AUDITED BASIC FINANCIAL STATEMENTS

OF THE

MORROW METROPOLITAN HOUSING AUTHORITY

OCTOBER 1, 2006 – SEPTEMBER 30, 2007

Mary Taylor, CPA
Auditor of State

Board of Directors
Morrow Metropolitan Housing Authority
81 North Rich Street
Mt. Gilead, Ohio 43338

We have reviewed the *Independent Auditors' Report* of the Morrow Metropolitan Housing Authority, Morrow County, prepared by Wilson, Shannon & Snow, Inc., for the audit period October 1, 2006 through September 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 Morrow Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 21, 2008

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Board of Directors
Morrow Metropolitan Housing Authority
81 North Rich Street
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INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the Morrow Metropolitan Housing Authority, Morrow County, Ohio (the Authority) as of and for the fiscal year ended September 30, 2007, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Morrow Metropolitan Housing Authority, Morrow County as of September 30, 2007, and the changes in its financial position and where applicable cash flows, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standard*s, we have also issued a report dated March 5, 2008, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Wilson, Shannon & Snow, Inc.
CERTIFIED PUBLIC ACCOUNTANTS
Ten West Locust Street
Newark, Ohio 43055
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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
March 5, 2008

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

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 13).

FINANCIAL HIGHLIGHTS

- During fiscal year 2007, the Authority's net assets increased by $51,771 (or 250%). Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were $20,713 and $72,484 for fiscal year 2006 and fiscal year 2007, respectively.

- Total revenues increased by $9,551 (or 1.5%) during fiscal year 2007, and were $632,794 and $642,345 for fiscal year 2006 and fiscal year 2007, respectively.

- Total expenses of the Authority decreased $88,259 (or 13%). Total expenses were $678,833 and $590,574 for fiscal year 2006 and fiscal year 2007, respectively.

USING THIS ANNUAL REPORT

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

MD&A

~ Management's Discussion
and Analysis – pgs 3-11 ~

Basic Financial Statements

~ Basic Financial Statements – pgs 13-15 ~
~ Notes to the Basic Financial Statements – pgs 16-22 ~

Other Required Supplementary Information

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

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

Authority-Wide Financial Statements

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

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

Net Assets, Invested in Capital Assets: This component of Net Assets consists of all Capital Assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Authority does not have any outstanding debt.

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

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets" or "Restricted Net Assets".

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, such as grant revenue, service income revenue, and fraud recovery revenue, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Non-Operating Revenue, such as investment income.

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

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

The Authority's Fund

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

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

Business-type Activities:

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) 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 Programs - In addition to the major program listed above, the Authority also maintains the following program:

> Home Investment Partnership Program – represents other HUD grant resources developed through a grant agreement with Morrow County.

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Statement of Net Assets

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

STATEMENT OF NET ASSETS

	2007	(Restated) 2006
Current and Other Assets	$ 118,990	$ 60,655
Capital Assets	1,373	2,445
Total Assets	120,363	63,100
Other Liabilities	4,365	4,160
Non-Current Liabilities	43,514	38,227
Total Liabilities	47,879	42,387
Net Assets:		
Invested in Capital Assets	1,373	2,445
Restricted	5,771	(38,307)
Unrestricted	65,340	56,575
Total Net Assets	$ 72,484	$ 20,713

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

Major Factors Affecting the Statement of Net Assets

Current assets (primarily cash and investments) increased by $58,334 and total liabilities increased by $5,493. The Authority increased unused HAP funds (Restricted) which has given the Authority additional cash. In fiscal year 2007, the Authority closely monitored leasing units to avoid over leasing which attributed to increases in cash and net assets categories.

Capital assets decreased by the current year's depreciation of $1,072. For more detail, see "Capital Assets and Debt Administration" on page 10.

CHANGES IN UNRESTRICTED NET ASSETS

Unrestricted Net Assets September 30, 2006 (Restated)		$ 56,575
Results of Operations related to Administrative Fee	$7,693	
Adjustments:		
Depreciation (1)	1,072	
Adjusted Results from Operations		8,765
Unrestricted Net Assets September 30, 2007		$ 65,340

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

While the result of operations is a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

	2007	2006
Revenues		
HUD PHA Operating Grants	$ 629,485	$ 618,536
Interest	353	314
Other Revenues	12,507	13,944
Total Revenue	642,345	632,794
Expenses		
Administrative Salaries and Employee Benefits	110,598	132,536
Material and Labor - Maintenance	2,960	3,654
General	5,011	5,925
Housing Assistance Payments	470,933	533,717
Depreciation	1,072	3,001
Total Expenses	590,574	678,833
Change in Net Assets	51,771	(46,039)
Net Assets at October 1	20,713	66,752
Net Assets at September 30	$ 72,484	$ 20,713

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

HUD PHA Operating Grants increased $10,946 in fiscal year 2007 or 1.77%.

Housing Assistance Payments decreased in fiscal year 2007 by $62,784 or 12%. This in part is attributed to the Authority not leasing as it did in fiscal year 2006. The voucher program was slightly over-leased with 1,232 unit months for fiscal year 2006 or 101% while in fiscal year 2007 the Authority has 1,088 unit months leased for an 89% leasing rate.

Administrative Salaries and Employee Benefits expense decreased due to turnover and reduction in staff during fiscal year 2007.

Most other expenses fluctuated moderately due to inflation along with conservative efforts made by management of the Authority to limit expenses, where possible.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2007, the Authority had $1,373 invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation).

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

	Business-Type Activities	
	2007	2006
Equipment – Administrative	$ 12,378	$ 14,667
Accumulated Depreciation	(11,005)	(12,222)
Total	$ 1,373	$ 2,445

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 20 of the notes to the basic financial statements.

CHANGE IN CAPITAL ASSETS

	Business-Type Activities
Beginning Balance	$ 2,445
Depreciation	(1,072)
Ending Balance	$ 1,373

There were no major additions or disposals during fiscal year 2007. There were $2,289 in disposals for fiscal year 2007; the items were fully depreciated, therefore this had no impact on change in capital assets as outlined above.

Debt Outstanding

As of September 30, 2007, the Authority has no outstanding debt.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, recession and employment trends, which can affect resident incomes and therefore the 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 Morrow Metropolitan Housing Authority, at (419) 526-1622. Specific requests may be submitted to the Authority at 81 North Rich Street, Mt. Gilead, Ohio 43338.

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MORROW METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

Assets		
Current Assets		
Cash and Cash Equivalents	$	68,612
Accounts Receivable, net		2,010
Prepaid Items		1,533
Total Current Assets		72,155
Non-Current Assets		
Restricted Cash		46,835
Capital Assets:		
Furniture and Equipment		12,378
Accumulated Depreciation		(11,005)
Total Capital Assets		1,373
Total Non-Current Assets		48,208
Total Assets		120,363
Liabilities		
Current Liabilities		
Accounts Payable		2,586
Accrued Wages and Payroll Taxes		796
Accrued Compensated Absences		272
Deferred Revenue		711
Total Current Liabilities		4,365
Non-Current Liabilities		
Family Self-Sufficiency Deposits Payable		41,064
Accrued Compensated Absences		2,450
Total Non-Current Liabilities		43,514
Total Liabilities		47,879
Net Assets		
Invested in Capital Assets		1,373
Restricted		5,771
Unrestricted		65,340
Total Net Assets	$	72,484

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

MORROW METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

Operating Revenues		
HUD PHA Operating Grants		$ 629,485
Other Revenue - Service Revenue		3,351
Other Revenue - Fraud Recovery		1,676
Other Revenue - HUD Settlement		7,480
Total Operating Revenue		641,992
Operating Expenses		
Housing Assistance Payments	$ 470,933	
Administrative Salaries	48,827	
Employee Benefits	24,604	
Other Administrative	37,167	
Material and Labor - Maintenance	2,960	
Depreciation	1,072	
General	5,011	
Total Operating Expenses		590,574
Operating Income		51,418
Non-Operating Revenues		
Interest		353
Change in Net Assets		51,771
Net Assets at October 1, 2006		20,713
Net Assets at September 30, 2007		$ 72,484

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

MORROW METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

Cash flows from operating activities	
Cash received from HUD	$ 636,965
Cash received from other sources	3,225
Cash payments to employees for services	(72,598)
Cash payments for goods and services - HUD	(470,933)
Cash payments for goods and services	(39,574)
Net cash provided by operating activities	57,085
Cash flows from investing activities	
Interest	353
Net cash provided by investing activities	353
Net change in cash and cash equivalents	57,438
Cash and cash equivalents at October 1, 2006	58,009
Cash and cash equivalents at September 30, 2007	$ 115,447

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 51,418
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation expense	1,072
Changes in assets and liabilities:	
Accounts receivable	(868)
Prepaid items	(29)
Accounts payable	1,517
Accrued wages and payroll taxes	17
Accrued compensated absences	816
Other liabilities	3,142
Net cash provided by operating activities	$ 57,085

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Morrow Metropolitan Housing Authority (the Authority) have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate. The accompanying financial statements comply with the provisions of GASB Statement 39, *Determining Whether Organizations are Component Units*, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds over which the Authority is financially accountable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Excluded Entity

The following entity is excluded from the Reporting Entity; however, the entity does conduct activities for the benefit of the Authority:

Morrow Housing Development Association – In accordance with housing subsidy contracts, the Authority has designated this organization as a Section 8 non-profit corporation to serve as an instrumentality of the Authority to assist in the development and financing of housing projects. The Board of the Association is legally separate from the Morrow Metropolitan Housing Authority and is independently elected. This Section 8 non-profit corporation has no employees, performs no day-to-day functions, and the officers thereof serve in a non-paid status. There are no assets or liabilities in this corporation and there were no revenues or expenses incurred during 2007.

Fund Accounting

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

Proprietary Fund Types:

Proprietary funds are used to account for the Authority's ongoing activities which are similar to those found in the private sector. The following is the Authority's only proprietary fund type:

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

The Authority accounts for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Measurement Focus/Basis of Accounting

The proprietary fund is accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Capital Assets

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

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

Cash and Cash Equivalents

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

Compensated Absences

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

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislature adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulation of other governments. The amount reported as restricted net assets at fiscal year end represents the amounts restricted by HUD for future Housing Assistance Payments. The Authority did not have net assets restricted by enabling legislation at September 30, 2007.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prepaid Items

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

Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The Authority had restricted assets for Family Self-Sufficiency Deposits and Housing Assistance Payment equity balance. See Note 5 for additional information concerning the Family Self-Sufficiency restricted assets.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are for Housing and Urban Development Grants and other revenues. Operating expenses are necessary costs to provide the goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenues.

Accounts Receivable

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

2. CASH, CASH EQUIVALENTS

Cash equivalents include short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less qualify under this definition.

All monies are deposited into banks as determined by the Authority. Funds are deposited in interest bearing accounts. Security shall be furnished for all accounts in the Authority’s name.

Cash and cash equivalents included in the Authority's cash position at September 30, 2007 are as follows:

Demand deposits:			
Bank balance - Checking	$66,646	Bank balance - Savings	$50,116
Items-in-transit	(1,340)	Items-in-transit	-
Carrying balance	$65,306	Carrying balance	$50,116

Of the fiscal year-end cash balance, $66,646 of the checking account and $50,116 of the savings account was covered by federal deposit insurance and $25 was maintained in petty cash funds.

Based on the Authority having only demand deposits at September 30, 2007, the Authority is not subject to interest rate, credit, concentration, or custodial credit risks.

3. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2007, the Authority purchased commercial insurance for general insurance, real property, building content, and public employee liability.

Property insurance carries a $500 deductible. The limit for public employee theft, disappearance, and destruction is $2,000 each loss.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

4. CAPITAL ASSETS

The following is a summary of capital assets at September 30, 2007:

	Balance October 1, 2006	Additions	Disposals	Balance September 30, 2007
Capital Assets - Cost				
Furniture and equipment	$14,667	$ -	$ (2,289)	$ 12,378
Less: accumulated depreciation				
Furniture and equipment	(12,222)	(1,072)	2,289	(11,005)
Capital assets, net	$ 2,445	$ (1,072)	$ -	$ 1,373

5. FSS ESCROW PAYABLE

The Authority is involved in the Family Self-Sufficiency program through the Housing Choice Vouchers Program. Each month contributions are deposited into the Authority's savings account on behalf of the program participants. Participants are limited to a five year contract at which time, they either meet their program goals and may withdraw their money earned from the savings account, or they fail to meet their goals and forfeit their money. If a forfeiture occurs the money earned is used by the Authority to reinvest into the Housing Choice Voucher Program.

6. DEFINED BENEFIT PENSION PLANS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

Funding Policy – The Authority and covered employees contribute at actuarially determined rates for 2007, 13.85% and 9.5%, respectively, of covered employee payroll to OPERS. The Authority's contributions to OPERS for the years ended September 30, 2007, 2006, and 2005 were $6,214, $7,858, and $10,032, respectively. Required contributions are equal to 100% of the dollar amount billed. The Board of the Authority has elected to pay the employees' portion of OPERS which totaled $4,576 for fiscal year 2007.

Other Postretirement Benefits – OPERS provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit, and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available under OPERS. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB). The portion of employer contributions, for all employers, allocated to health care was 5.00% from January 1 through June 30, 2007 and 6.00% from July 1 through December 31, 2007. The Ohio Revised Code provides the statutory authority for public employers to fund postretirement health care through their contributions to OPERS.

Employer contributions are advance-funded on an actuarially determined basis and are determined by state statute. The Traditional Pension and Combined Plans had 374,979 active contributing participants as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006 actuarial valuation was 362,130.

6. DEFINED BENEFIT PENSION PLANS – PUBLIC EMPLOYEES RETIREMENT SYSTEM – (Continued)

Employer contributions made to fund post-employment benefits were approximately $2,467.

The assumptions and calculations used below were based on the System's latest Actuarial Review performed as of December 31, 2006 (latest actuarial review). An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actual gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2006 was 6.5 percent.

OPERS (assuming the number of active employees remains constant) assumes an annual increase of 4.00% compounded annually for the base portion of an individual's pay increase. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.3%.

Health care costs were assumed to increase at a projected wage inflation rate plus an additional factor ranging from .50% to 5% for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase 4% (the projected wage inflation rate).

As of December 31, 2006, the audited estimated net assets available for OPEB were $12 billion. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were $30.7 billion and $18.7 billion, respectively.

The Health Care Preservation Fund (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, is effective on January 1, 2007. OPERS took additional actions to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which will allow additional funds to be allocated to the health care plan.

7. CONTINGENT LIABILITIES

A. Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any such disallowed claims could have a material adverse effect on the overall financial position of the Authority at September 30, 2007.

B. Litigation

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

MORROW METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
SEPTEMBER 30, 2007

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers	14.239 Home Investment Partnership Program	Total
	Current Assets			
	Cash			
111	Cash - Unrestricted	$ 67,901	$ 711	$ 68,612
113	Cash - Other Restricted	46,835	-	46,835
100	Total Cash	114,736	711	115,447
	Accounts Receivable			
124	Other Governments	1,688	-	1,688
125	Miscellaneous	322	-	322
128	Fraud Recovery	4,801	-	4,801
128.1	Allowance for Doubtful Accounts	(4,801)	-	(4,801)
120	Total Receivables, net of allowance for doubtful accounts	2,010	-	2,010
	Other Assets			
142	Prepaid Items and Other Assets	1,533	-	1,533
150	Total Current Assets	118,279	711	118,990
	Capital Assets			
164	Furniture and Equipment - Administration	12,378	-	12,378
166	Accumulated Depreciation	(11,005)	-	(11,005)
160	Total Capital Assets net of accumulated depreciation	1,373	-	1,373
180	Total Non-Current Assets	1,373	-	1,373
190	Total Assets	$ 119,652	$ 711	$ 120,363

NOTE FOR REAC REPORTING: Due to limited account code options provided in the REAC system, classification differences may exist between the schedules and the basic financial statements.

MORROW METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
SEPTEMBER 30, 2007

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers	14.239 Home Investment Partnership Program	Total
	Current Liabilities			
312	Accounts Payable	$ 2,586	$ -	$ 2,586
321	Accrued Wages and Payroll Taxes	796	-	796
322	Accrued Compensated Absences - Current	272	-	272
342	Deferred Revenue	-	711	711
310	Total Current Liabilities	3,654	711	4,365
	Non-Current Liabilities			
354	Accrued Compensated Absences - Noncurrent	2,450	-	2,450
353	Non-Current Liabilities - Other	41,064	-	41,064
350	Total Non-Current Liabilities	43,514	-	43,514
300	Total Liabilities	47,168	711	47,879
	Net Assets			
508.1	Invested in Capital Assets	1,373	-	1,373
511.1	Restricted Net Assets	5,771	-	5,771
512.1	Unrestricted Net Assets	65,340	-	65,340
	Total Net Assets	72,484	-	72,484
600	Total Liabilities and Net Assets	$ 119,652	$ 711	$ 120,363

MORROW METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers	14.239 Home Investment Partnership Program	Total
	Revenue			
706-010	Housing Assistance Payment Revenues	$ 389,604		$ 389,604
706-020	Administrative Fees Revenues	83,524		83,524
706	HUD PHA Operating Grants	473,128		473,128
706	HUD PHA Operating Grants		$ 156,357	156,357
711-010	Housing Assistance Payment	10	-	10
711-020	Administrative Fees	160	-	160
711	Investment Income - Unrestricted	170	-	170
714-010	Housing Assistance Payment	838	-	838
714-020	Administrative Fees	838	-	838
714	Fraud Recovery	1,676	-	1,676
715	Other Revenue	10,831	-	10,831
720-010	Housing Assistance Payments	183	-	183
720	Investment Income - Restricted	183	-	183
	Total Revenue	485,988	156,357	642,345
	Expenses			
911	Administrative Salaries	28,427	20,400	48,827
912	Auditing Fees	4,509	-	4,509
914	Compensated Absences	816	-	816
915	Employee Benefit Contribution - Administrative	13,594	10,194	23,788
916	Other Operating - Administrative	29,252	3,406	32,658
942	Ordinary Maintenance and Operation - Materials and Other	2,960	-	2,960
961	Insurance Premiums	4,828	-	4,828
962	Other General Expenses	183	-	183
969	Total Operating Expenses	84,569	34,000	118,569
970	Excess Operating Revenue Over Operating Expenses	401,419	122,357	523,776
	Other Expenses			
973-010	Home Ownership	970		970
973-050	All Other	347,606		347,606
973	Housing Assistance Payments	348,576		348,576
973	Housing Assistance Payments		122,357	122,357
974	Depreciation Expense	1,072	-	1,072
	Total Other Expenses	349,648	122,357	472,005
900	Total Expenses	434,217	156,357	590,574
1000	Excess of Revenues Over Expenses	51,771	-	51,771
1103	Beginning Net Assets	20,713	-	20,713
	Ending Net Assets	$ 72,484	$ -	$ 72,484

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

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

FDS Line Item No.	Account Description	14.871 Section 8 Housing Choice Vouchers		
1117-001	Administrative Fee Equity - Beginning Balance			$ 59,020
1117-010	Administrative Fee Revenue	$ 83,524		
1117-040	Investment Income	160		
1117-045	Fraud Recovery Revenue	838		
1117-050	Other Revenue	8,812		
	Prior Year Settlement of $7,293 plus Administrative Fees from Ported In Unites of $1,519			
1117-060	Total Admin Fee Revenues		$ 93,334	
1117-080	Total Operating Expenses	84,569		
1117-090	Depreciation	1,072		
1117-110	Total Expenses		85,641	
1117-002	Net Administrative Fee			7,693
1117-003	Administrative Fee Equity - Ending Balance			66,713
1117	Administrative Fee Equity			$ 66,713
1118-001	Housing Assistance Payments Equity - Beginning Balance			$ (38,307)
1118-010	Housing Assistance Payment Revenues	$ 389,604		
1118-015	Fraud Recovery Revenue	838		
1118-020	Other Revenue	2,019		
	Prior Year Settlement of $187 plus Forfeited Family Self-Sufficiency Accounts of $1,832			
1118-025	Investment Income	193		
1118-030	Total Housing Assistance Payments Revenues		392,654	
1118-080	Housing Assistance Payments	348,576		
1118-100	Total Housing Assistance Payments Expenses		348,576	
1118-002	Net Housing Assistance Payments			44,078
1118-003	Housing Assistance Payments Equity - Ending Balance			5,771
1118	Housing Assistance Payments Equity			$ 5,771

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

Federal Grantor/ Pass-Through Grantor Program Title	Pass-Through Number	CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Section 8 Housing Choice Vouchers Program	N/A	14.871	$ 473,128
Passed through Morrow County			
Home Investment Partnership Program	B-C-06-054-1 & B-C-06-054-2	14.239	156,357
Total Federal Award Expenditures			$ 629,485

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES

The Schedule of Federal Awards Expenditures (the Schedule) is a summary of the activity of the Authority's federal award programs. The Schedule has been prepared on the accrual basis of accounting.

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

Board of Directors
Morrow Metropolitan Housing Authority
81 North Rich Street
Mt. Gilead, Ohio 43338

We have audited the financial statements of the Morrow Metropolitan Housing Authority, Morrow County, Ohio (the Authority) as of and for the fiscal year ended September 30, 2007, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Authority's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Authority's internal control will not prevent or detect a material financial statement misstatement.

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

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CERTIFIED PUBLIC ACCOUNTANTS
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<u>Compliance and Other Matters</u>

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

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
March 5, 2008

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

Board of Directors
Morrow Metropolitan Housing Authority
81 North Rich Street
Mt. Gilead, Ohio 43338

Compliance

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

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

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

Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to administer a federal program such that there is more than a remote likelihood that the Authority's internal control will not prevent or detect a more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Authority's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Wilson, Shannon & Snow, Inc.

Newark, Ohio
March 5, 2008

MORROW METROPOLITAN HOUSING AUTHORITY
MORROW COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other significant deficiencies conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other significant deficiencies reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Program's Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Program (list):**	Section 8 Housing Choice Vouchers/14.871
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

MORROW METROPOLITAN HOUSING AUTHORITY
MORROW COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

Mary Taylor, CPA
Auditor of State

MORROW METROPOLITAN HOUSING AUTHORITY

MORROW 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
MAY 1, 2008