

**HURON METROPOLITAN HOUSING AUTHORITY**

Financial Condition

As of

June 30, 2007

Together with Auditors' Report





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Huron Metropolitan Housing Authority  
P.O. Box 1029  
Mansfield, Ohio 44901

We have reviewed the *Independent Auditor's Report* of the Huron Metropolitan Housing Authority, Huron County, prepared by Kevin L. Penn, 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 Huron Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 31, 2007

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**HURON METROPOLITAN HOUSING AUTHORITY  
NORWALK, OHIO**

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## **Independent Auditor's Report**

Board of Trustees  
Huron Metropolitan Housing Authority  
Norwalk, Ohio

I have audited the accompanying financial statements of the Huron Metropolitan Housing Authority, as of June 30, 2007 and for the year then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the Huron Metropolitan Housing Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards 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 I 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. I believe that my audit provides a reasonable basis in my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Huron Metropolitan Housing Authority, as of June 30, 2007, and the changes in net assets and revenues, expenditures and other changes, and the cash flows for the year ended June 30, 2007 in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages 3 – 9, is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. The MD&A has been reviewed in accordance with the standards established by the American Institute of Certified Public Accountants. Such a review, however, is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion on the MD&A information.

In accordance with *Government Auditing Standards*, I have also issued my report dated October 22, 2006 on my consideration of the Huron Metropolitan Housing Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of my audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Huron Metropolitan Housing Authority taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. In addition, the financial data schedule, pages 22 to 24 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development. These schedules are the responsibility of management of Huron Metropolitan Housing Authority, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kevin L. Penn, Inc.

October 22, 2006

## **Huron Metropolitan Housing Authority**

### **Management's Discussion and Analysis**

#### **For the Year Ended June 30, 2007**

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

This Management Discussion and Analysis is new, and will now be presented at the front of each year's financial statements.

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 10).

#### **FINANCIAL HIGHLIGHTS**

- During FY 2007, the Authority's net assets increased by \$189,786 (or 23.73%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net Assets were \$609,918 and \$799,704 for FY 2007 and FY 2006 respectively.
- The revenue decreased by \$134,676 (or 5.55%) during FY 2007, and was \$2,291,097 and \$2,425,773 for FY 2007 and FY 2006 respectively.
- The total expenses of the Authority increased by \$255,419 (or 11.86%). Total expenses were \$2,409,580 and \$2,154,161 for FY 2007 and FY 2006 respectively.

The primary focus of the Authority's financial statement is on the Authority as a whole (Authority-Wide).



## Authority-Wide Financial Statements

The Authority-wide financial statements (see pages 10-11) are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

These Statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, 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:

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”.

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as 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, Statement of Cash Flows (see page 12) is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

## **Fund Financial Statements**

Traditional users of governmental financial statements will find the Authority-wide financial statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the funds maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

## **The Authority's Funds**

### Business Type Funds

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of adjusted household income.

Other Non-major Funds - In addition to the major funds above, the Authority also maintains the following non-major funds. Non-major funds are defined as funds that have assets, liabilities, revenues, or expenses of at least 5% or more of the Authority's total assets, liabilities, revenues or expenses.

State/Local Activities – represents non-HUD resources developed from a variety of activities.

## AUTHORITY – WIDE STATEMENT

### Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

**TABLE 1**

#### STATEMENT OF NET ASSETS

	<u>FY 2006</u>	<u>FY 2007</u>
Current and Other Assets	\$ 780,906	\$ 577,165
Capital Assets	<u>104,936</u>	<u>100,463</u>
Total Assets	<u>885,838</u>	<u>677,628</u>
Other Liabilities	17,997	12,406
Non-Current Liabilities	<u>68,137</u>	<u>54,327</u>
Total Liabilities	<u>86,134</u>	<u>66,733</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	104,936	100,463
Unrestricted	<u>694,768</u>	<u>510,432</u>
Total Net Assets	<u>\$ 799,704</u>	<u>\$ 610,895</u>

For More detailed information see page 10 for the Statement of Net Assets.

#### Major Factors Affecting the Statement of Net Assets

Current assets (primarily cash and investments) were decreased by \$203,737 in fiscal year 2007. HUD recaptured 2005/2006 excess reserves totaling \$71,303 and the Authority was able to use \$86,159 of the undesignated HAP funds during FY 2007. Fraud Recovery contra funds were reclassified to Allowance for Doubtful accounts.

The Capital Assets decreased in 2007 the net result of \$11,260 in additions or purchases, \$967 in deletions and current year's depreciation totaling \$14,766. Totaled Capital assets have a net decrease of \$4,473. For more detail see "Capital Assets and Debt Administration" below.

**TABLE 2****CHANGE OF UNRESTRICTED NET ASSETS**

Unrestricted Net Assets 6/30/2007		\$ 694,768
Results of Operations	(117,506)	
Adjustments:		
Depreciation (1)	14,766	
Reclassify Prepaid HUD Funds (2)	(71,303)	
Adjusted Results from Operations		(174,043)
Capital Deletions		967
Capital Expenditures		<u>(11,260)</u>
Unrestricted Net Assets 6/30/2007		<u><u>\$ 510,432</u></u>

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

(2) HUD Recapture & Settlement thru 12/31/2004 and program reserves thru 12/31/2005. Deducted from the August 2006 advance.

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.

**TABLE 3****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.

	<u>FY 2006</u>	<u>FY 2007</u>
Revenues		
HUD PHA Operating Grants	\$ 2,341,679	\$ 2,201,445
Investment Income	10,417	14,500
Other Revenues – Service Income	67,156	64,631
Other Revenues – Fraud Recovery	<u>6,521</u>	<u>9,688</u>
Total Revenue	<u>2,425,773</u>	<u>2,290,264</u>
Expenses		
Administrative	339,865	342,692
Maintenance	8,425	8,810
General	14,736	11,141
Housing Assistance Payments	1,772,563	2,031,194
Depreciation	<u>18,572</u>	<u>14,766</u>
Total Expenses	<u>2,154,161</u>	<u>2,408,603</u>
Net Increase/ (Decrease)	<u>\$ 271,612</u>	<u>\$ ( 117,506)</u>

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

Although HUD/PHA Grants for FY 2007 decreased the Authority was able to increase the total unit months leased by over 10%. FY 2006 unit month's total was 5921 and FY 2007 was 6522. This increase along with changes in payment standards increase HAP by more than 14%.

The decrease of \$86,159 for the year from undesignated HAP funds in addition to the Authority's operations net decrease of \$31,347 totals FY 2007 net Decrease for the year of \$117,506.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of 6/30/07, the Authority had \$100,463 invested in capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation).

**TABLE 4**

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

	Business-type Activities	
	FY 2006	FY 2007
Land/Building	\$ 119,000	\$ 119,000
Equipment – Administrative	49,457	47,817
Building Improvements	76,001	76,001
Accumulated Depreciation	(139,522)	(142,355)
Total	\$ 104,936	\$100,463

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 17 of the notes.

**TABLE 5**

**CHANGE IN CAPITAL ASSETS**

	Business Type Activities
Beginning Balance	\$104,936
Additions	11,260
Disposition	(967)
Depreciation	<u>(14,766)</u>
Ending Balance	<u><u>\$ 100,463</u></u>

The following additions were made:

2006 Ford Taurus \$11,260

**Debt Outstanding**

As of 6/30/07, the Authority has no outstanding debt (bonds, notes, etc.)

**ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

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

**FINANCIAL CONTACT**

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

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

**ASSETS**

Current Assets

Cash and Cash Equivalents (Note 1)	\$ 236,773
Investments – Unrestricted	327,575
Fraud Recovery	5,992
Allowance for Doubtful Accounts - Fraud Recovery	(5,992)
Accounts Receivable – Other	2,235
Interest Receivable	3,292
Prepaid Expenses	7,290
Total Current Assets	577,165

Non-Current Assets

Property and Equipment - Net (Note 1)	100,463
Total Non-Current Assets	100,463
TOTAL ASSETS	\$ 677,628

**LIABILITIES**

Current Liabilities

Accounts Payable	\$ 4,257
Accrued Wages and Payroll Taxes	3,819
Total Current Liabilities	8,076

Non-Current Liabilities

Accrued Compensated Absences	58,657
Total Non-Current Liabilities	58,657
Total Liabilities	\$ 66,733

**NET ASSETS**

Investment in Capital Assets, Net of Related Debt	\$ 100,463
Unrestricted	510,432
Total Net Assets	\$ 610,895

The accompanying notes are an integral part of the financial statements.

HURON METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2007

**Operating Revenue:**

HUD Operating Subsidies and Grants	\$ 2,201,445
Management Fee	64,631
Fraud Recovery	9,688
Total Revenue	2,275,764

**Operating Expenses:**

Housing Assistance Payments	2,031,194
Administrative Salaries	184,686
Employee Benefits	79,293
Other Administrative Expense	78,713
Material and Labor - Maintenance	8,810
Depreciation Expense	14,766
General Expenses	11,141
Total Operating Expenses	2,408,603

Operating Income (Loss)	(132,839)
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**Non-Operating Revenues (Expenses):**

Gain on Sale of Capital Assets	833
Investment Income - Unrestricted	14,500
Total Non-Operating Revenues (Expenses)	15,333

Change in Net Assets	(117,506)
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Net Assets - Beginning of Year as Previously Stated	799,704
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Prior Period Adjustment (Note 10)	(71,303)
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Net Assets - Beginning of Year as Restated	728,401
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Net Assets - End of Year	\$ 610,895
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The accompanying notes are an integral part of the financial statements.



HURON METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2007

Cash Flows From Operating Activities:	
Cash payments to suppliers for goods and services	\$ (103,266)
Cash payments for salaries and benefits	(259,589)
Housing assistance payments	(2,031,194)
HUD operating subsidies and grants	2,201,445
Other receipts	94,001
Other payments	<u>(82,444)</u>
Net Cash Provided (Used) by Operating Activities	(181,047)
Cash Flows From Non-Capital Financing:	
Net Cash Provided (Used) by Non-Capital Financing	-
Cash Flows From Capital and Related Financing Activities:	
Net Cash Provided (Used) by Capital and Related Financing Activities	-
Cash Flows From Investing Activities:	
Change in Investments	(13,089)
Fixed Assets Addition	(11,260)
Fixed Assets Deletion	968
Proceeds from Sale of Capital Assets	832
Investment Income	<u>14,500</u>
Net Cash Provided (Used) by Investing Activities	<u>(8,049)</u>
Increase (Decrease) in Cash and Cash Equivalents	(189,096)
Cash and Cash Equivalents - Beginning of Year	<u>425,869</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 236,773</u></u>

The accompanying notes are an integral part of the financial statements.

(Continued)

HURON METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2007

Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating Income (Loss)	\$ (132,839)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	14,766
(Increase) decrease in:	
Accounts Receivable	3,526
Interest Receivable	(499)
Prepaid Expenses	3,162
Deposits	35
Increase (decrease) in:	
Accounts Payable	(73,588)
Compensated Absences	4,330
Accrued Expenses	<u>60</u>
Net cash used in operating activities	<u>\$ (181,047)</u>

The accompanying notes are an integral part of the financial statements.

**HURON METROPOLITAN HOUSING AUTHORITY**  
**NORWALK, OHIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 1 - Summary of Significant Accounting Policies:**

A. Organization

The Huron Metropolitan Housing Authority (HMHA) is a political subdivision of the State of Ohio, located in Norwalk, Ohio, created under Section 3735.27 of the Ohio Revised Code, to engage in the acquisition, development, leasing and administration of low-rent housing program. An Annual Contributions Contract was signed by the HMHA and the United States Department of Housing and Urban Development (HUD), under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring constructing, maintaining, operating, improving, extending, and repairing housing facilities.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. This criteria was considered in determining the reporting entity.

B. Basis of Accounting

The Authority has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America. Effective July 1, 2002, the Authority implement GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34, and Statement No. 38, Certain Financial Statement Disclosures. These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. The Authority now follows the business-type activities reporting requirements of GASB Statement No. 34. In accordance with GASB statement No. 34, the accompanying basic financial statements are reported on an Authority-wide basis.

Statement No. 34 requires the following, which collectively make up the Authority's basic financial statements:

Management's Discussion and Analysis  
Basic Financial Statements:  
    Statement of Net Assets  
    Statement of Revenues, Expenses, and Changes in Net Assets  
    Statement of Cash Flows  
Notes to the Financial Statements

**HURON METROPOLITAN HOUSING AUTHORITY**  
**NORWALK, OHIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 1 - Summary of Significant Accounting Policies: (continued)**

B. Basis of Accounting (continued)

In accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the Authority has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Authority will continue to apply all applicable pronouncements of the Governmental Accounting Standards Board.

C. Property and Equipment

Property and equipment is recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized, while maintenance and repair costs are expensed as incurred.

Useful life of property and equipment is as follows:

Buildings	40 Years
Equipment	7 Years
Autos	5 Years

Depreciation is recorded on the straight-line method. Total depreciation expense for the 2007 fiscal year was \$14,766.

D. Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents.

E. Investments

Investments are stated at fair value. Cost-based measures of fair value were applied to nonnegotiable certificates of deposit and money market investment.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**HURON METROPOLITAN HOUSING AUTHORITY**  
**NORWALK, OHIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 2 – Deposits and Investments:**

In 2006, the Authority adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This new standard revised the existing requirements regarding disclosure of custodial credit risk and establishes requirements for disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Adoption of GASB Statement No. 40 had no effect on net assets and change in net assets in the prior or current year.

**A. Deposits**

State 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 accounts including, but not limited to passbook accounts.

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.

At year-end, the carrying amount of the Authority's deposits was \$561,348 (including \$564,298 of unrestricted funds and \$50 of petty cash) and the bank balance was \$568,667.

**Custodial Credit Risk**

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of year-end, deposits totaling \$100,000 were covered by Federal Depository Insurance and deposits totaling \$368,667 were uninsured and collateralized with securities held by the financial institution's trust department or agent, but not in the Authority's name.

**HURON METROPOLITAN HOUSING AUTHORITY**  
**NORWALK, OHIO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE 2 – Deposits and Investments:**

**B. 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 funds, 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 obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of 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 specified 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 has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value.

*Interest Rate Risk*

As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires those funds which are not operating reserve funds to be invested in investments with a maximum term of one year or the Authority's operating cycle. For investments of the Authority's operating reserve funds, the maximum term can be up to three years. The intent of the policy is to avoid the need to sell securities prior to maturity.

*Credit Risk*

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority has no investment policy that would further limit its investment choices.

*Concentration of Credit Risk*

Generally, the Authority places no limit on the amount it may invest in any one insurer. However, the investment policy limits the investment of HUD - approved mutual funds to no more than 20 percent of the Authority's available investment funds. The Authority's deposits in financial institutions represents 100 percent of its deposits.

**HURON METROPOLITAN HOUSING AUTHORITY  
NORWALK, OHIO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007**

**NOTE 2 – Deposits and Investments:**

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of year-end, the Authority had no exposure to foreign currency rate risk, as regulated by HUD.

Reconciliation of cash and cash equivalents and investments is as follows:

	Cash and Cash Equivalents *	Investments
Per Statement of Net Assets	\$ 397,923	\$ 166,425
Certificate of Deposit	166,425	( 166,425)
Per GASB Statement No. 3	\$ 564,348	\$ 0

\* Includes Petty Cash.

**NOTE 3 – Property and Equipment:**

A summary of property and equipment at June 30, 2007, by class is as follows:

Building and Building Improvements	\$ 109,000
Land	10,000
Vehicle	11,260
Furniture, Equipment – Administrative	112,558
Total	242,818
Less Accumulated Depreciation	( 142,355)
Net Property and Equipment	\$ 100,463

The following is a summary of changes:

	Balance 6/30/2007	<u>Addition</u>	<u>Deletions</u>	Balance 6/30/2006
Buildings & Building Improvements	\$109,000			\$109,000
Land	10,000			10,000
Vehicle	12,900	11,260	12,900	11,260
Furniture & Equipment – Admin.	112,558			112,558
Total Capital Assets	\$244,458	\$ 11,260	\$12,900	\$242,818

**NOTE 4 – Allocation of Costs:**

The Authority allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program or estimated actual usage. Management considers this to be an equitable method of allocation.

**HURON METROPOLITAN HOUSING AUTHORITY  
NORWALK, OHIO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007**

**NOTE 5: Pension Plan**

**Ohio Public Employees Retirement System**

All Authority full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

- The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan;
- The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings;
- The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

**Ohio Public Employees Retirement System**

PERS provides retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 13.55 percent of covered payroll. The Authority's required contributions to OPERS for the years ended June 30, 2007, 2006, and 2007 were \$23,525, \$25,571 and \$23,525 respectively.

**NOTE 6: Post-Employment Benefits**

**Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides post-retirement 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 with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12.



**HURON METROPOLITAN HOUSING AUTHORITY  
NORWALK, OHIO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007**

**NOTE 6: Post-Employment Benefits (continued)**

**Ohio Public Employees Retirement System**

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2007 employer contribution rate was 13.55 percent of covered payroll, 4 percent was the portion that was used to fund health care for 2007.

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

At December 31, 2005, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,214. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

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

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

**NOTE 7 – Compensated Absences:**

Vacation and sick leave policies are established by the Board of Commissioners based on local and state laws. All permanent employees will earn 4.6 hours of sick leave per (80) hours of service. Unused sick leave may be accumulated without limit. At the time of separation, employees shall be paid the value of (30) days of unused sick leave. All permanent employees will earn vacation hours accumulated based on length of service. All vacation time accumulated will be paid upon separation.

**HURON METROPOLITAN HOUSING AUTHORITY  
NORWALK, OHIO  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007**

**NOTE 8 - Change in Accounting Principles:**

For the year ended June 30, 2007, the Authority has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the Authority.

**NOTE 9 – Insurance:**

The Authority is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of damage to, and destruction of assets; errors and omissions; and injuries to employees.

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.

**NOTE 10 – Prior Period Adjustment:**

Beginning net assets balance has been restated in the amount of \$71,303 as a result of the Department of Housing and Urban Development recapturing excess reserves, relating to the 2006 fiscal year.

**NOTE 11 – Schedule of Expenditures of Federal Awards:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Huron Metropolitan Housing Authority and is presented on the accrued basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

HURON METROPOLITAN HOUSING AUTHORITY

Balance Sheet

June 30, 2007

Financial Data Schedule Submitted to U.S. Department of HUD

FDS  
Line  
Item  
No.

Account Description

	<b>ASSETS</b>	
111	Cash and Cash Equivalents	<u>\$ 236,773</u>
100	<b>TOTAL CASH</b>	236,773
125	Accounts Receivable - Miscellaneous	2,235
128	Accounts Receivable - Fraud Recovery	5,992
128.1	Allowance for Doubtful Accounts - Fraud Recovery	(5,992)
129	Accrued Interest Receivable	<u>3,292</u>
120	<b>TOTAL ACCOUNTS RECEIVABLE</b>	5,527
131	Investments - Unrestricted	327,575
142	Prepaid Expenses	<u>7,290</u>
150	<b>TOTAL CURRENT ASSETS</b>	577,165
161	Land	10,000
162	Buildings	109,000
164	Furniture, Equipment & Machinery - Administration	47,817
165	Leasehold Improvements	76,001
166	Accumulated Depreciation	<u>(142,355)</u>
160	<b>TOTAL FIXED ASSETS, NET</b>	<u>100,463</u>
190	<b>TOTAL ASSETS</b>	<u>\$ 677,628</u>
	<b>LIABILITIES</b>	
312	Accounts Payable	\$ 4,257
321	Accrued Wage/Payroll Taxes Payable	3,819
322	Accrued Compensated Absences - Current	<u>4,330</u>
310	<b>TOTAL CURRENT LIABILITIES</b>	12,406
354	Accrued Compensated Absences - Non Current	<u>54,327</u>
	<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>54,327</u>
	<b>TOTAL LIABILITIES</b>	66,733
508.1	Investment in Capital Assets, Net of Related Debt	100,463
512.1	Unrestricted Net Assets	<u>510,432</u>
	<b>TOTAL EQUITY</b>	<u>610,895</u>
	<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 677,628</u>

HURON METROPOLITAN HOUSING AUTHORITY  
Statement of Revenue, Expenses and Changes in Equity  
For the Year Ended June 30, 2007

Financial Data Schedule Submitted to U.S. Department of HUD

FDS Line Item No.	Account Description	
	<b>Revenue:</b>	
706	HUD PHA Operating Grant	\$2,201,445
711	Investment Income - Unrestricted	14,500
714	Fraud Recovery	9,688
715	Management Fee	64,631
716	Gain/Loss on Sale of Fixed Assets	<u>833</u>
700	Total Revenue	2,291,097
	<b>Expenses:</b>	
911	Administrative Salaries	180,355
912	Audit Fees	4,010
914	Compensated Absences	4,331
915	Employee Benefit Contributions – Administrative	79,293
916	Other Operating - Administrative	74,703
942	Ordinary Maintenance and Operations - Materials and Other	8,810
961	Insurance Premiums	<u>11,141</u>
969	Total Operating Expenses	<u>362,643</u>
970	Excess Operating Revenue over Expenses	1,928,454
	<b>Other Expenses</b>	
973	Housing Assistance Payments	2,031,194
974	Depreciation Expense	<u>14,766</u>
900	<b>Total Expenses</b>	2,408,603
1010	<b>Total Other Funding Sources(Uses)</b>	<u>-</u>
1000	<b>Excess of Operating Revenue Over Expenses</b>	(117,506)
1103	<b>Beginning Equity</b>	799,704
1104	<b>Prior Period Adjustments</b>	<u>(71,303)</u>
	<b>Ending Equity</b>	<u><u>\$ 610,895</u></u>

HURON METROPOLITAN HOUSING AUTHORITY  
Additional Information Required by HUD  
Year Ended June 30, 2007

Financial Data Schedule Submitted to U.S. Department of HUD

FDS Line Item No.	Account Description	
1117	Administrative Fee Equity	\$ 145,371
1118	Housing Assistance Payments Equity	\$ 259,539
1120	Unit Months Available	6,864
1121	Number of Unit Months Leased	6,522

HURON METROPOLITAN HOUSING AUTHORITY  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Amount Received</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development				
Direct Program:				
Section 8 Tenant Based Cluster:				
Housing Choice Vouchers	14.871	C-5101	\$2,201,445	\$2,408,603
TOTAL FEDERAL FINANCIAL ASSISTANCE				----- \$2,408,603 =====

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



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**Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Board of Trustees  
Huron Metropolitan Housing Authority  
Norwalk, Ohio

I have audited the financial statements of Huron Metropolitan Housing Authority as of and for the year ended June 30, 2007, and have issued my report thereon dated October 22, 2007. I conducted my audit in accordance with generally accepted auditing standards 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 my audit, I considered Huron Metropolitan Housing Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Huron Metropolitan Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Huron Metropolitan Housing Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of control does not allow management of 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 Huron Metropolitan Housing 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 Huron Metropolitan Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by Huron Metropolitan Housing 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 Huron Metropolitan Housing Authority's internal control.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Huron Metropolitan Housing Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

Kevin L. Penn, Inc.

October 22, 2007





Certified Public Accountant  
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**Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of Trustees  
Huron Metropolitan Housing Authority  
Norwalk, Ohio

Compliance

I have audited the compliance of Huron Metropolitan Housing 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 of its major federal programs for the year ended June 30, 2007. Huron Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Huron Metropolitan Housing Authority's management. My responsibility is to express an opinion on Huron Metropolitan Housing Authority's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; 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 I 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 Huron Metropolitan Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Huron Metropolitan Housing Authority's compliance with those requirements.

In my opinion, Huron 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 Huron 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 my audit, I considered Huron 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 my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Huron Metropolitan Housing Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance exist 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 control deficiency, or combination of control deficiencies, that adversely affects the entity'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 entity'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 entity's internal control.

My consideration of 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

October 22, 2007

**Huron Metropolitan Housing Authority**  
Schedule of Findings and Questioned Costs  
June 30, 2007

Section I - Summary of Auditor's Results

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
Identification of major programs: 14.871	Housing Choice Voucher Program
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000 (Type A)
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

**Huron Metropolitan Housing Authority**  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2007

There were no audit findings, during the 2006 fiscal year.



**Mary Taylor, CPA**  
Auditor of State

**HURON METROPOLITAN HOUSING AUTHORITY**

**HURON 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 15, 2008**