Child,
Van Wagoner &
Bradshaw, PLLC

Cedar City Housing Authority

Independent Auditors' Reports, Management's Discussion and Analysis, and Supplemental Information

For the Year Ended June 30, 2006

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Cedar City Housing Authority

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Independent Auditors' Report on Financial Statements and Supplementary Schedules

To the Board of Commissioners
Cedar City Housing Authority
Cedar City, Utah

We have audited the accompanying financial statements of the business-type activities and each major fund of the Cedar City Housing Authority (the Authority), as of and for the year ended June 30, 2006, which collectively comprise the Authority's 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Authority, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2006, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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Board of Commissioners
Cedar City Housing Authority

The management's discussion and analysis on pages 3 through 10 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Financial Data Schedules I and II and related notes on pages 25 through 30 are presented for purposes of additional analysis, as required by the U.S. Department of Housing and Urban Development. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* for the year ended June 30, 2006. These Schedules are not a required part of the basic financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Child, Van Wagoner & Bradshaw

Child, Van Wagoner & Bradshaw, PLLC
Kaysville, Utah
December 15, 2006

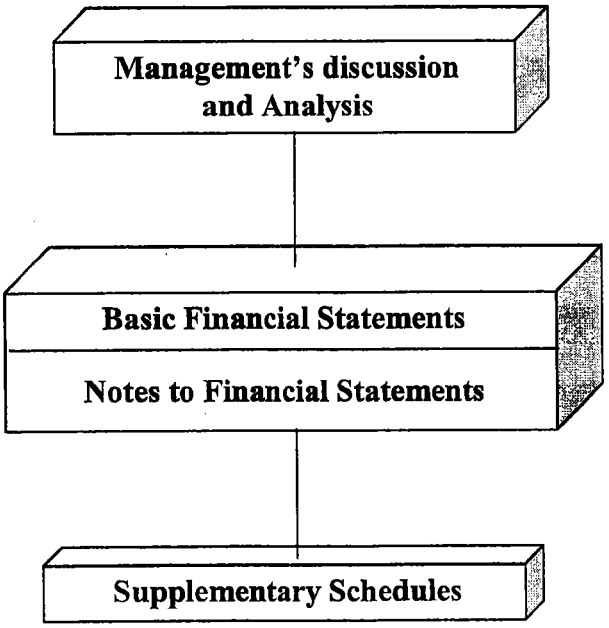
Cedar City Housing Authority
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2006

INTRODUCTION

The Cedar City Housing Authority (the Authority) was created under the laws of the state of Utah, and certified by the United States Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs in the City of Cedar City, Utah area under the Housing Act of 1937, as amended. The Federal Government subsidizes these programs by direct awards through HUD and U.S.D.A.-Rural Development (RD), and pass through awards through other state and local government agencies. The Authority is governed by a five-member board of commissioners, which is appointed by the Mayor of the City of Cedar City. The Board, in turn, elects a Chairperson and employs an Executive Director to administer the affairs of the Authority.

The Authority presents this discussion and analysis of its financial performance during the fiscal year (FY) ended June 30, 2006, to assist the reader in focusing on significant financial issues and concerns. This discussion and analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999.

The Authority's FY2006 annual financial report consists of two parts – the management's discussion and analysis, and the basic financial statements (which include notes to those financial statements). Also included are supplementary schedules that show information that was sent to HUD/REAC related to our basic financial statements.



The basic financial statements provide information about the Authority's overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of the Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. The basic financial statements also include a "Notes to Financial Statements" section that provides additional information that is essential to a full understanding of the data provided in the basic financial statements.

The primary focus of the Authority's financial statements is on a single business-type activity that combines all programs administered by the Authority. This discussion and analysis is focused on the primary activities of the Authority.

FINANCIAL HIGHLIGHTS

Under GASB Statement No. 34, the Authority's single business-type activity financial statements for FY2006 report on all of the Authority's assets, liabilities, revenues, expenses, and net assets under the programs it administers. A summary of the current-year results in comparison with the prior year results follows:

- Net assets of the Authority increased $110,893 as of June 30, 2006, from the prior year.
- Operating revenues of the Authority increased by $26,511 over prior year results.
- Principal payments on mortgage notes outstanding were $68,984 during the year.
- The increase in cash and cash equivalents for the year was $45,160.
- The Authority received grants (other than HUD) of $151,591 during the FY2006.
- Notes receivable increased by $55,625 over prior year results.

AUTHORITY FINANCIAL STATEMENTS

The Authority is presenting its FY2006 discussion and analysis based on the financial results of its enterprise programs in three basic financial statements – the balance sheet; the statement of revenues, expenses and changes in net assets; and the statement of cash flows. The balance sheet reports all financial and capital assets of the Authority and is presented in a format where assets equal liabilities plus net assets. Net assets are broken down into the following three categories:

- *Net assets, invested in capital assets, net of related debt* consists of all capital assets net of accumulated depreciation, reduced by the outstanding balances of mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

- *Restricted net assets* consists of assets that are restricted by constraints placed on the asset by external parties, such as creditors, grantors, contributors, laws, or regulations reduced by liabilities payable from such assets.

- *Unrestricted net assets* consists of net assets that do not meet the definition of *net assets invested in capital assets, net of related debt* or *restricted net assets.*

The statement of revenues, expenses and changes in net assets (similar to an income statement) includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation; and nonoperating revenues and expenses, such as investment income and interest expense. The statement's focus 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, capital and related financing activities, and investing activities.

These financial statements utilize the economic resources measurement focus and the full accrual basis of accounting. They report the Authority's net assets and changes in net assets in full compliance with GASB Statement No. 34. Under the full accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period they are incurred.

The entity-wide presentation represents three different programs and activities. Most of these programs are financed by federal grants from HUD and RD, rents, and other user charges resulting from operations of subsidized housing, by management fees, and by investment income and loan proceeds. In FY2006, the following programs (seen in the supplementary schedule of expenditures of federal awards on page 31) make up the Authority's single business-type activities financial statements:

- *Section 8 Housing Choice Vouchers* – This program is funded by HUD and is a subsidy program for low- and moderate-income families seeking housing in the private rental market.

- *Grant Programs* – These programs account for HUD grant funds received for the following activities: HOME, Emergency Shelter Grants, and Community Block Grants.

- *Rural Rental Housing Loans and Assistance Programs* – These programs are funded by RD and provide funds for the purchase of a multi-family property and subsidy for low- and moderate-income families seeking housing in the public rental market.

Cedar City Housing Authority
Management's Discussion and Analysis (continued)
Year Ended June 30, 2006

Net Assets

The Authority's overall financial position and operations for the past two years are summarized below based on the information included in the current and prior financial statements.

Cedar City Housing Authority
Balance Sheet

	2006	2005	Total Percentage Change
Current assets	$ 418,748	$ 364,307	14.9%
Restricted deposits	55,847	42,956	30.0%
Fixed assets, net of depreciation	1,392,499	1,404,882	(0.9%)
Other assets	492,830	449,573	9.6%
Total assets	2,359,924	2,261,718	4.3%
Current liabilities	145,194	147,736	(1.7%)
Deposits and prepaid liabilities	9,500	6,697	41.9%
Noncurrent liabilities	1,195,430	1,210,398	(5.8%)
Total liabilities	1,350,124	1,364,831	(1.1%)
Net assets:			
Invested in capital assets	217,886	161,285	35.1%
Restricted net assets	28,533	22,139	28.9%
Unrestricted net assets	763,381	713,463	7.0%
Total net assets	$ 1,009,800	$ 896,887	12.6%

The Authority's total assets at June 30, 2006 were $2,359,924, an increase of $98,206, or 4.3%, from June 30, 2005.

Notes Receivable
Notes receivable increased $55,625, 100%, from the prior year. The increase is due to the Authority recording second trust deeds that they expect to receive when the houses are either sold or refinanced.

Notes Payable
During the year the Authority made principle payments to notes payable in the amount of $68,984.

Deferred Revenue
Deferred revenue increased $55,625, 100%, from the prior year. The increase is due to the Authority deferring revenue from the second trust deeds until the money is received from the payment.

Net Assets

The Authority's net assets increased by $112,913 during FY2006. At June 30, 2006, investments in capital assets comprise about 59% of the Authority's total assets, while these assets carry related current and long-term debt of approximately $1.2 million that is about 89% of its total liabilities. However, the amount invested in capital assets, net of related debt, amounts to about 22% of total net assets.

The Authority's net assets also consist of restricted and unrestricted net assets. Restricted net assets include cash restricted for tenants' security deposits and future modernization and development less liabilities that will be paid from these restricted assets. Restricted net assets includes $55,847 in restricted cash less liabilities in the amounts of $9,500 for tenants' security deposits and $17,814 in FSS escrow deposits. Unrestricted net assets would include cash in the bank, receivables, and other assets less all other liabilities not previously applied. At June 30, 2006, restricted net assets amounts to about 3% of total net assets and unrestricted net assets amounts to about 76% of total net assets.

Cedar City Housing Authority
Management's Discussion and Analysis (continued)
Year Ended June 30, 2006

Revenues, Expenses and Changes in Net Assets

The results of operations for the Authority are presented below:

Cedar City Housing Authority
Statement of Revenues, Expenses and Changes in Net Assets

	2006	2005	Increase/(Decrease) Amount	Percentage
Operating revenues:				
Dwelling rentals	$ 68,315	$ 87,506	$ (19,191)	(21.9%)
HUD PHA operating grants	612,370	580,309	32,061	5.5%
Other government grants	151,591	172,420	(20,829)	(12.1%)
Other operating revenue	122,944	88,474	34,470	39.0%
Total operating revenues	955,220	928,709	26,511	
Operating expenses:				
Administration	214,067	229,536	(15,472)	(6.7%)
Utilities	14,047	14,642	(595)	(4.1%)
Operating and maintenance	43,038	37,474	5,564	14.9%
Insurance	5,028	8,508	(3,480)	(40.9%)
General expenditures	6,427	14,042	(9,690)	(69.0%)
Housing assistance payments	467,764	465,443	2,321	0.5%
Depreciation	44,910	48,202	(3,292)	(6.8%)
Total operating expenses	795,281	817,847	(20,546)	
Operating gain/(loss)	159,939	110,862	47,057	
Nonoperating revenues/(expenses):				
Interest income	11,521	10,533	988	9.4%
Interest expense	(58,547)	(66,705)	8,158	12.2%
Nonoperating expenses, net	(47,026)	(56,172)	9,146	
Change in net assets	$ 112,913	$ 54,690	$ 56,203	

Operating revenues of the Authority's activities are generated principally from HUD PHA operating grants. In FY2006, the Authority's revenues for its activities totaled $955,220. Of this total, $612,370, or about 64%, is from HUD PHA operating grants. Operating expenses of the Authority's activities consist primarily of housing assistance payments. Operating expenses total $795,281, of which $467,764, or about 59%, were housing assistance payments.

About 1% of the Authority's total revenues in FY2006 were nonoperating revenues that are derived from interest income. The remaining 99% were operating revenues derived from dwelling rentals (7%), HUD PHA operating revenues (66%), other government grants (13%), and other operating revenues (13%).

About 7% of the Authority's total expenses in FY2006 were nonoperating expenses that are derived from interest expense. The remaining 93% were operating expenses derived from administration (25%), utilities (2%), operating and maintenance (5%), insurance (1%), general (1%), housing assistance payments (54%), and depreciation (5%).

Increase in net assets for the year ended June 30, 2006 was $112,913 compared with $54,690 for the year ended June 30, 2005. Factors contributing to these results included:

- Increase of HUD grants in FY2006
- Increase in other operating revenues
- An overall decrease of $20,546 in operating expenses

CAPITAL ASSETS

The Authority's capital assets as of June 30, 2006, included land, buildings, and furniture and equipment that totaled $1.4 million, most of which is comprised of rental units available for lease to low- and moderate-income residents. Capital assets, net of depreciation, increased $102,820 from the preceding year.

	2006	2005	Change
Land	$ 238,711	$ 238,711	$ -
Buildings	1,342,588	1,250,322	92,266
Furniture and equipment	39,958	39,958	-
Leasehold improvements	49,990	-	49,990
Construction in progress	-	111,126	(111,126)
Accumulated depreciation	(278,748)	(235,235)	(43,513)
Total	$ 1,392,499	$1,404,882	$ (12,383)

CONTACTING AUTHORITY MANAGEMENT

This financial report is designed to provide a general overview of the Authority's accountability for all those interested. Questions concerning this report or requests for additional financial information should be directed to the Executive Director, Cedar City Housing Authority, 364 South 100 East, Cedar City, UT 84720.

Cedar City Housing Authority
Balance Sheet
June 30, 2006

Assets

Current assets:	
Cash - unrestricted (Note 2)	$ 393,496
Accounts receivable	10,000
Notes receivable - related party, current portion (Note 3)	10,750
Prepaid expenses	4,502
Total current assets	418,748
Restricted deposits (Note 2):	
Cash - tenants' security deposits	9,568
Cash - restricted	46,279
Total restricted deposits	55,847
Fixed assets:	
Land	238,711
Buildings	1,342,588
Furniture and equipment	39,958
Leasehold improvements	49,990
Total fixed assets	1,671,247
Less: accumulated depreciation	(278,748)
Net fixed assets	1,392,499
Other assets:	
Notes receivable - related party, less current portion (Note 3)	437,205
Notes receivable (Note 11)	55,625
Total other assets	492,830
Total assets	$ 2,359,924

See accompanying notes to basic financial statements.

Liabilities and Net Assets

Current liabilities:	
Accounts payable	$ 1,189
Accounts payable-HUD	81,919
Accrued payroll	7,975
Accrued compensated absences-current	1,489
Accrued liabilities	17,814
Mortgages payable, current portion (Note 4)	34,808
Total current liabilities	145,194
Deposits and prepaid liabilities:	
Tenants' security deposits	9,500
Non-current liabilities:	
Mortgages payable, less current portion (Note 4)	1,139,805
Deferred revenue (Note 11)	55,625
Total non-current portion	1,195,430
Total liabilities	1,350,124
Net Assets	
Invested in capital assets, net of related debt	217,886
Restricted net assets	28,533
Unrestricted net assets	763,381
Total net assets	1,009,800
Total liabilities and net assets	$ 2,359,924

Cedar City Housing Authority
Statement of Revenues, Expenses,
and Changes in Net Assets
Year Ended June 30, 2006

Operating revenues:	
Dwelling rentals	$ 68,315
HUD PHA operating grants	612,370
Other government grants	151,591
Other operating revenues	122,944
Total operating revenues	955,220
Operating expenses:	
Administration	214,067
Utilities	14,047
Ordinary maintenance and operations	43,038
Insurance	5,028
General expenditures	6,427
Housing assistance payments	467,764
Depreciation	44,910
Total operating expenses	795,281
Operating income	159,939
Non-operating revenues (expenses):	
Interest income	11,521
Interest expense	(58,547)
Non-operating revenues (expenses)	(47,026)
Change in net assets	112,913
Net assets at beginning of year	896,887
Net assets at end of year	$ 1,009,800

See accompanying notes to basic financial statements.

Cedar City Housing Authority
Statement of Cash Flows
Year Ended June 30, 2006

Cash flows from operating activities:	
Dwelling rentals	$ 68,315
HUD PHA operating grants	612,370
Other government grants	151,591
Other operating revenues	172,486
Interest income	11,521
Total receipts	1,016,283
Administration	(222,720)
Utilities	(14,047)
Ordinary maintenance and operations	(43,038)
Insurance	(5,028)
General expenditures	(6,427)
Tenant's security deposits	1,373
Housing assistance payments	(467,764)
Interest expense	(58,547)
Total disbursements	(816,198)
Net cash provided by operating activities	200,085
Cash flows from investing activities:	
Principle payments received on notes receivable	(44,823)
Net deposits to reserve for replacement account	(11,461)
Net cash used in investing activities	(56,284)
Cash flows from noncapital financing activities:	-
Cash flows from capital financing activities:	
Principal payments on long-term debt	(68,984)
Purchase of fixed assets	(31,130)
Net cash used in capital financing activities	(100,114)
Net increase in cash and cash equivalents	43,687
Cash and cash equivalents at beginning of year	349,809
Cash and cash equivalents at end of year	$ 393,496

See accompanying notes to basic financial statements.

Cedar City Housing Authority
Statement of Cash Flows (continued)
Year Ended June 30, 2006

Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$	112,913
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		44,910
(Increase) decrease in:		
Accounts receivable		(6,083)
Prepaid expenses		(4,502)
Cash-tenants' security deposits		(1,430)
Increase (decrease) in:		
Accounts payable		(3,495)
Accrued payroll		2,654
Accrued compensated absences		1,489
Accrued liabilities		(4,799)
Deferred revenue		55,625
Tenants' security deposits		2,803
Net cash provided by operating activities	$	200,085

See accompanying notes to basic financial statements.

Cedar City Housing Authority
Notes to Financial Statements
Year Ended June 30, 2006

1. Summary of Significant Accounting Policies

Organization and History

The Cedar City Housing Authority (the Authority) was created under the laws of the state of Utah, and certified by the United States Department of Housing and Urban Development (HUD). The purpose of the Authority is to administer programs in the City of Cedar City, Utah area under the Housing Act of 1937, as amended. The Federal Government subsidizes these programs by direct awards through HUD and U.S.D.A. Rural Development (RD), and pass through awards through other state and local government agencies.

Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units,"* which describes those entities that are considered component units for financial reporting purposes. The Authority is not considered a component unit of Cedar City (the City), or any other government entity under the criteria of GASB Statement No. 14, as amended by GASB Statement No. 39, since the City exercises no oversight responsibility either financially or administratively over the Authority.

CCHA Affordable Housing '02, LLC (CCHA '02) was established and organized during 2002 as a nonprofit corporation for the purpose of acquiring, developing and managing real estate for affordable housing. CCHA '02 is considered a component unit of the Authority and has been included in the Authority's basic financial statements as a blended component unit in accordance with GASB Statement No. 14, as amended by GASB Statement No. 39. CCHA '02 is considered a component unit of the Authority because the Authority can significantly influence the program, projects, activities, or level of service performed by CCHA '02.

Basis of Presentation

In order to insure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts are maintained in accordance with the principles of fund accounting. The Authority participates in HUD and RD programs on an enterprise fund basis. All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes and neither fiduciary funds nor component units that are fiduciary in nature are included. The financial statement presentation provides an indication of the financial performance of the Authority as a whole. In addition, the Authority adopts the budget that has been approved by its Board.

In accordance with HUD prescribed accounting practices, the Authority has adopted GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting."* The Authority has elected to apply all applicable FASB pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989. The Authority also elects to apply all FASB pronouncements after November 30, 1989 as long as they do not conflict with or contradict GASB pronouncements.

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (continued)

In June 1999, the GASB issued Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments.*" This statement, known as the "Reporting Model" statement, affects the way the Authority prepares and presents financial information. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments and had no impact on beginning net assets. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis– GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports and is included as required supplementary information.

Balance Sheet – The Balance Sheet is designed to display the financial position of the primary government (business-type activities). There are no discretely presented component units. Governments report all capital assets in the government-wide Balance Sheet and report depreciation expense – the cost of "using up" capital assets – in the Statement of Revenues, Expenses and Changes in Net Assets. There is no infrastructure. The net assets of the Authority will be broken down into three categories – 1) invested in capital assets, net of related debt, 2) restricted net assets, and 3) unrestricted net assets.

Statement of Cash Flows – The direct method is required by GASB Statement No. 34.

Basis of Accounting

The Authority's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred. Revenues that have been received but not earned before the fiscal year end are recorded as deferred revenues.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are dwelling rentals, management fees, and intergovernmental revenues. Operating expenses include administration, maintenance, insurance, depreciation, utilities, and housing assistance payments. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. This includes interest income and interest expense amounts, not discussed above.

1. Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Authority considers all highly liquid debt and equity instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents at June 30, 2006 consist of cash and certificates of deposit. Not included as cash and cash equivalents are tenants' security deposits, reserve for replacement deposits, and FSS escrow deposits.

Fixed Assets

Property and equipment are recorded at cost and depreciated using the straight-line method of depreciation over the estimated useful lives of the assets, as shown below. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Maintenance and repairs, including the replacement of minor items, are expensed as incurred, and major additions to buildings, furnishings, and equipment are capitalized Construction in progress commences depreciation when the construction is complete and related assets placed in service.

Major Groupings	Useful Lives (years)
Buildings	10-30
Furniture and equipment	3-7
Leasehold improvements	20

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act (the Act) that relate to the deposit and investment of public funds.

The Authority follows the requirements of the Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of the Authority funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

2. Deposits (continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority does not have a formal deposit policy for custodial credit risk. As of June 30, 2006, $94,971 of the Authority's bank balance of $470,730 were uninsured and uncollateralized.

3. Notes Receivable - related party

The Authority has two notes receivable from CCHA Affordable Housing '97, LLC (CCHA '97), a related party to the Authority (see note 10).

1- A note receivable of $334,832 at June 30, 2006, respectively, is collateralized with land and a building, which management estimates is greater than the face value of the note, and bears interest at 1% per annum. Principal and interest are due in monthly installments of $975 and the remaining balance is due March, 2040.

2- A note receivable of $113,123 at June 30, 2006, is collateralized with land and a building (see item 1 above) and bears interest at 2% per annum. Principal and interest are due in monthly installments of $383 and the remaining balance is due May, 2040.

4. Long-Term Debt

Long-term debt at June 30, 2006 consists of the following:

1- A mortgage note payable due to the State of Utah Division of Finance. The mortgage note is collateralized with land and a building with a total carrying value of $83,492 and bears an interest rate of 5% per annum. Principal and interest are payable in equal monthly payments of $639. The mortgage note is due October, 2024, and began with a balance of $100,653.	$ 93,127
2- A mortgage note payable due to an individual. The mortgage note is collateralized with a first lien on land and a building with a total carrying value of $184,962 and bears an interest rate of 4% per annum. Principal and interest are payable in equal monthly payments of $970. The mortgage note is due November, 2015, and began with a balance of 113,713.	91,166
3- A mortgage note payable due to the State of Utah Division of Finance. The mortgage note is collateralized with a second lien on land and a building (see item 2 above) and bears an interest rate of 5% per annum. Principal and interest are payable in equal monthly payments of $268. The mortgage note is due September, 2033, and began with a balance of $50,000 and has accrued interest of $6,401.	56,401

4. Long-Term Debt (continued)

4- A mortgage note payable due to the State of Utah Division of Finance. The mortgage note is collateralized with a building with a total carrying value of $184,279 and bears an interest rate of 3% per annum. Principal and interest are payable in equal monthly payments of $422. The mortgage note is due May, 2021, and began with a balance of $70,142. 61,951

5- A mortgage note payable due to RD. The mortgage note is collateralized with a first lien on land and a building with a total carrying value of $761,021 and bears an interest rate of 6.375% per annum. Principal and interest are payable in equal monthly payments of $649. The mortgage note is due November, 2028, and began with a balance of $97,107. 92,635

6- A mortgage note payable due to RD. The mortgage note is collateralized with a second lien on land and a building (see item 5 above) and bears an interest rate of 6.375% per annum. Principal and interest are payable in equal monthly payments of $3,841. The mortgage note is due November, 2028, and began with a balance of $574,775. 548,301

7- A mortgage note payable due to the State of Utah Division of Finance. The mortgage note is collateralized with a third lien on land and a building (see items 5 and 6 above) and bears an interest rate of 3% per annum. Payments began November, 2004 in equal monthly payments of $1,168. The mortgage note is due October, 2034. 231,032

Total mortgages payable	1,174,613
Current portion	34,808
Long-term portion	$ 1,139,805

Loan	Balance 06/30/05	Additions	Payments	Balance 06/30/06
State of Utah-Duplex	$ 95,096	$ -	$ (1,969)	$ 93,127
Woodbury	98,984	-	(7,818)	91,166
State of Utah-Fourplex	58,830	-	(2,429)	56,401
State of Utah-Transitional	64,061	-	(2,110)	61,951
RD-Cedar Garden Villa	94,454	-	(1,819)	92,635
RD-second lien	559,068	-	(10,767)	548,301
State of Utah-Cedar Garden Villa	273,104	-	(42,072)	231,032
Total Long-Term Debt	$1,243,597	$ -	$ (68,984)	1,174,613
Current portion				(34,808)
Net long-term debt				$1,139,805

4. Long-Term Debt (continued)

Future maturities of long-term debt are as follows:

Year Ending June 30	Principal	Interest
2007	$ 34,808	$ 60,667
2008	36,505	58,972
2009	38,290	57,187
2010	40,170	55,306
2011	42,151	53,325
2012-2016	237,561	233,033
2017-2021	247,791	172,220
2022-2026	282,933	99,812
2027-2031	190,830	24,470
2032-2035	23,574	2,717
Total future maturities	$1,174,613	$ 817,708

As is customary in the low-income housing industry, interest rates on loans used to finance the purchase of low-income housing are, in some cases, substantially below usual prevailing market rates in other industries and many loans bear interest rate subsidies and longer terms than what is customary. As a result, debt discounts based on the future value of the cumulative differences between actual interest rates and prevailing market rates for this industry have not been recorded on the Authority's financial statements as the difference between actual interest rates and interest rates that are customary in the industry are not considered material. Management is of the opinion that recording substantial debt discounts based on differences from prevailing rates in other industries would make the financial statements misleading.

5. Pension Plans

The Authority's retirement plan is a defined contribution pension plan established by the Authority to provide benefits at retirement to full-time employees of the Authority. At June 30, 2006 and 2005, there were three plan members. Plan members can contribute up to 5% of covered salary. The Authority is required to match contributions up to 3% of annual covered payroll. Plan provisions and contribution requirements are established and may be amended by the Board of Commissioners of the Authority.

Employer and plan member contributions are recognized in the period that the contributions are due. Total pension plan cost for the year ended June 30, 2006 is $1,602.

Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do no have an established market are reported at estimated fair values.

6. Economic Dependency

A majority of the revenues received by the Authority come from HUD and RD. Programs operated by the Authority depend upon continued funding by the U.S. Government.

7. Risk Management and Concentrations of Credit Risk

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. Various insurance policies have been purchased to cover the risks described above. The insurance policies require minimal deductible amounts that the Authority pays in the event of any loss. The Authority also has purchased a worker compensation policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Authority's customers are primarily low-income rental tenants in the Cedar City area that may be affected by changing economic conditions. Management believes that its credit review procedures and tenant deposits have adequately provided for usual and customary credit-related losses. The Authority's policy for charging off tenant receivables is to consider write-down of receivables extending beyond 120 days after significant collection efforts have been made or when the financial condition of tenants warrant charge-off. Tenant receivables are determined to be past due after 30 days regardless of whether partial payments have been received. Based on the Authority's policy for charging off tenant receivables, the bad debts allowance is insignificant.

8. Changes in Fixed Assets

	Balance 06/30/05	Additions	Retirements	Transfers	Balance 06/30/06
Land	$ 238,711	$ -	$ -	$ -	$ 238,711
Buildings	1,250,322	31,130	-	61,136	1,342,588
Furniture and Equipment	39,958	-	-	-	39,958
Leasehold Improvements	-	-	-	49,990	49,990
Construction in Progress	111,126	-	-	(111,126)	-
Total Fixed Assets	1,640,117	31,130	-	-	1,621,257
Accumulated Depreciation	(235,235)	(44,910)	-	-	(278,748)
Net Fixed Assets	$ 1,404,882	$ (13,780)	$ -	$ -	$ 1,392,499

9. Interprogram Eliminations

The Authority has interprogram receivables and payables totaling $52,146 that have been eliminated on the basic financial statements. Additionally, the Authority received management fees from CCHA '02 (blended component unit) in the amount of $12,870 that have also been eliminated on the basic financial statements.

10. Related Party Transactions

The Authority loaned CCHA '97 (a partnership in which the Authority is the managing member) funds for the construction of an apartment complex for the elderly. The Authority has notes receivable in the amount of $334,832 and $113,123 from CCHA '97 (see note 3). During the year ended June 30, 2006, the Authority also received management fees from CCHA '97 in the amount of $5,330. The Authority is also the managing member of Centennial Park, LLC. The Authority received management fees from Centennial Park, LLC in the amount of $8,195 for the year ended June 30, 2006.

11. Notes Receivable

The Authority acquired second trust deeds in five houses for $11,125 each. If or when the homeowner sells the house, the proceeds are intended to pay the remainder of the first trust deed and $11,125 to the Authority for its interest in the second trust deed. The Authority will recognize revenue when proceeds from the sale of the homes are received. Therefore the Authority has recorded the notes receivable and corresponding deferred revenue for $55,625.

Supplementary Schedules

Cedar City Housing Authority
Financial Data Schedule I – Balance Sheet
June 30, 2006

PHA: **UT031** *FYED:* **06/30/2006**

Line Item No.	Account Description	Business Activities	Housing Choice Vouchers	Component Units	Total
111	Cash - Unrestricted	$223,604	$168,261	$3,104	$394,969
115	Cash - Restricted for Payment of Current Liabilities	$0	$17,821	$0	$17,821
113	Cash - Other Restricted	$0	$0	$26,985	$26,985
114	Cash - Tenant Security Deposits	$2,986	$0	$6,582	$9,568
100	Total Cash	$226,590	$186,082	$36,671	$449,343
125	Accounts Receivable - Miscellaneous	$10,000	$0	$0	$10,000
126.2	Allowance for Doubtful Accounts - Other	$0	$0	$0	$0
127	Notes, Loans, & Mortgages Receivable - Current	$10,750	$0	$0	$10,750
120	Total Receivables, net of allowances for doubtful accounts	$20,750	$0	$0	$20,750
142	Prepaid Expenses and Other Assets	$2,423	$0	$2,079	$4,502
144	Interprogram Due From	$52,146	$0	$0	$52,146
150	Total Current Assets	$301,909	$186,082	$38,750	$526,741
161	Land	$66,420	$0	$172,291	$238,711
162	Buildings	$564,028	$0	$778,560	$1,342,588
163	Furniture, Equipment & Machinery - Dwellings	$8,000	$0	$0	$8,000
164	Furniture, Equipment & Machinery - Administration	$10,317	$21,641	$0	$31,958
165	Leasehold Improvements	$0	$0	$49,990	$49,990
166	Accumulated Depreciation	$-190,599	$-21,641	$-66,508	$-278,748
160	Total Fixed Assets, Net of Accumulated Depreciation	$458,166	$0	$934,333	$1,392,499
171	Notes, Loans, & Mortgages Receivable - Non Current	$492,830	$0	$0	$492,830
180	Total Non-Current Assets	$950,996	$0	$934,333	$1,885,329
190	Total Assets	$1,252,905	$186,082	$973,083	$2,412,070

Cedar City Housing Authority
Financial Data Schedule I – Balance Sheet (continued)
June 30, 2006

PHA: **UT031** *FYED:* **06/30/2006**

Line Item No.	Account Description	Business Activities	Housing Choice Vouchers	Component Units	Total
312	Accounts Payable <= 90 Days	$354	$0	$835	$1,189
321	Accrued Wage/Payroll Taxes Payable	$7,975	$0	$0	$7,975
322	Accrued Compensated Absences - Current Portion	$1,489	$0	$0	$1,489
331	Accounts Payable - HUD PHA Programs	$0	$81,919	$0	$81,919
341	Tenant Security Deposits	$2,975	$0	$6,525	$9,500
342	Deferred Revenues	$55,625	$0	$0	$55,625
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	$15,389	$0	$19,419	$34,808
345	Other Current Liabilities	$0	$17,814	$0	$17,814
347	Interprogram Due To	$0	$21,517	$30,629	$52,146
310	Total Current Liabilities	$83,807	$121,250	$57,408	$262,465
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	$287,256	$0	$852,549	$1,139,805
350	Total Noncurrent Liabilities	$287,256	$0	$852,549	$1,139,805
300	Total Liabilities	$371,063	$121,250	$909,957	$1,402,270
508	Total Contributed Capital	$0	$0	$0	$0
508.1	Invested in Capital Assets, Net of Related Debt	$155,521	$0	$62,365	$217,886
511	Total Reserved Fund Balance	$0	$0	$0	$0
511.1	Restricted Net Assets	$0	$1,491	$27,042	$28,533
512.1	Unrestricted Net Assets	$726,321	$63,341	$-26,281	$763,381
513	Total Equity/Net Assets	$881,842	$64,832	$63,126	$1,009,800
600	Total Liabilities and Equity/Net Assets	$1,252,905	$186,082	$973,083	$2,412,070

Cedar City Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2006

PHA: **UT031** *FYED:* **06/30/2006**

Line Item No.	Account Description	Business Activities	Housing Choice Vouchers	Component Units	Total
703	Net Tenant Rental Revenue	$34,337	$0	$33,978	$68,315
705	Total Tenant Revenue	$34,337	$0	$33,978	$68,315
706	HUD PHA Operating Grants	$0	$612,370	$0	$612,370
708	Other Government Grants	$5,000	$25,150	$121,441	$151,591
711	Investment Income - Unrestricted	$9,721	$1,695	$105	$11,521
714	Fraud Recovery	$0	$552	$0	$552
715	Other Revenue	$87,185	$6,799	$41,278	$135,262
700	Total Revenue	$136,243	$646,566	$196,802	$979,611

Cedar City Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses and Changes in Net Assets (continued)
Year Ended June 30, 2006

PHA: **UT031** *FYED:* **06/30/2006**

Line Item No.	Account Description	Business Activities	Housing Choice Vouchers	Component Units	Total
911	Administrative Salaries	$38,662	$87,842	$2,713	$129,217
912	Auditing Fees	$2,758	$2,892	$0	$5,650
915	Employee Benefit Contributions - Administrative	$9,994	$23,814	$0	$33,808
916	Other Operating - Administrative	$12,966	$16,602	$30,769	$60,337
931	Water	$0	$0	$6,868	$6,868
932	Electricity	$4,370	$0	$1,678	$6,048
934	Fuel	$0	$0	$1,131	$1,131
941	Ordinary Maintenance and Operations - Labor	$1,675	$0	$5,370	$7,045
942	Ordinary Maintenance and Operations - Materials and Other	$107	$0	$2,597	$2,704
943	Ordinary Maintenance and Operations - Contract Costs	$10,836	$0	$22,453	$33,289
961	Insurance Premiums	$3,782	$631	$615	$5,028
962	Other General Expenses	$5,647	$0	$-1,295	$4,352
967	Interest Expense	$10,304	$0	$48,243	$58,547
969	Total Operating Expenses	$101,101	$131,781	$121,142	$354,024
970	Excess Operating Revenue over Operating Expenses	$35,142	$514,785	$75,660	$625,587
973	Housing Assistance Payments	$0	$467,764	$0	$467,764
974	Depreciation Expense	$20,560	$5	$24,345	$44,910
900	Total Expenses	$121,661	$599,550	$145,487	$866,698
1010	Total Other Financing Sources (Uses)	$0	$0	$0	$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	$14,582	$47,016	$51,315	$112,913

Cedar City Housing Authority
Financial Data Schedule II – Statement of Revenues, Expenses and Changes in Net Assets (continued)
Year Ended June 30, 2006

PHA: **UT031** *FYED:* **06/30/2006**

Line Item No.	Account Description	Business Activities	Housing Choice Vouchers	Component Units	Total
1102	Debt Principal Payments - Enterprise Funds	$0	$0	$0	$0
1103	Beginning Equity	$867,260	$17,816	$11,811	$896,887
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	$0	$0	$0	$0
1113	Maximum Annual Contributions Commitment (Per ACC)	$0	$665,310	$0	$665,310
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	$0	$0	$0	$0
1115	Contingency Reserve, ACC Program Reserve	$0	$173,189	$0	$173,189
1116	Total Annual Contributions Available	$0	$838,499	$0	$838,499
1120	Unit Months Available	120	1,668	264	2,052
1121	Number of Unit Months Leased	108	1,647	246	2,001

Cedar City Housing Authority
Notes to Financial Data Schedules
Year Ended June 30, 2006

1. Basis of Presentation

The Financial Data Schedules have been prepared using the basis of accounting required by HUD's Real Estate Assessment Center.

2. Reconciliation to Basic Financial Statements

An additional interprogram elimination was made in the amount of $12,870 from the other revenue and administrative expenses, which would decrease the amount shown from the financial data schedule from the basic financial statements but would not have a net effect on the net income.

The following reconciles combined balances of total assets, total liabilities, total equity (net assets) and net income (changes in net assets) per the Financial Data Schedules to the basic financial statements:

	Total assets	Total liabilities	Total equity	Change in Net Assets
Balances per Financial Data Schedules	$2,412,070	1,402,270	1,009,800	110,893
Elimination of interprogram balances	(52,146)	(52,146)	-	-
Balances per basic financial statements	$2,359,924	1,350,124	1,009,800	110,893

Cedar City Housing Authority
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Assistance Programs Agency/Program Grant Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing & Urban Development (HUD)		
Direct Programs:		
Section 8 Housing Choice Vouchers	14.871	$ 612,370
Housing Counseling Assistance Program	14.169	25,150
Passed Through from the Utah State Department of Community and Economic Development:		
HOME Investment Partnerships Program	14.239	231,032
Community Development Block Grant	14.228	5,000
U.S. Department of Agriculture		
Direct Programs:		
Rural Rental Housing Loans	10.415	640,935
Rural Rental Housing Loans – Interest Subsidy	10.415	22,632
Rural Rental Assistance Payments	10.427	98,809
Total expenditures of federal awards		$ 1,635,928

Cedar City Housing Authority
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

1. Scope of Audit Pursuant to OMB Circular A-133

The Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal award programs of the Authority. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies or other entities are included in the Schedule.

2. Basis of Presentation

The Authority's Schedule of Expenditures of Federal Awards has been prepared using the same basis of accounting as the June 30, 2006 financial statements of the Authority. The Authority reports to HUD and RD using the accrual basis of accounting. A complete description of the basis of accounting is included in note 1 to those financial statements.

3. Contingencies

In connection with various federal grant programs, the Authority is obligated to administer related programs and spend the funds in accordance with regulatory restrictions, and is subject to audit by grantor agencies and other auditors. In cases of noncompliance, the agencies involved may require the Authority to refund program funds.

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

Board of Commissioners
Cedar City Housing Authority
Cedar City, Utah

We have audited the accompanying financial statements of the business activities and each major fund of Cedar City Housing Authority (the Authority), as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 15, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 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 cause 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.

Compliance and Other Matters

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

Board of Commissioners
Cedar City Housing Authority

We noted certain matters that we reported to management of the Authority in a separate letter dated December 15, 2006.

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

Child, Van Wagoner & Bradshaw

Child, Van Wagoner & Bradshaw, PLLC
Kaysville, Utah
December 15, 2006

Child, Van Wagoner & Bradshaw, PLLC

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Commissioners
Cedar City Housing Authority
Cedar City, Utah

Compliance

We have audited the compliance of the Cedar City Housing Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of 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 Authority, complied, in all material respects, with the requirements referred above that are applicable to each of its major federal programs for the year ended June 30, 2006.

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Board of Commissioners
Cedar City Housing Authority

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 major federal programs 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.

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 caused by error or fraud 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 Commissioners, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Child, Van Wagoner & Bradshaw

Child, Van Wagoner & Bradshaw, PLLC
Kaysville, Utah
December 15, 2006

Cedar City Housing Authority
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

SECTION I - Summary of Auditors' Results

Financial Statements
Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____Yes __X__ No
- Reportable conditions(s) identified that are not considered to be material weaknesses? _____ Yes __X__ None reported

Non compliance material to financial statements noted? _____ Yes __X__ No

Federal Awards
Internal control over major programs:

- Material weakness(es) identified? _____ Yes __X__ No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes __X__ None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes __X__No

Identification of major programs?

CFDA Number(s)	Name of Federal Program or Cluster
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs: $ 300,000

Auditee qualified as low-risk auditee? __X__ Yes _____No

Cedar City Housing Authority
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2006

Section II-Financial Statement Findings and Questioned Costs

No matters were reported for the year ended June 30, 2006.

Section III-Federal Award Findings and Questioned Costs

No matters were reported for the year ended June 30, 2006.

Cedar City Housing Authority
Schedule of Findings and Questioned Costs - Prior Year
Year Ended June 30, 2006

No matters were reported for the year ended June 30, 2005.

Child, Van Wagoner & Bradshaw, PLLC

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Cedar City Housing Authority
Independent Auditor's Report on State of Utah Legal Compliance
Year Ended June 30, 2006

Board of Commissioners
Cedar City Housing Authority
Cedar City, Utah

We have audited the financial statements of the Cedar City Housing Authority (the Authority), for the year ended June 30, 2006, and have issued our report thereon dated December 15, 2006. Our audit included test work on the Authority's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Cash Management
Other Compliance Requirements

The Authority received the following major funds during the year ended June 30, 2006:

Olene Walker Housing Loan

The Authority did not receive any nonmajor funds during the year ended June 30, 2006:

The management of the Authority is responsible for the Authority's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Authority complied, in all material respects with the general compliance requirements identified above for the year ended June 30, 2006.

Child, Van Wagoner & Bradshaw

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Kaysville, UT
December 15, 2006

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December 15, 2006

To the Board of Commissioners
and the Executive Director
of Cedar City Housing Authority
364 South 100 East
Cedar City, Utah 84720

As auditors, we feel it is beneficial to our clients to offer suggestions for improvement with regards to their financial recording systems and internal controls. This letter to the management is a summary of suggestions we noted for the audit of Cedar City Housing Authority for the year ended June 30, 2006.

1. We noted that the reserve for replacement account for Cedar Garden Villa does not earn interest. After discussing the issue with Bob Milianta, RD Area Director, we determined that the account should be an interest bearing account. Therefore, we suggest the Authority contact the State Bank of Southern Utah to change the account from a non-interest bearing account to an interest bearing account.

2. The balance of cash over the $100,000 limit covered by the Federal Deposit Insurance Corporation (FDIC) held by Wells Fargo in the Authority's name is $94,971. The Authority should spread out the cash accounts among several banks and credit unions in order to assure cash remains insured by the FDIC and NCUA or have the current respective banks collateralized the amounts over the insurance limits.

3. We noted that Cedar Garden Villa was short on cash and to help ease the financial burden, management was holding checks to the Authority for reimbursement for expenses. These reimbursements were not recorded on the Rental program general ledger. We recommend the Authority record transactions on an accrual basis, thus Cedar Garden Villa will be aware of the amount owed to the Authority.

4. We noted a few areas in which the Authority made adjustments to the accounting records at the end of the year to record the books per confirmations sent by third parties. We recommend the Authority review accounting records on a regular basis to ensure the accounting is being reported as required by regulations set forth by government agencies.

We are required to disclose to you whether it is our opinion that the material misstatements leading up to the audit adjustments may be indicative of fraud, misrepresentation, or abuse. We do not feel that the audit adjustments for the year ended June 30, 2006, were indicative of fraud, misrepresentation, or abuse.

Our firm is independent of the Authority and this independence has been communicated to management.

Thank you for allowing us to serve you and make these suggestions. We look forward to our continuing professional relationship and to assisting you with the above recommendations. Please call me if you have any questions or concerns.

Very truly yours

Child, Van Wagoner & Bradshaw

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