>	<u>-</u>	<u>2,275,522</u>
180	TOTAL NON-CURRENT ASSETS	<u>515</u>	<u>2,057,278</u>	<u>217,729</u>	<u>-</u>	<u>2,275,522</u>
190	TOTAL ASSETS	<u>\$ 122,090</u>	<u>\$ 2,151,475</u>	<u>\$ 281,689</u>	<u>\$ 25,200</u>	<u>\$ 2,580,454</u>

See independent auditors' report

Morgan Metropolitan Housing Authority  
Balance Sheet  
FDS Schedule Submitted to HUD  
Proprietary Fund Type  
Enterprise Fund  
June 30, 2007

FDS Line Item No.	Account Description	14.871 Section 8 Vouchers	14.850 Public & Indian Hsg	14.872 Capital Fund	Other Business Activity	TOTAL
<b>LIABILITIES</b>						
312	Accounts payable <=90 days	\$ 1,336	\$ 13,056	\$ 62,416	\$ -	\$ 76,808
321	Accrued wages/payroll taxes	705	942	-	-	1,647
322	Accrued compensated absences	2,635	2,528	-	-	5,163
333	Accounts payable - other govt	-	858	-	-	858
341	Tenant security deposits	-	21,551	-	-	21,551
342	Deferred revenue	-	15,296	-	-	15,296
347	Interprogram due to	14,334	-	1,544	-	15,878
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>19,010</b>	<b>54,231</b>	<b>63,960</b>	<b>-</b>	<b>137,201</b>
354	Accrued Compensated Absences - Noncurrent	3,367	2,268	-	-	5,635
353	Noncurrent liabilities - other	9,683	1,296	-	-	10,979
350	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>13,050</b>	<b>3,564</b>	<b>-</b>	<b>-</b>	<b>16,614</b>
300	<b>TOTAL LIABILITIES</b>	<b>32,060</b>	<b>57,795</b>	<b>63,960</b>	<b>-</b>	<b>153,815</b>
513	<b>TOTAL EQUITY</b>	<b>90,030</b>	<b>2,093,680</b>	<b>217,729</b>	<b>25,200</b>	<b>2,426,639</b>
600	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 122,090</b>	<b>\$ 2,151,475</b>	<b>\$ 281,689</b>	<b>\$ 25,200</b>	<b>\$ 2,580,454</b>

See independent auditors' report

**Morgan Metropolitan Housing Authority**  
**Statement of Revenues, Expenses and Changes in Equity**  
**FDS Schedule Submitted to HUD**  
**Proprietary Fund Type**  
**Enterprise Fund**  
**Year Ended June 30, 2007**

FDS Line Item No.	Account Description	14.871 Section 8 Vouchers	14.850 Public & Indian Hsg	14.872 Capital Fund	14.870 Ross	Other Business Activity	TOTAL
	<b>REVENUE</b>						
703	Net tenant revenue	\$ -	\$ 73,372	\$ -	\$ -	\$ -	\$ 73,372
704	Tenant revenue - other	-	8,529	-	-	-	8,529
705	<b>TOTAL TENANT REVENUE</b>	<b>-</b>	<b>81,901</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81,901</b>
706	PHA HUD grants	542,518	176,191	-	29,525	-	748,234
706.1	Capital contributions	-	-	184,236	-	-	184,236
711	Investment income - unrestricted	6,917	5,261	-	-	-	12,178
714	Fraud Recovery	2,760	-	-	-	-	2,760
715	Other revenue	1,405	-	-	-	8,400	9,805
720	Investment income - restricted	-	100	-	-	-	100
700	<b>TOTAL REVENUE</b>	<b>553,600</b>	<b>263,453</b>	<b>184,236</b>	<b>29,525</b>	<b>8,400</b>	<b>1,039,214</b>
	<b>EXPENSES</b>						
911	Administrative salaries	44,957	28,654	-	25,000	-	98,611
912	Auditing fees	-	1,131	-	-	-	1,131
914	Compensated absences	912	(5,550)	-	-	-	(4,638)
915	Employee benefit contribution - admin	-	-	-	4,525	-	4,525
916	Other operating - administrative	41,348	18,542	-	-	-	59,890
924	Tenant services - other	-	457	-	-	-	457
931	Water	276	55,238	-	-	-	55,514
932	Electricity	1,132	6,140	-	-	-	7,272
933	Gas	627	3,415	-	-	-	4,042
941	Ord maintenance/op - labor	-	48,539	-	-	-	48,539
942	Ord maintenance/op - materials	-	6,751	-	-	-	6,751
943	Ord maintenance/op - cont costs	4,925	28,435	-	-	-	33,360
945	Emp benefit contrib - ord main	-	29,267	-	-	-	29,267
961	Insurance premiums	386	22,128	-	-	-	22,514
963	PILOT	-	858	-	-	-	858
964	Bad debts - tenant rents	1,860	2,160	-	-	-	4,020
969	<b>TOTAL OPERATING EXPENSES</b>	<b>96,423</b>	<b>246,165</b>	<b>-</b>	<b>29,525</b>	<b>-</b>	<b>372,113</b>
970	<b>EXCESS OPERATING REVENUE OVER EXPENSES</b>	<b>457,177</b>	<b>17,288</b>	<b>184,236</b>	<b>-</b>	<b>8,400</b>	<b>667,101</b>
973	Housing Assistance Payments	452,159	-	-	-	-	452,159
974	Depreciation expense	1,029	128,803	6,079	-	-	135,911
900	<b>TOTAL EXPENSES</b>	<b>549,611</b>	<b>374,968</b>	<b>6,079</b>	<b>29,525</b>	<b>-</b>	<b>960,183</b>

See independent auditors' report



**Morgan Metropolitan Housing Authority  
Statement of Revenues, Expenses and Changes in Equity  
FDS Schedule Submitted to HUD  
Proprietary Fund Type  
Enterprise Fund  
Year Ended June 30, 2007**

FDS Line Item No.	Account Description	14.871 Section 8 Vouchers	14.850 Public & Indian Hsg	14.872 Capital Fund	14.870 Ross	Other Business Activity	TOTAL
1001	Operating transfers in	-	-	-	-	-	-
1002	Operating transfers out	-	-	-	-	-	-
	TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-
	EXCESS OF REVENUE						
1000	OVER EXPENSES	3,989	(111,515)	178,157	-	8,400	79,031
1103	Beginning equity	86,041	2,144,542	100,225	-	16,800	2,347,608
	ENDING EQUITY	\$ 90,030	\$ 2,033,027	\$ 278,382	\$ -	\$ 25,200	\$ 2,426,639

See independent auditors' report

**Morgan Metropolitan Housing Authority  
Cost Certification**

	<u>501-05</u>
<b>TOTAL EXPENDED</b>	<u>\$ 96,974</u>
<b>TOTAL RECEIVED</b>	<u>\$ 96,974</u>

1. The actual cost certificate was filed and approved.
2. All costs have been paid through June 30, 2007 and there are no outstanding liabilities.
3. The final costs on the certificate agree to the Authority's records.

See independent auditors' report

**Morgan Metropolitan Housing Authority  
Schedule of Federal Awards Expenditures  
Year Ended June 30, 2007**

	<b>FEDERAL CFDA NUMBER</b>	<b>FUNDS EXPENDED</b>
<b><u>FROM U.S. DEPARTMENT OF HUD</u></b>		
<b><u>DIRECT PROGRAMS</u></b>		
<b>PHA Owned Housing:</b>		
Public and Indian Housing	14.850A	\$ 176,191
Public Housing Capital Fund	14.872	184,236
Resident Opportunities and Self Sufficiency	14.870	29,525
<b>Housing Assistance Payments:</b>		
<b>Annual Contribution -</b>		
Section 8 Housing Choice Vouchers	14.871	542,518
<b>Total - All Programs</b>		<b>\$ 932,470</b>

See independent auditors' report



125 West Mulberry Street  
Lancaster, Ohio 43130

[www.JCCcpa.com](http://www.JCCcpa.com)

740.653.9581 tel

614.837.2921 tel

740.653.0983 fax

**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  
Morgan Metropolitan Housing Authority  
McConnelsville, Ohio**

**Regional Inspector General of Audit  
Department of Housing and Urban  
Development**

We have audited the basic financial statements of Morgan Metropolitan Housing Authority as of and for the year ended June 30, 2007, and have issued our report thereon dated September 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Morgan Metropolitan Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Morgan Metropolitan Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting (Item number 2007-2424-001).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

*much more than an accounting firm*

**Compliance and Other Matters**

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

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

A handwritten signature in black ink that reads "Jones, Cochenour & Co." with a stylized flourish at the end.

Jones, Cochenour & Co.  
September 26, 2007



125 West Mulberry Street  
Lancaster, Ohio 43130

[www.JCCcpa.com](http://www.JCCcpa.com)

740.653.9581 tel

614.837.2921 tel

740.653.0983 fax

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
Morgan Metropolitan Housing Authority  
McConnelsville, Ohio

Regional Inspector General of Audit  
Department of Housing and Urban  
Development

**Compliance**

We have audited the compliance of Morgan Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended June 30, 2007. Morgan Metropolitan Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Morgan Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Morgan Metropolitan Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Morgan Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Morgan Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Morgan Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

**Internal Control Over Compliance**

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

*much more than an accounting firm*

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 significant deficiency, or combination of significant deficiencies in internal controls in which there is more than a remote likelihood 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, Auditor of State, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Jones, Cochenour & Co.".

Jones, Cochenour & Co.  
September 26, 2007

**Schedule of Findings  
OMB Circular A-133 § .505**

**Morgan Metropolitan Housing Authority  
Year Ended June 30, 2007**

<b>1. SUMMARY OF AUDITORS' RESULTS</b>
--

<b>Type of Financial Statement Opinion</b>	<b>Unqualified</b>
<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	<b>Yes</b>
<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	<b>No</b>
<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	<b>No</b>
<b>Type of Major Programs' Compliance Opinion</b>	<b>Unqualified</b>
<b>Are there any reportable findings under § .510?</b>	<b>No</b>
<b>Major Programs (list):</b>	<b>Section 8 CFDA #14.871</b>
<b>Dollar Threshold: Type A/B Programs</b>	<b>\$300,000</b>
<b>Low Risk Auditee?</b>	<b>Yes</b>



Morgan Metropolitan Housing Authority

Schedule of Findings  
OMB Circular A-133 § .505 - Continued

Morgan Metropolitan Housing Authority  
Year Ended June 30, 2007

**2. FINDINGS RELATED TO FINANCIAL STATEMENTS**

Finding Number	2007-2424-001
----------------	---------------

**SIGNIFICANT DEFICIENCY – LACK OF SEGREGATION OF DUTIES:**

During our audit of the Authority, it was noted that the procedures have been segregated as much as feasibly possible. Considering the small size of the staff, total segregation may not be cost effective. However, segregation of duties should be implemented when possible as well as practical. We recommend continuous monitoring, the following procedures are suggested:

**Recommendation:** In general, the following rules are especially beneficial:

- Do not allow a single employee to handle a cash transaction from beginning to end.
- The cash handling function should be separated from the function of recording cash transactions in the books of account.
- The receipt of cash should be centralized
- Customers should obtain a receipt at the conclusion of each sale.
- Cash receipts should be deposited to the bank intact on a daily basis.
- All cash disbursements should be made by check.
- Employees not involved with cash processing should prepare bank reconciliations.
- Bank reconciliations should be performed on a timely basis at the end of each month.

**3. FINDINGS RELATED TO FEDERAL AWARDS**

There are no findings or questioned costs for the year ended June 30, 2007.

**Morgan Metropolitan Housing Authority  
Status of Prior Year Findings  
Year Ended June 30, 2007**

<b>STATUS OF PRIOR YEAR FINDINGS</b>
--------------------------------------

**Finding 2004/2006-2424-001 – Partially Complete – Due to a small staff, it was difficult to completely segregate.**



**Mary Taylor, CPA**  
Auditor of State

**MORGAN METROPOLITAN HOUSING AUTHORITY**

**MORGAN 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 24, 2007**