BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

of the

BELMONT METROPOLITAN HOUSING AUTHORITY

for the

Year Ended March 31, 2006

Auditor of State
Betty Montgomery

Board of Directors
Belmont Metropolitan Housing Authority
100 South Third St.
PO Box 398
Martins Ferry, Ohio 43935

We have reviewed the *Independent Auditors' Report* of the Belmont Metropolitan Housing Authority, Belmont County, prepared by Jones, Cochenour & Co., for the audit period April 1, 2005 through March 31, 2006. 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 Belmont Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

November 8, 2006

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BELMONT METROPOLITAN HOUSING AUTHORITY
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Jones, Cochenour & Co.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Belmont Metropolitan Housing Authority
Martins Ferry, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the accompanying basic financial statements of Belmont Metropolitan Housing Authority, as of and for the year ended March 31, 2006, as listed in the table of contents. These basic financial statements are the responsibility of the Belmont Metropolitan Housing Authority's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Belmont Metropolitan Housing Authority, as of March 31, 2006, and the results of its operations and the cash flows of its proprietary funds 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 a report dated June 28, 2006 on our consideration of Belmont Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of 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 Governmental Accounting Standards Board. 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 thereon.

Our audit was performed for the purpose of forming opinions on the basic financial statements of the Authority taken as a whole. The FDS and cost certification are presented for purposes of additional analysis and are not a required part of the financial statements of the Belmont 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 opinions, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Jones, Cochenour & Co.

Jones, Cochenour & Co.
June 28, 2006

125 West Mulberry Street · Lancaster, Ohio 43130 · (740) 653-9581 · Columbus: (614) 837-2921 · Fax: (740) 653-0983
4876 Cemetery Road · Hilliard, Ohio 43026 · (614) 876-6993 · Fax: (614) 876-6899

Unaudited

It is a privilege to present for you the financial picture of Belmont Metropolitan Housing Authority. The Belmont 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 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.

FINANCIAL HIGHLIGHTS

- **Net assets were $16.7 million and $16.1 million for 2005 and 2006, respectively. The Authority-wide statements reflect a decrease in total net assets of $652,273 during 2006.**

- **The business-type activity revenue decreased by $82,999 (or 1.8%) during 2006, and was $4.6 million and $4.5 million for 2005 and 2006, respectively.**

- **The total expenses of all Authority programs increased by $348,711 or 6.8%. due to increased utility, health insurance costs and depreciation expense. Total expenses were $4.8 million and $5.1 million for 2005 and 2006, respectively.**

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

MD&A **~ Management Discussion and Analysis ~**
Basic Financial Statements **~ Authority-wide Financial Statements ~** **~ Fund Financial Statement ~** **~ Notes to Financial Statements ~**
Other Required Supplementary Information **~ Required Supplementary Information (other than MD&A) ~**

The focus is on both the Authority as a whole (authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) 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.

Unaudited

Authority-Wide Financial Statements

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

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

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

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

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

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

Finally, 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.

Fund Financial Statements

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

The Department of Housing and Urban Development requires the funds be maintained by the Authority.

Business Type Funds:

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. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on size and age of your units.

Unaudited

<u>Housing Choice Voucher Program (HCVP)</u> – 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.

AUTHORITY-WIDE STATEMENT

Statement of Net Assets

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

TABLE 1
STATEMENT OF NET ASSETS

	2006 (in millions of dollars)	2005 (in millions of dollars)
Current and Other Assets	$ 2.4	$ 2.2
Capital Assets	14.2	14.9
Total Assets	$ 16.6	$ 17.1
Current Liabilities	0.4	0.3
Long-Term Liabilities	0.1	0.1
Total Liabilities	$ 0.5	$ 0.4
Net Assets:		
Invested in Capital Assets, Net of Related Debt	14.2	14.9
Unrestricted	1.9	1.8
Total Net Assets	$ 16.1	$ 16.7

For more detailed information see the Statement of Net Assets.

<u>Major Factors Affecting the Statement of Net Assets</u>

Current assets were increased by $.2 million while liabilities increased by .1 million.

Capital assets decreased by $.7 million, from $14.9 million to $14.2 million.

The unrestricted net assets, the account that resembles the old operating reserves, increased by $84,535.

While it was a very stable year the Authority's unrestricted net assets increased, indicating a positive change in the financial well being of the Authority.

Unaudited

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. The Authority is engaged only in Business-Type Activities.

	2006 (in millions of dollars)	2005 (in millions of dollars)
Revenues		
Tenant Revenue - Rents and Other	$ 1.3	$ 1.3
Operating Subsidies and Grants	2.5	2.5
Capital Grants	0.7	0.8
Investment Income	0.0	0.0
Total Revenue	4.5	4.6
Expenses		
Administrative	0.9	0.8
Utilities	0.8	0.8
Maintenance	1.0	1.0
General	0.2	0.1
Housing Assistance Payments	0.9	0.9
Depreciation	1.3	1.2
Total Expenses	$ 5.1	$ 4.8
Net Increase (Decrease)	$ (0.6)	$ (0.2)

<u>Major Factors Affecting The Statement Of Revenue, Expenses And Changes In Net Assets</u>

There really were not any major factors affecting this statement. Tenant revenue and operating subsidies and grants decreased modestly and the Capital Funds also decreased very modestly, while expenses increased by 6% due to increased insurance and depreciation expense realized this period.

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had $14.2 million invested in a variety of capital assets as reflected in the following schedule, which represents a modest net decrease (addition, deductions and depreciation) of $.6 million from the end of last year.

TABLE 3

CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	Business-Type Activities	
	2006	Restated 2005
Land and Land Rights	$ 1,446,016	$ 1,446,016
Buildings	30,658,050	29,797,490
Equipment - Administrative	942,594	908,695
Accumulated Depreciation	(20,110,690)	(18,804,973)
Construction in Progress	1,295,838	1,531,893
TOTAL	$ 14,231,808	$ 14,879,121

Debt Administration

The Authority's only debt is listed in the current liabilities in the form of accounts payable, tenant security deposits, accrued wages, payroll taxes, and compensated absences; and in long–term liability in the form of compensated absences.

The following reconciliation summarizes the change in Capital Assets.

TABLE 4
CHANGE IN CAPITAL ASSETS

	Business-Type Activities
Beginning Balance	$ 14,879,121
Additions-CFP	658,404
Depreciation	(1,305,717)
Ending Balance	$ 14,231,808

This year's major additions are:

Capital improvements (CFP) completed on variety of the Authority's Public Housing complexes)	$ 658,404

Unaudited

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

IN CONCLUSION

It should also be noted that a reclassification occurred in the construction in progress to properly record rangers and refrigerators to adhere to historical and consistent recording of these items.

The Authority had a very good year financially as reflected in the $82,999 increase in unrestricted net assets.

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

FINANCIAL CONTACT

If you have any questions regarding this report, you may contact Jody Geese, Executive Director of the Belmont Metropolitan Housing Authority at (740) 633-5085.

Respectfully submitted,

Jody Robinson Geese

Jody Robinson Geese
Executive Director

BELMONT METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
March 31, 2006

ASSETS		
Cash and cash equivalents	$	1,052,942
Investments		1,093,213
Receivables - net of allowance		105,822
Inventories - net of allowance		37,083
Prepaid expenses		63,398
TOTAL CURRENT ASSETS		2,352,458
CAPITAL ASSETS		
Land and construction in progress		2,741,854
Other capital assets - net		11,489,954
TOTAL CAPITAL ASSETS		14,231,808
TOTAL ASSETS		16,584,266
LIABILITIES		
Accounts payable		121,859
Accounts payable - other government		42,163
Accrued wages and payroll taxes		26,621
Accrued compensated absences - current		74,353
Tenant security deposits		119,818
Deferred revenue		29,073
TOTAL CURRENT LIABILITIES		413,887
Accrued compensated absences - noncurrent		90,876
TOTAL LIABILITIES		504,763
NET ASSETS		
Invested in capital assets - net of related debt		14,231,808
Unrestricted net assets		1,847,695
TOTAL NET ASSETS	$	16,079,503

See accompanying notes to the basic financial statements

BELMONT METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended March 31, 2006

OPERATING REVENUES	
Tenant revenue	$ 1,318,664
HUD operating grants	2,527,867
Other operating revenues	15,174
TOTAL OPERATING REVENUES	3,861,705
OPERATING EXPENSES	
Administrative	919,357
Utilities	878,865
Maintenance	813,772
Protection Services	126,383
Depreciation	1,305,717
PILOT	42,163
Insurance	131,280
Bad debts	15,931
Housing assistance payments	898,192
TOTAL OPERATING EXPENSES	5,131,660
OPERATING LOSS	(1,269,955)
NON-OPERATING REVENUE	
Interest income	37,289
HUD CAPITAL GRANTS	658,404
CHANGE IN NET ASSETS	(574,262)
Net Assets Beginning of Year - Restated	16,653,765
NET ASSETS END OF YEAR	$ 16,079,503

See accompanying notes to the basic financial statements

BELMONT METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended March 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from tenants	$	1,332,735
Cash received from HUD		2,451,384
Cash payments for housing assistance payments		(898,192)
Cash payments for other operating expenses		(2,821,593)
Cash payments to HUD and other governments		(42,163)
NET CASH PROVIDED BY OPERATING ACTIVITIES		22,171
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES		
Capital grants received		658,404
Acquisition of capital assets		(658,404)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment activity		6,935
INCREASE IN CASH AND CASH EQUIVALENTS		29,106
CASH AND CASH EQUIVALENTS, BEGINNING		1,023,836
CASH AND CASH EQUIVALENTS, ENDING	$	1,052,942
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating (loss)	$	(1,269,955)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation		1,305,717
Prior period adjustments		11,484
(Increase) decrease in:		
Receivables - net of allowance		(83,031)
Inventories - net of allowance		(32,010)
Prepaid expenses		(10,277)
Increase (decrease) in:		
Accounts payable		62,732
Accrued wages and payroll taxes		(28,475)
Accrued compensated absences		7,418
Accounts payable - other government		36,163
Tenant security deposits		6,859
Deferred revenue		15,546
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	22,171

See accompanying notes to the basic financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

- **The financial statements include:**
    - **A Management Discussion and Analysis (MD&A) section providing analysis of the Authority's overall financial position and results of operations.**

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Authority elected to implement the provisions of the Statement for the year ended March 31, 2002.

Reporting Entity

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

The accompanying basic financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, 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 is obligated in some manner for the debt of the organizations.

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

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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

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

Accounting and Reporting for Nonexchange Transactions

The Authority adopted GASB 33 effective for the year ended March 31, 2002. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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 March 31, 2006, 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.

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 2006 for both programs totaled $37,289.

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 $2,000. The following are the 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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Due From/To Other Programs

On the basic financial statements, inter-program receivables and payables listed on the FDS are eliminated.

Accrued Liabilities

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

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. Net assets are recorded as restricted when there are limitations imposed on their use either by internal or external restrictions.

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 tenant revenues, operating grants from HUD and other miscellaneous revenue.

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.

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.

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.

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

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 doubtful accounts was $3,392 at March 31, 2006.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Inventories
Inventories are stated at cost. The allowance for obsolete inventory was $5,133 at March 31, 2005.

Capital Grant
This represents grants provided by HUD that the Authority spends on capital assets.

2. CASH AND INVESTMENTS

Cash

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

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

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

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

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 March 31, 2006, the carrying amount of the Authority's deposits totaled $1,052,942 and its bank balance was $1,190,991. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of March 31, 2006, $1,090,991 was exposed to custodial risk as discussed below, while $100,000 was covered by the Federal Depository Insurance Corporation.

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

2. CASH AND INVESTMENTS - CONTINUED

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 had investments of mutual funds in the amount of $1,093,213 at March 31, 2006.

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 investments of the Authority are classified as Category A.

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.

5. CAPITAL ASSETS

The following is a summary of capital assets:

	Restated Balance 3/31/2005	Additions / Deletions/ Transfers	Balance 3/31/2006
CAPITAL ASSETS, NOT BEING DEPRECIATED			
Land	$ 1,446,016	$ -	$ 1,446,016
Construction in Progress	1,531,893	(236,055)	1,295,838
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	$ 2,977,909	$ (236,055)	$ 2,741,854
CAPITAL ASSETS, BEING DEPRECIATED			
Buildings and Improvements	$ 29,797,490	860,560	$ 30,658,050
Furniture and equipment	908,695	33,899	942,594
Totals at Historical Costs	30,706,185	894,459	31,600,644
Less: Accumulated Depreciation	(18,804,973)	(1,305,717)	(20,110,690)
TOTAL CAPITAL ASSETS, NET, BEING DEPRECIATED	$ 11,901,212	$ (411,258)	$ 11,489,954

The depreciation expense for the year then ended March 31, 2006 was $1,305,717.

6. DEFINED BENEFIT PENSION PLANS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

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

OPERS provides basic retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by statement statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtaining by writing to the Public Employee Retirement system, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revise Code provides statutory authority for member and employer contributions. For 2003, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Plan members are required to contribute 8.5 percent of their annual covered payroll to fund pension obligations and the Authority was required to contribute 13.55 percent of covered payroll during 2003. The Authority's required contributions, including the pick up portion for certain employees for the years ended March 31, 2006, 2005 and 2004 were $133,294, $126,838, and $125,773, respectively. All required payments of contributions have been made through March 31, 2005.

7. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) - a defined contribution plan; and the Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post retirement health care benefits to qualifying members of both the Traditional and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-retirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by the Ohio Revised Code. The 2005 employer contribution rate was 13.55 percent of covered payroll, and 4.00 percent was used to fund health care for the year.

The assumptions and calculations below were based on the System's latest actuarial review performed as of December 31, 2004.

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 to reflect 25% of unrealized market appreciation or depreciation on investment assets annually. The investment assumption rate for 2004 was 8.00 percent. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4.00 percent (the projected wage inflation rate).

7. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM - CONTINUED

OPEBs are advance-funded on an actuarially determined basis. At December 31, 2005, the number of active contributing participants in the Traditional and Combined Plans totaled 376,109. The number of active contributing participants for both plans used in the December 31, 2004, actuarial valuation was $355,287. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2004 were $10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used were, $29.5 billion and $18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Prevention Plan (HCPP) with an effective date of 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. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

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

8. FDS SCHEDULE SUBMITTED TO HUD

For the fiscal year ended March 31, 2006, the Authority electronically submitted an unaudited version of the balance sheet, statement of revenues, expenses and changes in net asset and other data to HUD as required on the GAAP basis. The schedules are presented in the manner prescribed by Housing and Urban Development.

9. NET ASSETS AND PRIOR PERIOD ADJUSTMENTS

	Total	Invested in Capital Assets - Net of Debt	Unrestricted Net Assets
Net assets, beginning of year	$ 16,642,281	$ 14,879,121	$ 1,763,160
Correction of payables	11,484	-	11,484
Net Assets, beginning of year-restated	$ 16,653,765	$ 14,879,121	$ 1,774,644

10. 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.

BELMONT METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
March 31, 2006

Line Item #	Account Description	Low Rent Public Housing 14.850a	Section 8 Housing Choice Vouchers 14.871	TOTAL Capital Fund Program 14.872	TOTAL
	ASSETS				
111	Cash - Unrestricted	$ 581,362	$ 156,965	$ -	$ 738,327
115	Cash-Restricted for Payment of Current Liabilities	178,377	7,354	-	185,731
113	Cash - other restricted	9,066	-	-	9,066
114	Cash - Tenant Security Deposits	119,818	-	-	119,818
100	Total Cash	888,623	164,319	-	1,052,942
	Accounts and Notes Receivables:				
122	Accounts Receivable - HUD Other Projects	-	-	99,274	99,274
126	Accounts Receivable - Tenants - Dwelling Rents	9,940	-	-	9,940
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(3,392)	-	-	(3,392)
120	Total Receivables, Net of Allowances for Doubtful Accounts	6,548	-	99,274	105,822
	Current Investments:				
131	Investments - Unrestricted	1,093,213	-	-	1,093,213
142	Prepaid Expenses and Other Assets	63,398	-	-	63,398
143	Inventories	41,283	-	-	41,283
143.1	Allowance for Obsolete Inventories	(4,200)	-	-	(4,200)
144	Interprogram due from	1	1	-	2
150	TOTAL CURRENT ASSETS	2,088,866	164,320	99,274	2,352,460
	NONCURRENT ASSETS:				
	Fixed Assets:				
161	Land	1,446,016	-	-	1,446,016
162	Buildings	30,658,051	-	-	30,658,051
164	Furniture, Equipment & Machinery - Administration	465,342	-	-	465,342
165	Leasehold Improvements	477,252	-	-	477,252
166	Accumulated Depreciation	(20,110,691)	-	-	(20,110,691)
167	Construction in Progress	-	-	1,295,838	1,295,838
160	Total Fixed Assets, Net of Accumulated Depreciation	12,935,970	-	1,295,838	14,231,808
180	TOTAL NONCURRENT ASSETS	12,935,970	-	1,295,838	14,231,808
190	TOTAL ASSETS	$ 15,024,836	$ 164,320	$ 1,395,112	$ 16,584,268

See independent auditors' report

BELMONT METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
March 31, 2006

Line Item #	Account Description	Low Rent Public Housing 14.850a	Section 8 Housing Choice Vouchers 14.871	TOTAL Capital Fund Program 14.872	TOTAL
	LIABILITIES AND EQUITY:				
	LIABILITIES:				
	CURRENT LIABILITIES:				
312	Accounts Payable < = 90 Days	$ 22,586	$ -	$ 99,273	$ 121,859
321	Accrued Wage/Payroll Taxes Payable	25,083	1,538	-	26,621
322	Accrued Compensated Absences - Current Portion	68,537	5,816	-	74,353
333	Accounts Payable - Other Government	42,163	-	-	42,163
341	Tenant Security Deposits	119,818	-	-	119,818
342	Deferred Revenues	29,073	-	-	29,073
347	Interprogram Due To	1	-	1	2
310	TOTAL CURRENT LIABILITIES	307,261	7,354	99,274	413,889
	NONCURRENT LIABILITIES:				
354	Accrued Compensated Absences - Non Current	83,767	7,109	-	90,876
350	TOTAL NONCURRENT LIABILITIES	83,767	7,109	-	90,876
300	TOTAL LIABILITIES	391,028	14,463	99,274	504,765
	EQUITY/NET ASSETS:				
	Contributed Capital:				
508.1	Invested in Capital Assets, Net of Related Debt	12,935,970	-	1,295,838	14,231,808
	Reserved Fund Balance:				
512.1	Unrestricted Net Assets	1,697,838	149,857	-	1,847,695
513	TOTAL EQUITY/NET ASSETS	14,633,808	149,857	1,295,838	16,079,503
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	$ 15,024,836	$ 164,320	$ 1,395,112	$ 16,584,268

See independent auditors' report

BELMONT METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
YEAR ENDED MARCH 31, 2006

Line Item #	Account Description	Low Rent Public Housing 14.850a	Section 8 Housing Choice Vouchers 14.871	TOTAL Capital Fund Program 14.872	TOTAL
	REVENUE:				
703	Net Tenant Rental Revenue	$ 1,301,479	$ -	$ -	$ 1,301,479
704	Tenant Revenue - Other	17,185	-	-	17,185
705	Total Tenant Revenue	1,318,664	-	-	1,318,664
706	HUD PHA Operating Grants	1,158,262	1,066,023	303,582	2,527,867
706.1	Capital Grants	-	-	658,404	658,404
711	Investment Income - Unrestricted	36,355	934	-	37,289
715	Other Revenue	15,074	100	-	15,174
700	TOTAL REVENUE	2,528,355	1,067,057	961,986	4,557,398
	EXPENSES:				
	Administrative:				
911	Administrative Salaries	380,419	94,516	69,849	544,784
912	Auditing Fees	6,750	750	-	7,500
914	Compensated Absences	7,669	(251)	-	7,418
915	Employee Benefit Contributions - Administrative	152,218	28,381	-	180,599
916	Other Operating - Administrative	94,438	6,221	78,397	179,056
	Utilities:				
931	Water	418,202	-	-	418,202
932	Electricity	237,274	-	-	237,274
933	Gas	128,862	-	-	128,862
935	Labor	32,346	-	-	32,346
938	Other Utilities Expense	62,181	-	-	62,181
	Ordinary Maintenance & Operation:				
941	Ordinary Maintenance & Operation - Labor	408,796	-	-	408,796
942	Ordinary Maintenance & Operation - Materials & Other	152,539	-	-	152,539
943	Ordinary Maintenance & Operation - Contract Costs	88,455	410	-	88,865
945	Employee Benefit Contributions - Ordinary Maintenance	163,572	-	-	163,572

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BELMONT METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
YEAR ENDED MARCH 31, 2006

Line Item #	Account Description	Low Rent Public Housing 14.850a	Section 8 Housing Choice Vouchers 14.871	TOTAL Capital Fund Program 14.872	TOTAL
	Protective Services:				
952	Protective Services - Other Contract Costs	-	-	126,383	126,383
	General Expenses:				
961	Insurance Premiums	131,280	-	-	131,280
963	PILOT	42,163	-	-	42,163
964	Bad Debt - Tenant Rents	15,931	-	-	15,931
969	TOTAL OPERATING EXPENSES	2,523,095	130,027	274,629	2,927,751
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	5,260	937,030	687,357	1,629,647
	Other Expenses:				
973	Housing Assistance Payments		898,192	-	898,192
974	Depreciation Expense	1,305,717		-	1,305,717
900	TOTAL EXPENSES	3,828,812	1,028,219	274,629	5,131,660
	Other Financing Sources (Uses)				
1001	Operating Transfers In	28,953		-	28,953
1002	Operating Transfers Out			(28,953)	(28,953)
1010	Total Other Financing Sources (Uses)	28,953	-	(28,953)	-
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	$ (1,271,504)	$ 38,838	$ 658,404	$ (574,262)

See independent auditors' report

BELMONT METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
Year Ended March 31, 2006

	FEDERAL CFDA NUMBER	FUNDS EXPENDED
FROM U.S. DEPARTMENT OF HUD		
DIRECT PROGRAMS		
PHA Owned Housing:		
Public and Indian Housing	**14.850a**	**$ 1,158,262**
Public Housing Capital Fund	**14.872**	**961,986**
Housing Assistance Payments:		
Annual Contribution -		
Section 8 Housing Choice Vouchers	**14.871**	**1,028,219**
Total - All Programs		**$ 3,148,467**

See independent auditors' report

BELMONT METROPOLITAN HOUSING AUTHORITY
COST CERTIFICATION

	OH16P02050103	OH16P02050203
Operations	$ 16,126	$ 12,777
Management improvements	100,000	-
Administration	69,849	-
Fees and costs	46,950	12,200
Site improvement	104,681	-
Dwelling structures	614,453	164,772
TOTAL EXPENDITURES	$ 952,059	$ 189,749
TOTAL RECEIVED	$ 952,059	$ 189,749

1. The actual modernization cost certificate (HUD form 53001) was submitted to HUD.
2. All costs have been expended and no liabilities exist at March 31, 2006.
3. The funds were received as of March 31, 2006.

Jones, Cochenour & Co.
Certified Public Accountants

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

Board of Directors
Belmont Metropolitan Housing Authority
Martins Ferry, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the basic financial statements of Belmont Metropolitan Housing Authority as of and for the year ended March 31, 2006, and have issued our report thereon dated June 28, 2006. 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.

<u>Internal Control Over Financial Reporting</u>

In planning and performing our audit, we considered Belmont Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

<u>Compliance and Other Matters</u>

As part of obtaining reasonable assurance about whether Belmont 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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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.

Jones, Cochenour & Co.
June 28, 2006

125 West Mulberry Street · Lancaster, Ohio 43130 · (740) 653-9581 · Columbus: (614) 837-2921 · Fax: (740) 653-0983
4876 Cemetery Road · Hilliard, Ohio 43026 · (614) 876-6993 · Fax: (614) 876-6899

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Certified Public Accountants

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
Belmont Metropolitan Housing Authority
Martins Ferry, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

Compliance

We have audited the compliance of Belmont Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended March 31, 2006. Belmont Metropolitan Housing Authority's major federal program is 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 its major federal program is the responsibility of Belmont Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Belmont 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 Belmont 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 Belmont Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Belmont Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended March 31, 2006.

Internal Control Over Compliance

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

125 West Mulberry Street · Lancaster, Ohio 43130 · (740) 653-9581 · Columbus: (614) 837-2921 · Fax: (740) 653-0983
4876 Cemetery Road · Hilliard, Ohio 43026 · (614) 876-6993 · Fax: (614) 876-6899

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Jones, Cochenour & Co.

Jones, Cochenour & Co.
June 28, 2006

Summary of Auditors' Results and Schedule of Findings
OMB Circular A-133 § .505

Belmont Metropolitan Housing Authority
March 31, 2006

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)?	**No**
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):	**14.850 Public Housing**
Dollar Threshold: Type A/B Programs	**$300,000**
Low Risk Auditee?	**Yes**

Summary of Auditors' Results and Schedule of Findings
OMB Circular A-133 § .505 - Continued

Belmont Metropolitan Housing Authority
March 31, 2006

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings or questioned costs for the year ended March 31, 2006.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended March 31, 2006.

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

BELMONT METROPOLITAN HOUSING AUTHORITY

BELMONT 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
NOVEMBER 21, 2006