AUDITED BASIC FINANCIAL STATEMENTS

OF THE

MARION METROPOLITAN HOUSING AUTHORITY

JULY 1, 2006 – JUNE 30, 2007

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, 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 Marion Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 17, 2008

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Board of Directors
Marion Metropolitan Housing Authority
P.O. Box 1029
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, 2007, which collectively comprise the financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 in the significant estimates made by management, as well as evaluating the overall financial statement presentations. We believe 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, 2007 and the changes in financial position and, where applicable, cash flows, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standard*s, we have also issued a report dated December 20, 2007 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Wilson, Shannon & Snow, Inc.
CERTIFIED PUBLIC ACCOUNTANTS
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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting 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.

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
December 20, 2007

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, 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 11).

FINANCIAL HIGHLIGHTS

- During fiscal year 2007, the Authority's net assets increased by $89,279 (or 71.37%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets for fiscal year 2006 were $125,099 and net assets for fiscal year 2007 were $214,378.

- The revenue increased by $108,100 (or 3.92%) during fiscal year 2007, and was $2,757,505 and $2,865,605 for fiscal year 2006 and fiscal year 2007, respectively.

- The total expenses of the Authority decreased by $304,805 (or 9.89%). Total expenses were $3,081,131 and $2,776,326 for fiscal year 2006 and fiscal year 2007, respectively.

USING THIS ANNUAL REPORT

The Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary Information":

MD&A

~ Management's Discussion
And Analysis –pgs 3-10 ~

Basic Financial Statements

~ Financial Statements – pgs 11-13 ~
~ Notes to the Basic Financial Statements – pg 14~

Other Required Supplementary Information

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

The primary focus of the Authority's financial statements is on the Authority as a whole. The Authority operates as a single enterprise fund and this presentation allows the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

Authority-Wide Financial Statements

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". 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 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.

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 Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as grant revenue, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue, such as investment income.

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

Finally, 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 Fund

The Authority consists of exclusively an Enterprise Fund. The Enterprise fund utilizes the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized in the private sector.

The fund maintained by the Authority is required by the Department of Housing and Urban Development.

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 an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of adjusted household income.

Supportive Housing for Persons with Disabilities Program – This program operates in a similar manner as the Housing Choice Voucher Program with the primary focus of providing rental assistance to elderly and handicapped participants. The program is administered under an ACC with HUD.

Other programs through which the Authority receives funding include the Home Investment Partnership Program and the Community Development Block Grant. Both of these programs involve administering services and providing assistance to participants to obtain low income housing. State and local activities represents non-HUD resources developed from providing services to other housing authorities.

Statement of Net Assets

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

STATEMENT OF NET ASSETS

	2007	Restated 2006
Current and Other Assets	$ 228,413	$ 169,682
Capital Assets	1,472	5,706
Total Assets	229,885	175,568
Current Liabilities	7,286	21,159
Non-Current Liabilities	8,221	29,310
Total Liabilities	15,507	50,469
Net Assets:		
Invested in Capital Assets	1,472	5,706
Restricted	99,316	45,435
Unrestricted	113,590	73,958
Total Net Assets	$ 214,378	$ 125,099

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

Major Factors Affecting the Statement of Net Assets

Current assets increased by $58,731 in fiscal year 2007. This difference mostly represents the current year surplus which increased current assets (primarily cash and investments). Liabilities decreased by $34,962 in fiscal year 2007 due to the Authority reporting the offset to fraud recovery receivables as an allowance for doubtful accounts rather than a non-current liability which was how it was recorded in prior years. Changes in HUD's funding allows the Authority to retain excess funding for possible usage in future years on Housing Assistance Payments only, therefore, $99,316 is considered restricted. This reporting method is new for fiscal year 2007, therefore, no restricted amounts were reported for fiscal year 2006.

Capital assets decreased during fiscal year 2007 from $5,706 to $1,472. The decrease is attributed to the current year depreciation of $4,234. For more detail see "Capital Assets and Debt Administration" on page 9.

CHANGE OF UNRESTRICTED NET ASSETS

Unrestricted Net Assets June 30, 2006, Restated		$ 73,958
Results of Operations related to Administrative Fee	$ 35,398	
Adjustments:		
Depreciation (1)	4,234	
Adjusted Results from Operations		39,632
Unrestricted Net Assets June 30, 2007		$ 113,590

(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 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.

	2007	2006
Revenues		
HUD PHA Operating Grants	$ 2,803,823	$ 2,674,630
Interest	2,325	3,994
Other Revenues	59,457	78,881
Total Revenue	2,865,605	2,757,505
Expenses		
Administrative Salaries and Employee Benefits	332,039	382,611
Material and Labor - Maintenance	4,972	6,832
General	8,426	11,574
Housing Assistance Payments	2,426,655	2,673,603
Depreciation	4,234	6,511
Total Expenses	2,776,326	3,081,131
Change in Net Assets	89,279	(323,626)
Net Assets at July 1	125,099	448,725
Net Assets at June 30	$ 214,378	$ 125,099

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

HUD PHA Operating Grants and Housing Assistance Payments increased slightly because of a higher leasing rate than last year and increases in grant funding through the Supportive Housing for Persons with Disabilities and Community Development Block Grant.

Other revenues represent income from providing services to other housing authorities and revenues from tenant fraud recovery. The decrease in fiscal year 2007 was primarily the result of changes in staff which decreased the amount of services the Authority could provide to other authorities.

The Administrative Salaries and Employee Benefits expenses decrease was caused by turnover in personnel during fiscal year 2007.

Most other expenses decreased moderately due to reduction of expenses instituted by the Authority to minimize costs and budget concerns.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2007, the Authority had $1,472 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	
	2007	2006
Equipment – Administrative	$ 32,386	$ 32,386
Accumulated Depreciation	(30,914)	(26,680)
Total	$ 1,472	$ 5,706

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

CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance	$ 5,706
Depreciation	(4,234)
Ending Balance	$ 1,472

There were no major additions or disposals during fiscal year 2007.

Debt Outstanding

As of June 30, 2007, 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 demand for housing assistance
- Inflationary pressure on utility rates, supplies and other costs

FINANCIAL CONTACT

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

MARION METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2007

Assets	
Current Assets	
Cash and Cash Equivalents	$ 219,890
Accounts Receivable	335
Prepaid Items	8,188
Total Current Assets	228,413
Non-Current Assets	
Accounts Receivable:	
Fraud Recovery	16,379
Allowance for Doubtful Accounts	(16,379)
Total Accounts Receivable, Net	-
Capital Assets:	
Furniture and Equipment	32,386
Accumulated Depreciation	(30,914)
Total Capital Assets	1,472
Total Non-Current Assets	1,472
Total Assets	229,885
Liabilities	
Current Liabilities	
Accounts Payable	4,130
Accrued Wages and Payroll Taxes	2,242
Accrued Compensated Absences	914
Total Current Liabilities	7,286
Non-Current Liabilities	
Accrued Compensated Absences	8,221
Total Non-Current Liabilities	8,221
Total Liabilities	15,507
Net Assets	
Invested in Capital Assets	1,472
Restricted	99,316
Unrestricted	113,590
Total Net Assets	$ 214,378

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 ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Operating Revenues		
HUD PHA Operating Grants		$ 2,803,823
Other Revenues		59,457
Total Operating Revenue		2,863,280
Operating Expenses		
Housing Assistance Payments	$ 2,426,655	
Administrative Salaries	147,247	
Employee Benefits	66,906	
Other Administrative Expense	117,886	
Material and Labor - Maintenance	4,972	
Depreciation	4,234	
General	8,426	
Total Operating Expenses		2,776,326
Operating Income		86,954
Nonoperating Revenues		
Interest		2,325
Change in Net Assets		89,279
Net Assets at July 1, 2006		125,099
Net Assets at June 30, 2007		$ 214,378

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, 2007

Cash flows from operating activities:		
Cash received from HUD	$	2,686,315
Cash received from other sources		59,172
Cash payments to employees for services		(214,155)
Cash payments for good or services - HUD		(2,358,154)
Cash payments for goods or services		(103,951)
Net cash provided by operating activities		69,227
Cash flows from investing activities:		
Interest		2,325
Net cash provided by investing activities		2,325
Net change in cash and cash equivalents		71,552
Cash and cash equivalents at July 1, 2006		148,338
Cash and cash equivalents at June 30, 2007	$	219,890
Cash flows from operating activities:		
Operating income	$	86,954
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		4,234
Changes in assets and liabilities		
Decrease in accounts receivable, net		14,626
Increase in prepaid items		(1,626)
Decrease in accounts payable		(2,887)
Decrease in accrued wages and payroll taxes		(7,115)
Decrease in other liabilities		(24,959)
Net cash provided by operating activities	$	69,227

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

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 2007.

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 Type:

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 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 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 fund is 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 assets life, are not capitalized. The following are the useful lives used for depreciation purposes:

Description	Estimated Useful Lives - Years
Furniture	7
Equipment	7
Computer hardware	3
Computer software	3
Vehicles	5

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 balance sheet date 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. In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a current liability.

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. The amount reported as restricted net assets at fiscal year end represents the amounts restricted by HUD for future Housing Assistance Payments. The Authority did not have net assets restricted by enabling legislation at June 30, 2007.

Estimates

The preparation of the 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 year-end are recorded as prepaid items via the consumption method.

Operating 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 for Housing and Urban Development Grants and other revenues. Operating expenses are necessary costs to provide goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenues.

Accounts Receivable

Management considers all accounts receivable (excluding the fraud recovery receivable) to be collected in full.

2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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 interest bearing accounts. 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, 2007 are as follows:

Demand deposits:	
Bank balance - Checking	$ 232,260
Items-in-transit	(12,395)
Carrying balance	$ 219,865

Of the fiscal year-end cash balance, $100,000 was covered by federal deposit insurance and the remaining balance of $132,260 was covered by pledged securities held by a third-party trustee maintaining collateral for all public funds on deposit. In addition, $25 was maintained in a petty cash fund which is included in cash and cash equivalents presented on the statement of net assets.

Based on the Authority having only demand deposits at June 30, 2007, 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 2007, the Authority purchased commercial insurance for vehicle, health, generally 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, 2007:

	Balance at July 1, 2006	Additions	Disposals	Balance at June 30, 2007
Governmental Activities - Cost				
Furniture, fixture, 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	(20,339)	(2,422)		(22,761)
Vehicles	(6,341)	(1,812)		(8,153)
Total accumulated depreciation	(26,680)	(4,234)	-	(30,914)
Capital assets, net	$ 5,706	$ (4,234)	$ -	$ 1,472

5. DEFINED BENEFIT PENSION PLANS

Plan Description – All employees of the Authority are eligible to participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Pension Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-retirement health care coverage. The authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available comprehensive annual financial report which includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-PERS (7377).

Funding Policy – The Authority and covered employees contribute at actuarially determined rates for 2007, 13.7% and 9%, respectively, of covered employee payroll to OPERS. The Authority's contributions to OPERS for the years ended June 30, 2007, 2006, and 2005 were $21,065, $25,623, and $25,056, respectively. Required contributions are equal to 100% of the dollar amount billed. The Board of the Authority has elected to pay the employees' portion of OPERS which totaled $14,200 for fiscal year 2007.

5. DEFINED BENEFIT PENSION PLANS - CONTINUED

***Other Postretirement 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 (4.5%) 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.

Employer contributions are advance-funded on an actuarially determined basis and are determined by state statute. The Traditional Pension and Combined Plans had 369,214 active contributing participants as of December 31, 2006. The number of active contributing participants for both plans used in the December 31, 2005 actuarial valuation was 358,804.

The assumptions and calculations used below were based on the System's latest Actuarial Review performed as of December 31, 2005 (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 annually, not to exceed a 12% corridor. The investment assumption rate for 2005 was 6.5 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%.

Health care costs were assumed to increase at a projected wage inflation rate plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years (10 and beyond), health care costs were assumed to increase 4% (the projected wage inflation rate).

As of December 31, 2005, the audited estimated net assets available for OPEB were $11.1 billion. The actuarial 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 Fund (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions 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.

6. 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 or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts could have a material adverse effect on the overall financial position of the Authority at June 30, 2007.

B. Litigation

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

MARION METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
JUNE 30, 2007

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers	14.181 Supportive Housing for Persons with Disabilities	Total
	Current Assets			
	Cash			
111	Cash - Unrestricted	$ 134,087	$ 85,803	$ 219,890
100	Total Cash	134,087	85,803	219,890
	Accounts Receivable			
125	Miscellaneous	335	-	335
	Other Assets			
142	Prepaid Items	8,188	-	8,188
150	Total Current Assets	142,610	85,803	228,413
	Noncurrent Assets			
128	Fraud Recovery	16,379	-	16,379
128.1	Allowance for Doubtful Accounts	(16,379)	-	(16,379)
120	Total Receivables, net of allowance for doubtful accounts	-	-	-
	Capital Assets			
164	Furniture and Equipment - Administration	32,386	-	32,386
166	Accumulated Depreciation	(30,914)	-	(30,914)
160	Total Capital Assets net of accumulated depreciation	1,472	-	1,472
180	Total Noncurrent Assets	1,472	-	1,472
190	Total Assets	$ 144,082	$ 85,803	$ 229,885

MARION METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
JUNE 30, 2007

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers	14.181 Supportive Housing for Persons with Disabilities	Total
	Current Liabilities			
312	Accounts Payable	$ 4,130	$ -	$ 4,130
321	Accrued Wages and Payroll Taxes	2,242	-	2,242
322	Accrued Compensated Absences - Current	914	-	914
310	Total Current Liabilities	7,286	-	7,286
	Non-Current Liabilities			
354	Accrued Compensated Absences - Noncurrent	8,221	-	8,221
350	Total Non-Current Liabilities	8,221	-	8,221
300	Total Liabilities	15,507	-	15,507
	Net Assets			
508.1	Invested in Capital Assets	1,472	-	1,472
511.1	Restricted Net Assets	13,513	85,803	99,316
512.1	Unrestricted Net Assets	113,590	-	113,590
	Total Net Assets	128,575	85,803	214,378
600	Total Liabilities and Net Assets	$ 144,082	$ 85,803	$ 229,885

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, 2007

FDS Line Item No.	Account Description	14.181 Supportive Housing for Persons with Disabilities	14.871 Section 8 Housing Choice Vouchers	14.228 Community Development Block Grant	14.239 Home Investment Partnership Program	State/Local	Total
	Revenue						
706-010	Housing Assistance Payment Revenues		$ 2,029,598				$ 2,029,598
706-020	Administrative Fees Revenues		265,476				265,476
706	HUD PHA Operating Grants		2,295,074				2,295,074
706	HUD PHA Operating Grants	$ 433,782		$ 22,500	$ 52,467	$ -	508,749
711-010	Housing Assistance Payment	-	1,110	-	-	-	1,110
711-020	Administrative Fees	-	1,215	-	-	-	1,215
711	Investment Income - Unrestricted	-	2,325	-	-	-	2,325
714-010	Housing Assistance Payment	-	3,764	-	-	-	3,764
714-020	Administrative Fees	-	3,764	-	-	-	3,764
714	Fraud Recovery	-	7,528	-	-	-	7,528
715	Other Revenue	-	272	-	-	51,657	51,929
	Total Revenue	433,782	2,305,199	22,500	52,467	51,657	2,865,605
	Expenses						
911	Administrative Salaries	13,320	75,603	14,538	4,129	38,743	146,333
912	Auditing Fees	-	4,593	-	-	-	4,593
914	Compensated Absences	-	914	-	-	-	914
915	Employee Benefit Contribution - Administrative	7,519	46,473	-	-	12,914	66,906
916	Other Operating - Administrative	14,576	90,114	7,962	641	-	113,293
942	Ordinary Maintenance and Operation - Materials and Other	-	4,972	-	-	-	4,972
961	Insurance Premiums	-	8,426	-	-	-	8,426
	Total Operating Expenses	35,415	231,095	22,500	4,770	51,657	345,437
970	Excess Operating Revenue Over Operating Expenses	398,367	2,074,104	-	47,697	-	2,520,168
	Other Expenses						
973	Housing Assistance Payments	312,564	2,066,394	-	47,697	-	2,426,655
974	Depreciation Expense	-	4,234	-	-	-	4,234
	Total Other Expenses	312,564	2,070,628	-	47,697	-	2,430,889
900	Total Expenses	347,979	2,301,723	22,500	52,467	51,657	2,776,326
1000	Excess of Revenues Over Expenses	85,803	3,476	-	-	-	89,279
1103	Beginning Net Assets	-	125,099	-	-	-	125,099
	Ending Net Assets	$ 85,803	$ 128,575	$ -	$ -	$ -	$ 214,378

NOTE: For HUD Grants reporting, REAC requires the breakout of revenues as they relate to Housing Assistance Payments and Administrative Fees separately for the Housing Choice Vouchers, however, this breakout is not required for the other grant programs.

MARION METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CHANGES IN EQUITY BALANCES
FDS SCHEDULE SUBMITTED TO HUD
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers Program		
1117-001	Administrative Fee Equity - Beginning Balance			$ 79,664
1117-010	Administrative Fee Revenue	$ 265,476		
1117-040	Investment Income	1,215		
1117-045	Fraud Recovery Revenue	3,764		
1117-050	Other Revenue	272		
1117-060	Total Admin Fee Revenues		270,727	
1117-080	Total Operating Expenses	231,095		
1117-090	Depreciation	4,234		
1117-110	Total Expenses		235,329	
1117-002	Net Administrative Fee			35,398
1117-003	Administrative Fee Equity - Ending Balance			115,062
1117	Administrative Fee Equity			$ 115,062
1118-001	Housing Assistance Payments Equity - Beginning Balance			$ 45,435
1118-010	Housing Assistance Payment Revenues	$2,029,598		
1118-015	Fraud Recovery Revenue	3,764		
1118-025	Investment Income	1,110		
1118-030	Total Housing Assistance Payments Revenues		2,034,472	
1118-080	Housing Assistance Payments	2,066,394		
1118-100	Total Housing Assistance Payments Expenses		2,066,394	
1118-002	Net Housing Assistance Payments			(31,922)
1118-003	Housing Assistance Payments Equity - Ending Balance			13,513
1118	Housing Assistance Payments Equity			$ 13,513

MARION METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Federal Grantor / Pass Through Grantor Program Title	Pass-Through Number	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Supportive Housing for Persons with Disabilities	N/A	14.181	$ 433,782
Section 8 Housing Choice Vouchers	N/A	14.871	2,295,074
Passed through the City of Marion:			
Home Investment Partnership Program	N/A	14.239	52,467
Community Development Block Grants/State's Program	N/A	14.228	22,500
Total Federal Awards Expenditures			$ 2,803,823

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.

Report On Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Marion Metropolitan Housing Authority
P.O. Box 1029
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, 2007 which collectively comprise the Authority's financial statements and have issued our report thereon dated December 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting 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 the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 Authority'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 Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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 Authority'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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Wilson, Shannon & Snow, Inc.

CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
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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 the Board of Directors, management, Auditor of State, federal awarding agencies, pass-through entities, and other members of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Shannon & Snow, Inc.

Newark, Ohio
December 20, 2007

<u>Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with *OMB Circular A-133*</u>

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

<u>Compliance</u>

We have audited the compliance of the Marion Metropolitan Housing Authority, Marion County, Ohio (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 each major federal program for the fiscal year ended June 30, 2007. The Authority's major federal programs are 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 each major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

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

<u>Internal Control over Compliance</u>

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Auhtority's internal control.

Our consideration of the internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
December 20, 2007

MARION METROPOLITAN HOUSING AUTHORITY
MARION COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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 significant deficiencies 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 major federal programs?**	No
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	Supportive Housing for Persons with Disabilities/CFDA #14.181 and Section 8 Housing Choice Vouchers/CFDA #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

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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
JANUARY 31, 2008

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