

Zanesville Metropolitan Housing Authority

Financial Statements

For the Year Ended June 30, 2008



Mary Taylor, CPA
Auditor of State

Board of Directors
Zanesville Metropolitan Housing Authority
407 Pershing Road
Zanesville, Ohio 43701

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 9, 2009

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ZANESVILLE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Statement of Net Assets	11-12
Statement of Revenue, Expenses and Change in Net Assets	13
Statement of Cash Flows	14-15
Notes to the Basic Financial Statements	16-28
Supplemental Data:	
Schedule of Expenditures of Federal Awards	29
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	30-31
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	32-33
Schedule of Findings and Questioned Costs	34
Schedule of Prior Audit Findings	35



6548 Royalton Road, Suite 104
North Royalton, Ohio 44133
Phone (440) 877-9870
Fax (440) 877-9237
sconsiglio@aol.com

Independent Auditors' Report

Board of Directors
Zanesville Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Zanesville Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2008, which collectively comprise the Authority basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Zanesville Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Zanesville Metropolitan Housing Authority, Ohio, as of June 30, 2008, and the respective change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 26, 2009, on my consideration of the Zanesville Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the result of my audit.

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

My Audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Zanesville Metropolitan Housing Authority basic financial statements. The accompanying Schedule of Expenditure of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local 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 my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.

Salvatore Consiglio, CPA, Inc.

February 26, 2009

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2008

UNAUDITED

The following discussion and analysis of the Zanesville Metropolitan Housing Authority (the "Authority") is to provide an introduction to the basic financial statements for the fiscal year ended June 30, 2008 with selected comparative information for the fiscal year ended June 30, 2007. This discussion has been prepared by management and should be read in conjunction with the financial statements, notes to the financial statements, and supplementary information found in the report. This information taken collectively is designed to provide readers with an understanding of the Authority's finances.

Financial Highlights

The assets of the Authority exceeded its liabilities at the close of fiscal year 2008 by \$13,833,060 (net assets). Of this amount, \$2,649,727 (unrestricted net assets) may be used to meet the Authority's ongoing obligations to citizens and creditors. The restricted net assets of \$310,704 is the HAP reserve.

Capital assets decreased by \$143,512 from the depreciation of Capital Assets and capital fund asset additions.

Net assets increased by \$67,802 for the fiscal year ended June 30, 2008. This was due primarily to an increase in capital contributions.

Overview of the Financial Statements

The Authority is a special purpose governmental entity and accounts for its financial activities as an enterprise fund. The financial statements are prepared on the accrual basis of accounting. Therefore, revenues are recognized when earned and expenses are recognized when incurred. Capital assets are capitalized and depreciated, except for land, over their useful lives. See notes to the financial statements for a summary of the Authority's significant accounting policies and practices.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2008

UNAUDITED

Authority Activity Highlights

Description of programs

The following are the various programs that the Authority operates. These programs are included in the single enterprise fund:

Public Housing Program

The public housing program is designed to provide low-cost housing within the County. Under this program, HUD provides funding via an annual contribution contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

Capital Fund Program

The capital fund program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development housing.

Housing Choice Voucher Program

The Housing Choice Voucher Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons.

Shelter Plus Care

The Shelter Plus Care program is designed to link rental assistance to supportive services for hard to serve homeless persons with disabilities. The Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2008

UNAUDITED

Resident Opportunity and Supportive Services

A grant funded by the Department of Housing and Urban Development that is intended to enable public housing residents to obtain self sufficiency and economic independence and move from welfare to work.

Section 8 New Construction Program

The Authority administers a Housing Assistance Payments contract on behalf of HUD through which HUD subsidizes the rents of low to moderate-income families when those families rent from a private landlord. That rental assistance is provided similarly to how it is under the Housing Choice Voucher program except the rental assistance is tied to the dwelling units, and the assistance is provided to the families renting those units selected by HUD.

State and Local Fund

The Authority administered a contract with Muskingum County Department of Job and Family Services to provide a Youth Employment Service Program to resident youths. Also, the Authority administers a wellness program through a contract with the Muskingum County Board of Health and a home maintenance program through a contract with the City of Zanesville.

Business Activity

The Business Activity Fund was set-up to separate the HUD funded program with non-HUD activities. This fund is mainly used to account for the rental income received from the daycare facility known as Carey Street Day Care Center and the expenses of the maintenance and utilities of the building, and repayment of the construction loan.

Financial Position

The statement of net assets presents the financial position of the Authority at the end of the fiscal year. The statement includes all assets and liabilities of the Authority. Net assets is the difference between total assets and total liabilities and is an indicator of the current fiscal health of the Authority. The following is a summarized comparison of the Authority's assets, liabilities, and net assets at June 30, 2008 and 2007:

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2008

UNAUDITED

Table 1 - Condensed Statement of Net Assets Compared to Prior Year

	<u>2008</u>	<u>2007</u>
Current and Other Assets	\$ 3,805,054	\$ 3,481,623
Capital Assets	<u>11,544,059</u>	<u>11,687,601</u>
 Total Assets	 <u>\$ 15,349,113</u>	 <u>\$ 15,169,224</u>
 Current Liabilities	 \$ 1,352,342	 \$ 1,263,015
Long-Term Liabilities	<u>163,711</u>	<u>140,951</u>
 Total Liabilities	 <u>1,516,053</u>	 <u>1,403,966</u>
 Net Assets:		
Investment in Capital Assets, net of Related Debt	10,872,629	10,979,403
Restricted Net Assets	310,704	0
Unrestricted Net Assets	<u>2,649,727</u>	<u>2,785,855</u>
 Total Net Assets	 <u>13,833,060</u>	 <u>13,765,258</u>
 Total Liabilities and Net Assets	 <u>\$ 15,349,113</u>	 <u>\$ 15,169,224</u>

For more detail information see Statement of Net Assets presented elsewhere in this report.

Revenues and Expenses

The following is a summary of the results of operations of the Authority for the fiscal years ended June 30, 2008 and 2007:

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2008

UNAUDITED

Table 2 - Statement of Revenue, Expenses & Changes in Net Assets

	<u>2008</u>	<u>2007</u>
Operating Revenue	\$ 8,134,430	\$ 8,317,092
Operating Expenses	<u>8,938,064</u>	<u>8,512,277</u>
Total Operating Loss	<u>(803,634)</u>	<u>(195,185)</u>
Nonoperating:		
Revenue	115,770	139,524
Expenses	(42,777)	(38,714)
Capital Contributions	<u>798,443</u>	<u>638,934</u>
Change in Net Assets	67,802	544,559
Prior Period Adjustment	-	(52,391)
Total Net Assets - Beginning of Year, Restated	<u>13,765,258</u>	<u>13,273,090</u>
Total Net Assets - End of Year	<u>\$ 13,833,060</u>	<u>\$ 13,765,258</u>

The ZMHA have experienced a decrease in interest income for FYE 2008 due to the declining interest rates and a sluggish economy. We also experienced higher utilities costs than the previous year.

Housing Units Managed

The following table shows housing units managed by the Authority for the fiscal years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Owned by Authority	674	674
Units under vouchers (Over leased 2005)	919	919
Units under Shelter Plus Care	8	8
Units under NC SR	<u>96</u>	<u>96</u>
Total housing units managed	1,697	1,697

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2008

UNAUDITED

Capital Assets

Capital assets is the largest asset reflected on the Authority's statement of net assets. The following is a summary of capital assets owned by the Authority at June 30, 2008:

Table 3 - Condensed Statement of Changes in Capital Assets

	<u>2008</u>
Land and Land Rights	\$ 1,160,622
Building & Improvements	29,939,197
Equipment - Administrative	754,157
Equipment - Dwelling	509,797
Accumulated Depreciation	<u>(20,819,714)</u>
 Total	 \$ <u><u>11,544,059</u></u>
 Capital Assets Activity:	
Capital asset, net at June 30, 2007	\$ 11,687,601
Depreciation expense	(946,162)
Capital assets sold - cost	(30,845)
Capital assets sold - accumulated depreciation	21,202
Capital assets additions - Section 8	13,820
Capital assets additions - Capital Fund	<u>798,443</u>
 Capital Assets, net at June 30, 2008	 \$ <u><u>11,544,059</u></u>

Changes in Net Assets

Total capital assets decreased from the previous year by \$143,542. The decrease is a result of less capital asset additions than the depreciation expense for the year. The largest component of net assets is *invested in capital assets, net of related debt*. The following table shows how this amount is calculated for the fiscal years ended June 30, 2008 and 2007:

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2008

UNAUDITED

Table 4 - Investment in Capital Assets, Net of Debt

	<u>2008</u>	<u>2007</u>
Total Capital Assets	\$ 32,363,773	\$ 31,574,435
Less:		
Capital related debt	(671,430)	(708,198)
Accumulated depreciation	<u>(20,819,714)</u>	<u>(19,886,834)</u>
Investment in Capital Assets, Net of Debt	<u><u>\$ 10,872,629</u></u>	<u><u>\$ 10,979,403</u></u>

Debt Administration

Zanesville Metropolitan Housing Authority obtained a loan in the amount of \$843,000 on June 1, 2002. The proceeds were used for the Zanesville Carey Metro Childcare, Inc. building payable in monthly installments of \$5,689.93.

Table 5 - Outstanding Debt Balance

Outstanding principal balance as of June 30, 2007	\$ 708,198
Less:	
Principal payments made during the year	<u>(36,768)</u>
Outstanding principal balance as of June 30, 2008	<u><u>\$ 671,430</u></u>

Economic Factors

The economic outlook for ZMHA is uncertain at this time. According to the most current information available on changes pending at the U.S. Department of Housing and Urban Development, Public Housing operating subsidy may be increased by 3.4%. At this time there is no further inflationary adjustments forecasted. Locally, we are being impacted by negative employment factors such as stagnant job growth and a sluggish market.

**ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2008

UNAUDITED

Requests for Information

The annual financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any information provided in this report or requests for additional information should be addressed to Teresa Brandford, Finance Director, Zanesville Metropolitan Housing Authority.

Zanesville Metropolitan Housing Authority
Statement of Net Assets
Proprietary Funds
June 30, 2008

ASSETS

Current assets

Cash and cash equivalents	\$2,353,386
Investments	871,279
Receivables, net	240,822
Inventories, net	266,660
Prepaid expenses and other assets	72,907
<i>Total current assets</i>	<u>3,805,054</u>

Noncurrent assets

Capital assets:	
Land	1,160,622
Building and equipment	31,203,151
Less accumulated depreciation	(20,819,714)
<i>Total noncurrent assets</i>	<u>11,544,059</u>
Total assets	<u><u>\$15,349,113</u></u>

LIABILITIES

Current liabilities

Accounts payable	\$203,523
Accrued liabilities	239,935
Tenant security deposits	174,795
Deferred revenue	62,659
Bonds, notes, and loans payable	671,430
<i>Total current liabilities</i>	<u>1,352,342</u>

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

Zanesville Metropolitan Housing Authority
Statement of Net Assets (Continued)
Proprietary Funds
June 30, 2008

Noncurrent liabilities	
Accrued compensated absences non-current	\$80,836
Noncurrent liabilities - other	82,875
<i>Total noncurrent liabilities</i>	<u><i>163,711</i></u>
Total liabilities	<u><u>\$1,516,053</u></u>
 <i>NET ASSETS</i>	
Invested in capital assets, net of related debt	\$10,872,629
Restricted net assets	310,704
Unrestricted net assets	2,649,727
Total net assets	<u><u>\$13,833,060</u></u>

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

Zanesville Metropolitan Housing Authority
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

OPERATING REVENUES

Tenant Revenue	\$1,363,617
Government operating grants	6,427,232
Other revenue	343,581
Total operating revenues	<u>8,134,430</u>

OPERATING EXPENSES

Administrative	1,891,558
Tenant services	13,675
Utilities	807,150
Maintenance	1,344,555
Protective services	114,406
Insurance	185,841
General	13,090
Bad Debts	14,600
Housing assistance payment	3,607,027
Depreciation	946,162
Total operating expenses	<u>8,938,064</u>
Operating income (loss)	<u>(803,634)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	115,770
Loss on sale of capital assets	(2,661)
Interest expense	(40,116)
Total nonoperating revenues (expenses)	<u>72,993</u>
Income (loss) before contributions and transfers	(730,641)

Capital grants	798,443
Change in net assets	67,802
Total net assets - beginning	13,765,258
Total net assets - ending	<u>\$13,833,060</u>

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

Zanesville Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating grants received	\$6,319,658
Tenant revenue received	1,352,981
Other revenue received	343,581
General and administrative expenses paid	(4,248,365)
Housing assistance payments	<u>(3,607,027)</u>
Net cash provided (used) by operatin gactivities	<u>160,828</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned received	<u>79,886</u>
Net cash provided (used) by investing activities	<u>79,886</u>
 CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES	
Capital grant funds received	798,443
Proceeds from sales of capital assets	14,900
Property and equipment purchased	<u>(820,183)</u>
Net cash provided (used) by capital and related activities	<u>(6,840)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Principal Payment on debt	(36,768)
Interest Payment	<u>(40,116)</u>
Net cash provided (used) by financing activities	<u>(76,884)</u>
Net increase (decrease) in cash	156,990
Cash and cash equivalentents - Beginning of year	<u>2,196,396</u>
Cash and cash equivalentents - End of year	<u><u>\$2,353,386</u></u>

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

Zanesville Metropolitan Housing Authority
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2008

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Operating Income (Loss)	(\$803,634)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	946,162
(Increases) Decreases in:	
- Accounts Receivables, net of allowance	(118,210)
- Inventory, net of allowance	(12,499)
- Prepaid Assets	154
Increases (Decreases) in:	
- Accounts Payable	142,765
- Intergovernmental Payable	(88,960)
- Accrued Expenses Payable	5,403
- Accrued Compensated Absence Payable	(5,654)
- Deferred Revenue	48,363
- Tenant Security Deposits	18,524
- Noncurrent Liabilities Other (FSS Escrow Payable)	28,414
	<hr/>
Net cash provided by operating activities	<u><u>\$160,828</u></u>

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

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1: REPORTING ENTITY

Introduction

The Zanesville Metropolitan Housing Authority was established for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives. The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the low-income housing program under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make grants to assist the local housing authorities in financing the acquisition, construction and/or leasing of housing units and to make annual contributions (subsidies) to the local housing authorities for the purpose of maintaining the low-rent character of the local housing program.

The financial statements of the Zanesville 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 more significant of the Authority's accounting policies are described below.

As required by GAAP, the basic financial statements of the reporting entity include those of the Zanesville Metropolitan Housing Authority and any component units. Component units are separate legal entities that; elected officials of a primary government are financially accountable for the entity or the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the basic financial statements misleading or incomplete. Based upon the application of these criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria. A summary of each program administered by the Authority included in the financial statements is provided to assist the reader in interpreting the basic financial statements. These programs constitute all programs subsidized by HUD and operated by the Authority.

Description of programs

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

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 1: REPORTING ENTITY (Continued)

A. Public Housing Program

The public housing program is designed to provide low-cost housing within the County. Under this program, HUD provides funding via an annual contribution contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

B. Capital Fund Program

The capital fund program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development housing.

C. Housing Choice Voucher Program

The Housing Choice Voucher Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons.

D. Shelter Plus Care

The Shelter Plus Care program is designed to link rental assistance to supportive services for hard to serve homeless persons with disabilities.

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

E. Resident Opportunity and Supportive Services

A grant funded by the Department of Housing and Urban Development that is intended to enable public housing residents to obtain self sufficiency and economic independence and move from welfare to work.

F. Section 8 New Construction Program

The Authority administers a Housing Assistance Payments contract on behalf of HUD through which HUD subsidizes the rents of low to moderate-income families when those families rent from a private landlord. That rental assistance is provided similarly to how it is under the Housing Choice Voucher program except the rental assistance is tied to the dwelling units, and the assistance is provided to the families renting those units selected by HUD.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 1: REPORTING ENTITY (Continued)

G. State, Local and Other Federal Programs

The Authority administered a contract with Muskingum County Department of Job and Family Services to provide a Youth Employment Service Program to resident youths. Also, the Authority administers a wellness program through a contract with the Muskingum County Board of Health and a home maintenance program through a contract with the City of Zanesville.

H. Business Activity

The Business Activity Fund was set-up to separate the HUD funded program with non-HUD activities. This fund is mainly used to account for the rental income received from the daycare facility known as Carey Street Day Care Center and the expenses of the maintenance and utilities of the building, and repayment of the construction loan.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for its 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.

Proprietary Fund Types

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

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus/Basis of Accounting

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

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments with a maturity of three months or less. The Authority places its temporary cash investments with high credit quality financial institutions. Amounts in excess of FDIC insurance limits are fully collateralized.

Inventory

The Authority's inventory is comprised of maintenance materials and supplies. Inventory is valued at cost and the Authority uses the first-in, first-out (FIFO) flow assumption in determining cost.

The consumption method is used to record inventory. Under this method, the acquisition of materials and supplies is recorded initially in inventory accounts and charged as expenditures when used.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending June 30, 2008 totaled \$115,770.

Capital assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more than one year and purchase price of \$500 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives as follows:

Buildings & improvements	15-40 years
Furniture, fixtures & equipment	3-10 years
Vehicles	5 years

Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

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 balance 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 by internal or external restrictions.

Income Taxes

No provision for income taxes is recorded as the Authority is a non-profit, tax exempt entity under the Internal Revenue Code.

Operating Revenues and Expenses

Operating revenues and expenses are those revenues that are generated directly from the primary activities of the proprietary fund and expenses incurred for the day to day operation. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue.

Capital Contributions

This represents contributions made available by HUD with respect to all federally aided projects under an annual contribution contract.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 services are included in the calculation of the compensated absence 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 fund liability.

Budgets and Budgetary Accounting

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its Enterprise Funds receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end. The Board of Commissioners adopts the budget through passage of a budget resolution.

NOTE 3: DEPOSIT AND INVESTMENTS

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

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

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 3: DEPOSIT AND INVESTMENTS (Continued)

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

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

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

Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2008, the Authority was not exposed to custodial risk as discussed below because all of the funds on deposit were covered by federal depository insurance or by collateral held by the Authority's agent. Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits.

At fiscal year end June 30, 2008, the carrying amount of the Authority's deposits totaled \$2,353,386 and its bank balance was \$2,436,912. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2008, \$2,259,082 was exposed to custodial risk as discussed below, while \$177,830 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.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 3: DEPOSIT AND INVESTMENTS (Continued)

Investments

In accordance with the Ohio Revised Code and HUD investment policy, the Authority is permitted to invest in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, obligations of certain political subdivisions of Ohio and the United States government and its agencies, and repurchase agreements with any eligible depository or any eligible dealers. Public depositories must give security for all public funds on deposit. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based.

The Authority is prohibited from investing in any financial instruments, contracts, or obligations whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse purchase agreements.

Interest Rate Risk – The Authority does not have a formal investment policy that limits investments as a means of managing its exposure to fair value losses arising from increasing interest rates. However, it is the Authority practice to limit its investments to less than 5 years.

Credit Risk – HUD requires specific collateral on individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation. The Authority depository agreement specifically requires compliance with HUD requirement.

Concentration of Credit Risk – The Authority places no limit on the amount that may be invested with any one issuer. However, it is the Authority practice to do business with more than one depository.

The carrying amount of the Authority's investment was \$835,393 at June 30, 2007 with the same corresponding bank balance. The investments are held in certificate of deposits.

NOTE 4: TENANT ACCOUNT RECEIVABLES

As of June 30, 2008, tenant account receivable was \$7,200 with an allowance for doubtful accounts of \$400.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 5: DEFINED BENEFIT PENSION PLAN

All full-time employees of Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

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

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Direct Plan – 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-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Plan members are required to contribute 9.5 percent through December 31, 2007 and 10.0 percent effective January 1, 2008. The employer share of the contribution rate for Authority was 13.85 percent through December 31, 2007 and 14.00 percent effective January 1, 2008. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority's contribution for the years ended June 30, 2008, 2007, and 2006 amounted to \$222,085, \$229,300, and \$226,710. These costs have been charged to the employee fringe benefit account. Eighty-Eight percent has been contributed for 2008. All required contributions for the two previous years have been paid.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 6: POST-EMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory Authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2007 employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2008 was 5.0 percent of covered payroll, which amounted to \$87,506. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2007. 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 unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2007 was 6.5 percent. An annual increase of 4.0 percent 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 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from 0.5% to 4.0% for the next 7 years. In subsequent years (8 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 365,503. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2007 was \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.8 billion and \$17.0 billion, respectively.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 7: CAPITAL ASSETS

	Balance 06/30/07	Adjustment	Additions	Disposal	Balance 06/30/08
Capital Assets Not Depreciated:					
Land	\$1,160,622	\$0	\$0	\$0	\$1,160,622
Total Capital Assets Not Being Depreciated	1,160,622	0	0	0	1,160,622
Capital Assets Being Depreciated:					
Buildings	25,008,317	5,314	661,265	0	25,674,896
Furnt, Mach. & Equip	976,220	210,265	108,314	30,845	1,263,954
Leasehold Improvement	4,429,276	(215,579)	50,604	0	4,264,301
Total Capital Assets Being Depreciated	30,413,813	0	820,183	30,845	31,203,151
Accumulated Depreciated:					
Buildings	16,275,905	19,047	625,284	0	16,920,236
Furnt, Mach. & Equip	900,551	(22,816)	100,161	13,282	964,614
Leasehold Improvement	2,710,378	3,769	220,717	0	2,934,846
Total Accumulated Depreciated	19,886,834	0	946,162	13,282	20,819,714
Total Capital Assets Being Depreciated, Net	10,526,979	0	(125,979)	17,563	10,383,437
Total Capital Assets, Net	\$11,687,601	\$0	(\$125,979)	\$17,563	11,544,059

NOTE 9: LONG-TERM DEBT

Loan Payable – Bank One

Zanesville Metropolitan Housing Authority has an outstanding note payable with Bank One of \$671,430 as of June 30, 2008. The original note was for \$843,000 dated June 1, 2002 to be used for the construction of a daycare facility known as Carey Street Day Care Center. The note contains an interest rate of 5.27% fixed for five years. The loan is amortized over 20 year period with 3 five year balloons payments. The first balloon payment is due in 60 months from the date of the original loan.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 9: LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term debt for the year ended June 30, 2008:

<u>DESCRIPTION</u>	<u>BALANCE 06/30/07</u>	<u>ISSUED</u>	<u>RETIRED</u>	<u>BALANCE 06/30/08</u>
Loan Payable	\$708,198	\$-0-	\$36,768	\$671,430
TOTAL	\$708,198	\$-0-	\$36,768	\$671,430

Debt maturities for the next five years are estimated as follows:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
June 30, 2009	\$671,430	\$3,900
Total	\$671,430	\$3,900

NOTE 10: ECONOMIC DEPENDENCY

Both the PHA Low Rent Public Housing Program and the Voucher Program are economically dependent on annual contributions and grants from HUD. Both programs operate at a loss prior to receiving the contributions and grants.

NOTE 11: RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage except for deductibles.

NOTE 12: CONTINGENCIES

Litigations and Claims

In the normal course of operations the PHA may be subject to litigation and claims. At June 30, 2008 the PHA was involved in such matters. While the outcome of these matters cannot presently be determined, management believes that their ultimate resolution will not have a material effect on the financial statements.

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008
(CONTINUED)

NOTE 13: SCHEDULE OF EXPENDITURE OF FEDERAL AWARD

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

Zanesville Metropolitan Housing Authority
Schedule of Expenditures of Federal Award
For the Year Ended June 30, 2008

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Section 8 New Construction	14.182	\$226,861
Shelter Plus Care	14.238	21,574
Low Rent Public Housing	14.850	1,572,679
Resident Opportunity and Supportive Services	14.870	142,537
Housing Choice Vouchers	14.871	3,750,374
Public Housing Capital Fund Program	14.872	<u>1,265,764</u>
Total U.S. Department of Housing and Urban Development		<u>6,979,789</u>
U.S. Department of Labor Pass-Through Program From Muskingum County Workforce Investment Act (Cluster) Youth Employment Services		
	17.259	118,953
Youthbuild	17.274	<u>126,035</u>
Total U.S. Department of Labor		<u>244,988</u>
U.S. Department of Health and Human Services Pass-Through Program From Ohio Department of Job and Family Services Temporary Assistance for Needy Families (TANF)		
	93.558	<u>606</u>
Total U.S. Department of Health and Human Services		<u>606</u>
Total Expenditure of Federal Award		<u><u>\$7,225,383</u></u>



6548 Royalton Road, Suite 104
North Royalton, Ohio 44133
Phone (440) 877-9870
Fax (440) 877-9237
sconsiglio@aol.com

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

Board of Directors
Zanesville Metropolitan Housing Authority

I have audited the financial statements of the business-type activities of the Zanesville Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2008, which collectively comprise the Zanesville Metropolitan Housing Authority basic financial statements and have issued my report thereon dated February 26, 2009. I conducted my 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 my audit, I considered Zanesville Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but no for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information of the Board of Directors, management, 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.

Salvatore Consiglio, CPA, Inc.

February 26, 2009



6548 Royalton Road, Suite 104
North Royalton, Ohio 44133
Phone (440) 877-9870
Fax (440) 877-9237
sconsiglio@aol.com

**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
Zanesville Metropolitan Housing Authority

Compliance

I have audited the compliance of the Zanesville Metropolitan Housing Authority, Ohio, 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, 2008. Zanesville Metropolitan Housing Authority, Ohio major federal programs are identified in the summary of auditor's result 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 Zanesville Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Zanesville Metropolitan Housing Authority, Ohio's compliance based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Zanesville Metropolitan Housing Authority, Ohio's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Zanesville Metropolitan Housing Authority, Ohio's compliance with those requirements.

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

Internal Control Over Compliance

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Authority's internal control.

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

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

Salvatore Consiglio, CPA, Inc.

February 26, 2009

Zanesville Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 June 30, 2008

1. SUMMARY OF AUDITOR'S 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):	CFDA # 14.871 and 17.274 Housing Choice Voucher Program and Youthbuild Program
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

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

3. FINDINGS RELATED TO FEDERAL AWARDS

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

Zanesville Metropolitan Housing Authority
Schedule of Prior Audit Findings
June 30, 2008

The audit report for the fiscal year ending June 30, 2007 contained no audit findings.



Mary Taylor, CPA
Auditor of State

ZANESVILLE METROPOLITAN HOUSING AUTHORITY
MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 7, 2009