BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

of the

MORGAN METROPOLITAN HOUSING AUTHORITY

for the

Year Ended June 30, 2008

Mary Taylor, CPA
Auditor of State

Board of Directors
Morgan Metropolitan Housing Authority
4580 SR 376 NW
McConnelsville, Ohio 43765

We have reviewed the *Independent Auditors' Report* of the Morgan Metropolitan Housing Authority, Morgan County, prepared by Jones, Cochenour & Co., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 22, 2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Morgan Metropolitan Housing Authority
McConnelsville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the accompanying basic financial statements of Morgan Metropolitan Housing Authority, as of and for the year ended June 30, 2008, as listed in the table of contents. These basic financial statements are the responsibility of the Morgan Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Morgan Metropolitan Housing Authority, as of June 30, 2008, and the results of its operations and the cash flows of its proprietary fund type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2009 on our consideration of Morgan Metropolitan Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Jones, Cochenour & Co.

Jones, Cochenour & Co.
April 22, 2009

much more than an accounting firm

Unaudited

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

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

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

FINANCIAL HIGHLIGHTS

- **Total revenues: FYE 6/30/07: $1,039,214**
  FYE 6/30/08: $954,812 Decrease of $84,402 (8.1%) in 2008

- **Total expenses: FYE 6/30/07: $960,183**
  FYE 6/30/08: $1,061,605 Increase of $101,422 (10.6%) in 2008

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

MD&A **~ Management Discussion and Analysis (new) ~**
Basic Financial Statements **~ Statement of Net Assets ~** **~ Statement of Revenues, Expenses and Changes in Net Assets ~** **~ Statement of Cash Flows ~** **~ Notes to Financial Statements ~**

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

BASIC FINANCIAL STATEMENTS

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

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

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

> **Net Assets, Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.**
>
> **Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.**
>
> **Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt," or "Restricted Net Assets." This account resembles the old operating reserves account.**

The basic financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense.

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

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

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

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

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

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

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

Unaudited

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
The following table reflects the condensed Statement of Net Assets compared to prior year.

TABLE 1
STATEMENT OF NET ASSETS

	FYE 6/30/08	FYE 6/30/07
Current and Other Assets	$ 267,150	$ 304,932
Capital Assets	2,180,171	2,275,522
TOTAL ASSETS	$ 2,447,321	$ 2,580,454
Other Liabilities	$ 111,502	$ 137,201
Long-Term Liabilities	15,973	16,614
TOTAL LIABILITIES	$ 127,475	$ 153,815
Net Assets:		
Invested in Capital Assets, net of Related Debt	$ 2,180,171	$ 2,275,522
Restricted Net Assets	7,624	12,326
Unrestricted	132,051	138,791
TOTAL NET ASSETS	$ 2,319,846	$ 2,426,639

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

Major factors affecting the Statement of Net Assets: Total Assets decreased by $133,133. Liabilities decreased by $26,340. Capital Assets decreased by $95,351 and unrestricted net assets decreased by $11,442. The majority of these changes were due to the Capital Fund Program. Very little Capital Fund was used for FY 08 which chased the decrease in total net assets.

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

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

	FYE 6/30/08	FYE 6/30/07
Revenue:		
Tenant Revenue (Rent and Other)	$ 89,317	$ 81,901
Operating Subsidies and Grants	840,318	748,234
Capital Grants	-	184,236
Fraud Recovery	645	2,760
Investment Income	7,274	12,278
Other Revenues	17,258	9,805
TOTAL REVENUE	$ 954,812	$1,039,214
Expenses:		
Administration	$ 211,766	$ 190,101
Utilities	62,437	66,828
Maintenance	117,860	88,650
General Expenses	24,179	22,514
Housing Assistance Payments	510,680	452,159
Depreciation	138,722	135,911
Bad Debt	(4,039)	4,020
TOTAL EXPENSES	$1,061,605	$ 960,183

Major factors affecting the Statement of Revenue, Expenses, and Changes in Net Asset: Total Revenue decreased and total expenses increased from the previous year. The decrease in income was due to little activity n the Capital Fund Program. The increase in expenses was affected by the change of a part-time employee to full-time, and maintenance projects that included hot water tanks, windows and playground mulch.

CAPITAL ASSETS

As of year end, the Authority had $2,180,171 invested in net capital assets as reflected in the following schedule which represents a net decrease (addition, deductions and depreciation) of $95,351 from the end of last year.

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

	FYE 6/30/08	FYE 6/30/07
Land and Land Rights	$ 251,650	$ 251,650
Buildings	3,596,073	3,571,306
Equipment-Administrative	153,388	134,784
Equipment-Dwellings	118,863	118,863
Accumulated Depreciation	(2,187,426)	(2,048,704)
Leasehold Improvements	247,623	247,623
TOTAL	$ 2,180,171	$ 2,275,522

TABLE 4
CHANGE IN CAPITAL ASSETS

The following reconciliation summarizes the change in Capital Assets.

Beginning Balance	$ 2,275,522
Improvements	43,371
Depreciation	(138,722)
Ending Balance:	$ 2,180,171

Changes relate to maintenance improvements of $43,371. No large capital fund projects were completed during this fiscal year.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

IN CONCLUSION

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

FINANCIAL CONTACT

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

Respectfully submitted,

Kelly Hardman, Executive Director

Morgan Metropolitan Housing Authority
Statement of Net Assets
June 30, 2008

ASSETS	
Cash and cash equivalents	$ 43,578
Cash restricted	21,909
Investments	112,080
Receivables - net of allowance	9,074
Inventories - net of allowance	10,754
Prepaid expenses and other assets	11,162
TOTAL CURRENT ASSETS	208,557
Land	251,650
Capital assets - net	1,928,521
TOTAL CAPITAL ASSETS	2,180,171
TOTAL ASSETS	2,388,728
LIABILITIES	
Accounts payable	13,031
Accrued liabilities	4,837
Intergovernmental payables	2,447
Tenant security deposits	21,154
Accrued compensated absences	5,826
Deferred revenue	5,614
TOTAL CURRENT LIABILITIES	52,909
Accrued compensated absences	6,063
FSS liability	9,910
TOTAL LONG TERM LIABILITIES	15,973
TOTAL LIABILITIES	68,882
NET ASSETS	
Invested in capital assets - net of related debt	2,180,171
Restricted net assets	7,624
Unrestricted net assets	132,051
NET ASSETS	$ 2,319,846

See accompanying notes to the basic financial statements

Morgan Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2008

OPERATING REVENUE		
Tenant revenue		$ 89,317
HUD operating grants		840,318
Other revenue		17,903
	TOTAL OPERATING REVENUE	947,538
OPERATING EXPENSES		
Administrative		194,670
Utilities		62,437
Insurance		21,485
Maintenance		117,860
General		15,751
Housing assistance payments		510,680
Depreciation		138,722
	TOTAL OPERATING EXPENSES	1,061,605
	OPERATING LOSS	(114,067)
NON-OPERATING REVENUE		
Interest income - unrestricted		7,274
	CHANGE IN NET ASSETS	(106,793)
	NET ASSETS BEGINNING OF YEAR	2,426,639
	NET ASSETS END OF YEAR	$ 2,319,846

See accompanying notes to the basic financial statements

Morgan Metropolitan Housing Authority
Statement of Cash Flows
Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from tenants	$	104,462
Cash received from HUD		755,786
Cash payments for administrative		(337,406)
Cash payments for housing assistance payments		(510,680)
NET CASH PROVIDED BY OPERATING ACTIVITIES		12,162
CASH FLOWS FROM CAPITAL ACTIVITIES		
Acquisition of capital assets		(43,371)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment activity		7,274
Investment purchases		(114,549)
NET CASH (USED) BY FINANCING ACTIVITIES		(107,275)
DECREASE IN CASH AND CASH EQUIVALENTS		(138,484)
CASH AND CASH EQUIVALENTS, BEGINNING		182,062
CASH AND CASH EQUIVALENTS, ENDING	$	43,578
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating (loss)	$	(106,793)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation		138,722
(Increase) decrease in:		
Receivables - net of allowance		60,805
Inventories - net of allowance		2,040
Prepaid expenses and other assets		(8,394)
Increase (decrease) in:		
Accounts payable		(63,777)
Accrued compensated absences		1,091
Intergovernmental payables		1,589
Accrued wages/payroll taxes		(1,973)
Other liabilities		(1,466)
Deferred revenue		(9,682)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	12,162

See accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

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

Basis of Presentation

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

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

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

Measurement Focus

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

Enterprise Fund

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

Accounting and Reporting for Nonexchange Transactions

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

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2008 for both programs totaled $7,274.

Deferred Revenue

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

Prepaid expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid expenses using the consumption method. A current asset for the amount is recorded at the time of the purchase and expense is reported in the year in which the services are consumed.

Capital Assets

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

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

Cash and Cash Equivalents

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

Due From/To Other Programs

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

Accrued Liabilities

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

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absences accrual amount.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Estimates
The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

Inventories
Inventories are stated at cost, (first-in, first-out method). Inventory consists of supplies and maintenance parts. The allowance for obsolete inventory was $1,500 at June 30, 2008.

Net Assets
Net assets represent the difference between assets and liabilities. Net assets invested in capital assets – net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. There was no related debt as of June 30, 2008. Net assets are recorded as restricted when there are limitations imposed on their use either by internal or external restrictions.

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

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

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

2. CASH AND INVESTMENTS

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

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

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

2. CASH AND INVESTMENTS - CONTINUED

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

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

At fiscal year end June 30, 2008, the carrying amount of the Authority's deposits totaled $177,567 and its bank balance was $187,262. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2008, $0 was exposed to custodial risk.

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

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

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's Trust department or agent in the Authority's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its Trust department but not in the Authority's name. The Authority had $112,080 in certificates of depost at June 30, 2008.

3. NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

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

4. RISK MANAGEMENT

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

4. RISK MANAGEMENT - CONTINUED

The Authority maintained insurance with the SHARP insurance pool. SHARP is a comprehensive general liability insurance group operated as a joint venture by its public housing authority members.

5. CAPITAL ASSETS

The following is a summary:

	Balance 6/30/07	Net Additions / Deletions	Balance 6/30/08
CAPITAL ASSETS, NOT BEING DEPRECIATED			
Land	$ 251,650	$ -	$ 251,650
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	$ 251,650	$ -	$ 251,650
CAPITAL ASSETS, BEING DEPRECIATED			
Buildings and Improvements	$ 3,818,928	$ 43,371	$ 3,862,299
Furniture and equipment	253,648	-	253,648
Totals at Historical Costs	4,072,576	43,371	4,115,947
Less: Accumulated Depreciation	(2,048,704)	(138,722)	(2,187,426)
TOTAL CAPITAL ASSETS, NET BEING DEPRECIATED	$ 2,023,872	$ (95,351)	$ 1,928,521

6. PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

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

The Authority's contributions to OPERS, representing 100% of employer contributions, was $19,271, $19,757, and $21,495 for the years ended June 30, 2008, 2007, and 2006, respectively.

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

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

6. PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

- **The assumptions and calculations below were based on the OPERS's latest Actuarial Review performed as of December 31, 2005. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2006 was 6.50%. An annual increase of 4.00% compounded annually is the base potion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate, plus an additional factor ranging from 0.5% to 6% for increase 4% (the projected wage inflation rate).**

- **OPEB are advance-funded on an actuarially determined basis. As of December 31, 2005, the actuarial value of the OPERS's net assets available for OPEB was $11.1 billion. The number of active contributing participants was 369,214. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $31.3 billion and $20.2 billion, respectively.**

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

7. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended June 30, 2008, the Authority electronically submitted an unaudited version of the combining balance sheet, statement of revenues, expenses and changes in retained earnings and other data to HUD as required on the GAAP basis. The audited version of the FDS schedules are in the supplemental data. The schedules are presented in the manner prescribed by Housing and Urban Development. These schedules can be used to tie the total assets and liabilities into the combined statements.

8. CONTINGENT LIABILITIES

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

Morgan Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
June 30, 2008

Line Item No.	Description	Project Totals	Program Totals	Subtotal	Elimination	Total
	Balance Sheet					
111	Cash-unrestricted	$ 3,079	$ 19,345	$ 22,424		$ 22,424
113	Cash-other restricted	$ 6,245	$ 15,664	$ 21,909		$ 21,909
114	Cash-tenant security deposits	$ 21,154	$ -	$ 21,154		$ 21,154
100	**Total Cash**	**$ 30,478**	**$ 35,009**	**$ 65,487**	**$ -**	**$ 65,487**
122-020	Accounts receivable - HUD other projects - Capital fund	$ 340	$ -	$ 340		$ 340
122	**Accounts receivable - HUD other projects**	**$ 340**	**$ -**	**$ 340**		**$ 340**
125-050	Account receivable - miscellaneous - Other	$ 4,377	$ -	$ 4,377		$ 4,377
125	**Account receivable - miscellaneous**	**$ 4,377**	**$ -**	**$ 4,377**		**$ 4,377**
126	Accounts receivable - tenants	$ 3,840	$ -	$ 3,840		$ 3,840
126.1	Allowance for doubtful accounts - tenants	$ (360)	$ -	$ (360)		$ (360)
128	Fraud recovery	$ -	$ 1,952	$ 1,952		$ 1,952
128.1	Allowance for doubtful accounts - fraud	$ -	$ (1,075)	$ (1,075)		$ (1,075)
120	**Total receivables, net of allowance for doubtful accounts**	**$ 8,197**	**$ 877**	**$ 9,074**	**$ -**	**$ 9,074**
131	Investments - unrestricted	$ 35,563	$ 76,517	$ 112,080		$ 112,080
142	Prepaid expenses and other assets	$ 11,134	$ 28	$ 11,162		$ 11,162
143	Inventories	$ 11,854	$ -	$ 11,854		$ 11,854
143.1	Allowance for obsolete inventories	$ (1,100)	$ -	$ (1,100)		$ (1,100)
144	Inter program - due from	$ 58,593	$ -	$ 58,593	-$58,593	$ -
150	**Total Current Assets**	**$ 154,719**	**$ 112,431**	**$ 267,150**	**$ (58,593)**	**$ 208,557**
161	Land	$ 251,650	$ -	$ 251,650		$ 251,650
162	Buildings	$ 3,571,305	$ 24,787	$ 3,596,092		$ 3,596,092
163	Furniture, equipment and machinery - dwellings	$ 118,863	$ -	$ 118,863		$ 118,863
164	Furniture, equipment and machinery - administration	$ 110,607	$ 42,761	$ 153,368		$ 153,368
165	Leasehold improvements	$ 247,623	$ -	$ 247,623		$ 247,623
166	Accumulated depreciation	$ (2,161,390)	$ (26,035)	$ (2,187,425)		$ (2,187,425)
160	**Total capital assets, net of accumulated depreciation**	**$ 2,138,658**	**$ 41,513**	**$ 2,180,171**	**$ -**	**$ 2,180,171**

See independent auditors' report

Morgan Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
June 30, 2008

Line Item No.	Description	Project Totals	Program Totals	Subtotal	Elimination	Total
180	**Total Non-current Assets**	**$ 2,138,658**	**$ 41,513**	**$ 2,180,171**	**$ -**	**$ 2,180,171**
190	**Total Assets**	**$ 2,293,377**	**$ 153,944**	**$ 2,447,321**	**$ (58,593)**	**$ 2,388,728**
312	Accounts payable <= 90 days	$ 12,146	$ 885	$ 13,031		$ 13,031
321	Accrued wage/payroll taxes payable	$ 2,465	$ 2,372	$ 4,837		$ 4,837
322	Accrued compensated absences - current portion	$ 2,724	$ 3,102	$ 5,826		$ 5,826
333	Accounts payable - other government	$ 2,447	$ -	$ 2,447		$ 2,447
341	Tenant security deposits	$ 21,154	$ -	$ 21,154		$ 21,154
342	**Deferred revenue**	**$ -**	**$ 5,614**	**$ 5,614**		**$ 5,614**
347	Inter program - due to	$ 340	$ 58,253	$ 58,593	-$58,593	$ -
310	**Total Current Liabilities**	**$ 41,276**	**$ 70,226**	**$ 111,502**	**$ (58,593)**	**$ 52,909**
353	Non-current liabilities - other	$ 1,870	$ 8,040	$ 9,910		$ 9,910
354	Accrued compensated absences- Non-current	$ 2,835	$ 3,228	$ 6,063		$ 6,063
350	**Total Non-current liabilities**	**$ 4,705**	**$ 11,268**	**$ 15,973**	**$ -**	**$ 15,973**
300	**Total Liabilities**	**$ 45,981**	**$ 81,494**	**$ 127,475**	**$ (58,593)**	**$ 68,882**
508.1	Invested in capital assets, net of related debt	$ 2,138,658	$ 41,513	$ 2,180,171		$ 2,180,171
511.1	Restricted Net Assets	$ -	$ 7,624	$ 7,624		$ 7,624
512.1	Unrestricted Net Assets	$ 108,738	$ 23,313	$ 132,051		$ 132,051
513	**Total Equity/Net Assets**	**$ 2,247,396**	**$ 72,450**	**$ 2,319,846**	**$ -**	**$ 2,319,846**
600	**Total Liabilities and Equity/Net assets**	**$ 2,293,377**	**$ 153,944**	**$ 2,447,321**	**$ (58,593)**	**$ 2,388,728**

See independent auditors' report

Morgan Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Equity
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
Year Ended June 30, 2008

Line Item No.	Description	Project Totals	Program Totals	Subtotal	Elimination	Total
	Income Statement					
70300	Net tenant rental revenue	$ 85,067	$ -	$ 85,067		$ 85,067
70400	Tenant revenue - other	$ 4,250	$ -	$ 4,250		$ 4,250
70500	Total Tenant Revenue	$ 89,317	$ -	**$ 89,317**	**$ -**	**$ 89,317**
70600-010	Housing assistance payments	$ -	$ 502,842	$ 502,842		$ 502,842
70600-020	Ongoing administrative fees earned	$ -	$ 67,583	$ 67,583		$ 67,583
70600-031	FSS Coordinator	$ -	$ 44,932	$ 44,932		$ 44,932
70600	**HUD PHA operating grants**	**$ 213,467**	**$ 626,851**	**$ 840,318**		**$ 840,318**
71100-020	Administrative Fee	$ -	$ 3,673	$ 3,673		$ 3,673
71100	**Investment income - unrestricted**	**$ 2,903**	**$ 3,673**	**$ 6,576**		**$ 6,576**
71400-010	Housing Assistance Payment	$ -	$ 322	$ 322		$ 322
71400-020	Administrative Fee	$ -	$ 323	$ 323		$ 323
71400	**Fraud recovery**	**$ -**	**$ 645**	**$ 645**		**$ 645**
71500	Other revenue	$ 14,850	$ 2,408	$ 17,258		$ 17,258
72000-010	Housing Assistance Payment	$ -	$ 598	$ 598		$ 598
72000	**Investment income - restricted**	**$ 100**	**$ 598**	**$ 698**		**$ 698**
70000	**Total Revenue**	**$ 320,637**	**$ 634,175**	**$ 954,812**	**$ -**	**$ 954,812**
91100	Administrative salaries	$ 39,558	$ 55,852	$ 95,410		$ 95,410
91200	Auditing fees	$ 1,538	$ 3,588	$ 5,126		$ 5,126
91500	Employee benefit contributions - administrative	$ 10,902	$ 20,808	$ 31,710		$ 31,710
91600	Office Expenses	$ 16,121	$ 46,303	$ 62,424		$ 62,424
91000	**Total Operating-Administrative**	**$ 68,119**	**$ 126,551**	**$ 194,670**	**$ -**	**$ 194,670**

Morgan Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Equity
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
Year Ended June 30, 2008

Line Item No.	Description	Project Totals	Program Totals	Subtotal	Elimination	Total
93100	Water	$ 51,100	$ 225	$ 51,325		$ 51,325
93200	Electricity	$ 6,079	$ 1,155	$ 7,234		$ 7,234
93300	Gas	$ 3,419	$ 459	$ 3,878		$ 3,878
93000	**Total Utilities**	**$ 60,598**	**$ 1,839**	**$ 62,437**	**$ -**	**$ 62,437**
94100	Ordinary maintenance and operations - labor	$ 29,619	$ -	$ 29,619		$ 29,619
94200	Ordinary maintenance and operations - materials and other	$ 46,086	$ -	$ 46,086		$ 46,086
94300-120	Ordinary Maintenance and Operations Contracts - Misc Contracts	$ 23,620	$ 4,390	$ 28,010		$ 28,010
94300	**Ordinary Maintenance and Operations Contracts**	**$ 23,620**	**$ 4,390**	**$ 28,010**		**$ 28,010**
94500	Employee benefit contribution - ordinary maintenance	$ 14,145	$ -	$ 14,145		$ 14,145
94000	**Total Maintenance**	**$ 113,470**	**$ 4,390**	**$ 117,860**	**$ -**	**$ 117,860**
96140	All other Insurance	$ 20,387	$ 1,098	$ 21,485		$ 21,485
96100	**Total Insurance Premiums**	**$ 20,387**	**$ 1,098**	**$ 21,485**	**$ -**	**$ 21,485**
96200	Other general expenses	$ 151	$ 96	$ 247		$ 247
96210	Compensated absences	$ 8,969	$ 8,127	$ 17,096		$ 17,096
96300	Payments in lieu of taxes	$ 2,447	$ -	$ 2,447		$ 2,447
96400	Bad debt - tenant rents	$ (640)	$ (3,399)	$ (4,039)		$ (4,039)
96000	**Total Other General Expenses**	**$ 10,927**	**$ 4,824**	**$ 15,751**	**$ -**	**$ 15,751**
96900	**Total Operating Expenses**	**$ 273,501**	**$ 138,702**	**$ 412,203**	**$ -**	**$ 412,203**
97000	**Excess Revenue Over Operating Expenses**	**$ 47,136**	**$ 495,473**	**$ 542,609**	**$ -**	**$ 542,609**

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Morgan Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Equity
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
Year Ended June 30, 2008

Line Item No.	Description	Project Totals	Program Totals	Subtotal	Elimination	Total
97300-050	All Other	$ -	$ 510,680	$ 510,680		$ 510,680
97300	**Housing assistance payments**	**$ -**	**$ 510,680**	**$ 510,680**		**$ 510,680**
97400	Depreciation expense	$ 136,349	$ 2,373	$ 138,722		$ 138,722
90000	**Total Expenses**	**$ 409,850**	**$ 651,755**	**$ 1,061,605**	**$ -**	**$ 1,061,605**
10000	**Excess (Deficiency) of Revenue Over (Under) Expenses**	**$ (89,213)**	**$ (17,580)**	**$ (106,793)**	**$ -**	**$ (106,793)**
11030	Beginning equity	$ 2,311,409	$ 115,230	$ 2,426,639		$ 2,426,639
11040-070	Equity Transfers	$ 25,200	$ (25,200)	$ -		$ -
11040	**Prior period adjustments, equity transfers, and correction of errors**	**$ 25,200**	**$ (25,200)**	**$ -**		**$ -**
11170-001	Administrative Fee Equity- Beginning Balance	$ -	$ 77,704	$ 77,704		$ 77,704
11170-010	Administrative Fee Revenue	$ -	$ 67,583	$ 67,583		$ 67,583
11170-021	FSS Coordinator Grant	$ -	$ 44,932	$ 44,932		$ 44,932
11170-040	Investment Income	$ -	$ 3,673	$ 3,673		$ 3,673
11170-045	Fraud Recovery Revenue	$ -	$ 323	$ 323		$ 323
11170-050	Other Revenue	$ -	$ 192	$ 192		$ 192
11170-060	Total Admin Fee Revenues	$ -	$ 116,703	$ 116,703		$ 116,703
11170-080	Total Operating Expenses	$ -	$ 127,208	$ 127,208		$ 127,208
11170-090	Depreciation	$ -	$ 2,373	$ 2,373		$ 2,373
11170-110	Total Expenses	$ -	$ 129,581	$ 129,581		$ 129,581
11170-002	Net Administrative Fee	$ -	$ (12,878)	$ (12,878)		$ (12,878)
11170-003	Administrative Fee Equity- Ending Balance	$ -	$ 64,826	$ 64,826		$ 64,826
11170	**Administrative Fee Equity**	**$ -**	**$ 64,826**	**$ 64,826**		**$ 64,826**

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Morgan Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Equity
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
Year Ended June 30, 2008

Line Item No.	Description	Project Totals	Program Totals	Subtotal	Elimination	Total
11180-001	Housing Assistance Payments Equity - Begining Balance	$ -	$ 12,326	$ 12,326		$ 12,326
11180-010	Housing Assistance Payment Revenues	$ -	$ 502,842	$ 502,842		$ 502,842
11180-015	Fraud Recovery Revenue	$ -	$ 322	$ 322		$ 322
11180-020	Other Revenue	$ -	$ 2,216	$ 2,216		$ 2,216
11180-025	Investment Income	$ -	$ 598	$ 598		$ 598
11180-030	Total HAP Revenues	$ -	$ 505,978	$ 505,978		$ 505,978
11180-080	Housing Assistance Payments	$ -	$ 510,680	$ 510,680		$ 510,680
11180-100	Total Housing Assistance Payments Expenses	$ -	$ 510,680	$ 510,680		$ 510,680
11180-002	Net Housing Assistance Payments	$ -	$ (4,702)	$ (4,702)		$ (4,702)
11180-003	Housing Assistance Payments Equity-Ending Balance	$ -	$ 7,624	$ 7,624		$ 7,624
11180	**Housing Assistance Payments Equity**	**$ -**	**$ 7,624**	**$ 7,624**		**$ 7,624**
11190-210	Total ACC HCV Units	0	1680	1680		1680
11190	**Unit Months Available**	**720**	**1680**	**2400**		**2400**
11210	**Unit Months Leased**	**691**	**1850**	**2541**		**2541**
11270	**Excess Cash**	**$ 85,310**	**$ -**	**$ 85,310**		**$ 85,310**

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Morgan Metropolitan Housing Authority
Schedule of Federal Awards Expenditures
Year Ended June 30, 2008

	FEDERAL CFDA NUMBER		FUNDS EXPENDED
FROM U.S. DEPARTMENT OF HUD			
DIRECT PROGRAMS			
PHA Owned Housing:			
Public and Indian Housing	14.850A	$	213,127
Public Housing Capital Fund	14.872		340
Resident Opportunities and Self-Sufficiency	14.870		11,494
Housing Assistance Payments:			
Annual Contribution -			
Section 8 Housing Choice Vouchers	14.871		542,518
Total - All Programs		$	767,479

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Morgan Metropolitan Housing Authority
McConnelsville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the basic financial statements of Morgan Metropolitan Housing Authority as of and for the year ended June 30, 2008, and have issued our report thereon dated April 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting (Item number 2008-2424-001).

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

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

Compliance and Other Matters

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

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

Jones, Cochenour & Co.
April 22, 2009

Jones, Cochenour & Co.
Certified Public Accountants

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

Board of Directors
Morgan Metropolitan Housing Authority
McConnelsville, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

Compliance

We have audited the compliance of Morgan Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended June 30, 2008. Morgan Metropolitan Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Morgan Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Morgan Metropolitan Housing Authority's compliance based on our audit.

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

In our opinion, Morgan Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Morgan Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Morgan Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 internal control over compliance.

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 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.

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, Auditor of State, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Jones, Cochenour & Co.

Jones, Cochenour & Co.
April 22, 2009

Schedule of Findings
OMB Circular A-133 § .505

Morgan Metropolitan Housing Authority
Year Ended June 30, 2008

1. SUMMARY OF AUDITORS' RESULTS

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

Morgan Metropolitan Housing Authority
Year Ended June 30, 2008

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

Finding Number	2008-2424-001

SIGNIFICANT DEFICIENCY – LACK OF SEGREGATION OF DUTIES:

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

Recommendation: In general, the following procedures are especially beneficial:

- **Customers should obtain a receipt at the conclusion of each sale.**
- **Cash receipts should be deposited to the bank intact on a daily basis.**
- **All cash disbursements should be made by check.**
- **Employees not involved with cash processing should prepare bank reconciliations.**

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended June 30, 2008.

STATUS OF PRIOR YEAR FINDINGS

Finding 2007-2424-001 – Partially Complete – Due to a small staff, it was difficult to completely segregate.

MORGAN METROPOLITAN HOUSING AUTHORITY

MORGAN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 6, 2009

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