ASHTABULA METROPOLITAN HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2008

Mary Taylor, CPA
Auditor of State

Board of Directors
Ashtabula Metropolitan Housing Authority
3526 Lake Avenue
Ashtabula, Ohio 44004

We have reviewed the *Independent Auditor's Report* of the Ashtabula Metropolitan Housing Authority, Ashtabula County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2008 through December 31, 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 Ashtabula Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 3, 2009

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ASHTABULA METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2008

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Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ashtabula Metropolitan Housing Authority
Ashtabula, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying basic financial statements of the Ashtabula Metropolitan Housing Authority, Ohio as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the Ashtabula Metropolitan Housing Authority, Ohio's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Ashtabula Metropolitan Housing Authority, as of December 31, 2008, and the respective changes in net assets, 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*, we have also issued a report dated June 17, 2009, on our consideration of the Ashtabula Metropolitan Housing Authority, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, 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 Ashtabula Metropolitan Housing Authority, Ohio's basic financial statements. The accompanying Schedule of Expenditures 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 also not a required part of the basic financial statements of the Ashtabula Metropolitan Housing Authority, Ohio. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The Authority has not presented the Financial Data Schedules (FDS) required by the Department of Housing and Urban Development for additional analysis, although not required to be part of the basic financial statements. The FDS are not available due to revisions in the reporting system that the Department is now undertaking.

James G. Zupka

James G. Zupka, CPA, Inc.
Certified Public Accountants

June 17, 2009

As management of the Ashtabula Metropolitan Housing Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Ashtabula Metropolitan Housing Authority.

Overview of the Financial Statements

The financial statements included in this annual audit report are those of a special purpose government engagement in a business-type activity. The following statements are included:

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

  - *Net Assets, Invested in Capital Assets, Net of Related Debt* - this component of Net Assets consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

  - *Unrestricted Net Assets* - consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related Debt", or "Restricted Net Assets".

- Statement of Revenue, Expense, and Change in Net Assets
  Reports the Authority's operating and non-operating revenue, by major sources, along with operating and non-operating expenses and capital contributions.

  This statement includes Operating Revenues, such as rental income; Operating Expenses, such as administrative, utilities, maintenance, and depreciation; and Non-Operating Revenue and Expenses, such as grant revenue, investment income, and interest expense.

- Statement of Cash Flows
  Presents information on the effects changes in assets and liabilities have on cash during the course of the fiscal year.

- Notes to the Financial Statements
  Provides additional information that is essential to a full understanding of the data provided in the Authority-wide financial statements.

Analysis of the Housing Activity

Our analysis of the Authority as a whole begins page 6. The most important question asked about the Authority's finances is, "Is the Authority, as a whole, better or worse off as a result of the year's activities?"

The attached analysis of entity-wide net assets, revenues, and expenses is provided to assist with answering the above question. This analysis includes all assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private sector companies. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

Our analysis also presents the Authority's net assets and changes in them. You can think of the Authority's net assets as the difference between what the Authority owns (assets) to what the Authority owes (liabilities). The change in net assets analysis will assist the reader with measuring the health or financial position of the Authority. Over time, significant changes in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating.

To fully assess the financial health of any housing authority, the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authority's capital assets.

To fully understand the financial statements of the Authority, one must start with an understanding of what the Authority actually does. The following is a brief description of the programs and services that the Authority provides for its clients.

Programs of the Ashtabula Metropolitan Housing Authority

Low Income Public Housing (LIPH)

The Authority has 585 units in its Public Housing inventory. The Authority is responsible for the management, maintenance, and utilities costs for all units. The units must be maintained in accordance with HUD established housing quality standards. An annual inspection of each unit must be performed by the Authority to ensure that they meet or exceed these standards.

Each of the Authority's Public Housing buildings and the units that comprise those buildings are subject to random third party inspections as directed by HUD. In addition, the Authority must annually re-certify each of the tenants' family composition and their respective household income.

On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has a Project Expense Level (PEL). The PEL reflects estimated allowable operating expenditures and is calculated by HUD in accordance with the results of the Harvard Cost Study which was performed for HUD. HUD funds the difference between allowable costs as incurred for

Low Income Public Housing (LIPH) (Continued)
all units under lease and the actual tenant revenue generated. Tenant rent is based on 30 percent of their adjusted household income. Actual funding received from HUD is made by the results of this formula calculation, subject to proration in accordance with total funds actually appropriated by Congress. Actual funding is made by HUD, by formula, in accordance with total funds appropriated by Congress.

Section 8 Housing Choice Vouchers (HCV)
HUD has contracted with the Authority to provide support for the Housing Choice Voucher Program. The Authority makes Housing Assistance Payments to landlords for low income tenants. The Housing Assistance Payment made matches the difference between the total rent that the landlord can charge, at or below a fair market rent amount supplied by HUD, and the amount that the tenant can pay is based on 30 percent of their respective adjusted income.

For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program, however, they are responsible for annually inspecting the units to ensure that they meet or exceed HUD established housing quality standards.

Rural Housing and Economic Development Program
This program consists of grants that are meant to meet rural communities' housing and economic development needs. Recent appropriation acts have provided funding for this program, which is used to encourage new and innovative approaches to serving the housing and economic development needs of the nation's rural communities. This program also receives rental assistance through the Section 8 New Construction Program.

Business Activities
The Authority assists local mental health groups in administering a Shelter Plus Care program. This program provides rental assistance for homeless people with disabilities, primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and acquired immune deficiency syndrome (AIDS), and related diseases. Rental assistance must be matched by an equal value in cash or in-kind provided by the grantee from federal or private sources to be used for supportive services.

Capital Fund Program

Tenant Revenues generated by the Housing Authority are supplemented by operating subsidy from HUD. These two amounts combined are intended to cover only the day to day routine expenses. This leaves the Authority with little funding for modernizing of the structures and/or for the completion of non-routine maintenance.

The purpose of the Capital Fund grants is to give funds to the Housing Authority for improvement of the sites, to complete non-routine maintenance, and to assist with the improvement of the management of the Authority. This grant program is awarded by HUD, by formula allocation, on an annual basis. The Housing Authority generally has two years to obligate the funds from these capital fund grants, and three years to fully expend them. As formal contracts are awarded from this program, funds are requisitioned from HUD to pay periodic requests from the contractors.

Work completed under this grant program is temporarily charged to construction in progress. When all of the funds allocated to a specific grant have been fully expended, approved by HUD, and audited, the work items are moved from construction in process and placed into the Capital Assets. Depreciation begins at this point.

Supportive Housing Program

These grants are offered by HUD through a competitive process and allow for new construction, acquisition, rehabilitation, or leasing of buildings to provide transitional or permanent housing, as well as supporting services, to homeless individuals and families; grants to fund a portion of annual operating costs; and grants for technical assistance.

Analysis of Entity Wide Net Assets (Statement of Net Assets)

Total net assets for fiscal year 2007 were $14,981,329 and for fiscal year 2008 the amount was $14,880,248. This represents an overall net decrease of $101,081, or (.7) percent.

Cash and Cash Equivalents increased from $2,374,815 in fiscal year 2007 to $2,718,781 in fiscal year 2008, or by $343,966 or 14.5 percent. The upward change in the Authority's cash balance is primarily due to an increase in the Authority's investments and unrestricted cash.

Receivables increased from $118,098 in fiscal year 2007 to $130,777 in fiscal year 2008. This represents an increase of $12,679, or 10.7 percent. This increase was a result of increases to HUD Capital Fund Receivables; partially offset by decreases in miscellaneous receivables.

Other Current Assets increased from $137,880 in fiscal year 2007 to $180,318 in fiscal year 2008, or by $42,438 or 30.8 percent. This change was primarily due to increases in inventories.

Analysis of Entity Wide Net Assets (Statement of Net Assets) (Continued)

Capital Assets decreased from $13,604,468 in fiscal year 2007 to $12,987,345 in fiscal year 2008, or by $617,123, or 4.5 percent. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current liabilities decreased from $571,441 in fiscal year 2007 to $491,655 in fiscal year 2008, or by $79,786 or 1.4 percent. This change is primarily a result of decreases in accounts payable-vendors.

Non-current Liabilities decreased from $682,491 in fiscal year 2007 to $645,318 in fiscal year 2008, or by $37,173, or 5.4 percent. Primarily, this change was a result of a decrease in long term debt net of current.

The following table summarizes the change in net assets between December 31, 2008 and 2007 for the Authority as a whole:

Table 1 - Analysis of Entity Wide Net Assets (Statement of Net Assets)

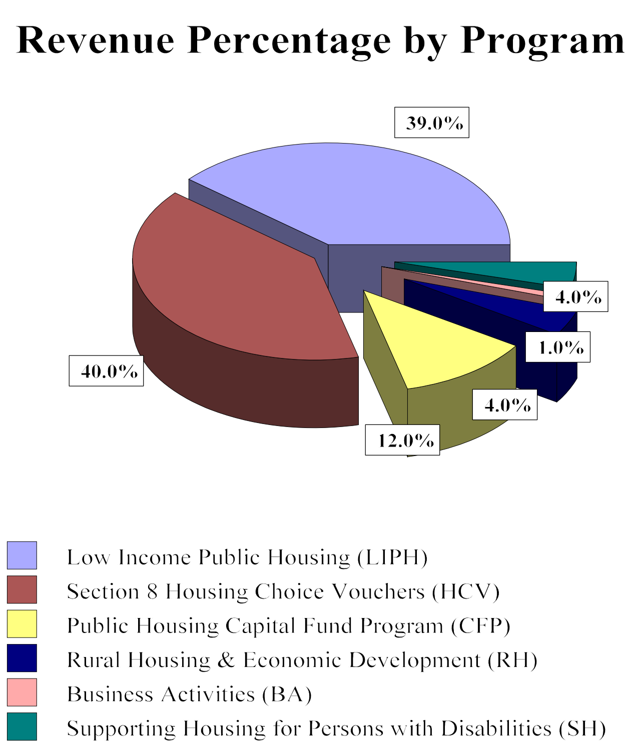
	2008	2007	Net Change	Percent of Variance
Assets				
Cash and Cash Equivalents	$ 2,718,781	$ 2,374,815	$ 343,966	14.5 %
Receivables	130,777	118,098	12,679	10.7 %
Other Current Assets	180,318	137,880	42,438	30.8 %
Capital Assets	12,987,345	13,604,468	(617,123)	(4.5)%
Total Assets	$16,017,221	$16,235,261	$ (218,040)	(1.3)%
Liabilities				
Current Liabilities	$ 491,655	$ 571,441	$ (79,786)	(1.4)%
Non-Current Liabilities	645,318	682,491	(37,173)	(5.4)%
Total Liabilities	1,136,973	1,253,932	(116,959)	(9.3)%
Net Assets				
Invested in Capital Assets	12,444,091	13,004,585	(560,494)	(4.3)%
Restricted Net Assets	331,985	387,984	(55,999)	(14.4)%
Unrestricted Net Assets	2,104,172	1,588,760	515,412	32.4 %
Total Net Assets	14,880,248	14,981,329	(101,081)	(0.1%)
Total Liabilities and Net Assets	$16,017,221	$16,235,261	$ (218,040)	(1.3)%

Analysis of Entity-Wide Revenues (Statement of Activities)

The Authority administers the following programs and the revenues generated from these programs during fiscal year ending 2008 were as follows:

Program	Revenues Generated
Low Income Public Housing (LIPH)	$ 2,858,147
Section 8 Housing Choice Voucbers (HCV)	2,881,204
Public Housing Capital Fund Program (CFP)	900,215
Rural Housing and Economic Development (RH)	293,766
Business Activities (BA)	28,207
Supportive Housing for Persons with Disabilities (SH)	302,698
Total Revenues	$ 7,264,237

The diagram below illustrates the percentage of revenues generated by the programs as presented above for the fiscal year ending December 31, 2008.



Analysis of Entity-Wide Expenditures

Total revenues for fiscal year 2007 were $7,238,891, as compared to $7,264,237 of total revenues for fiscal year 2008. Comparatively, fiscal year 2008 revenues exceeded fiscal year 2007 revenues by $25,346, or .35 percent. The primary reason for this change was a result of decreases in HUD Operating Grants and investment income; offset by increases in HUD Capital Grant revenue, tenant revenues, and other revenue.

Table 2 - Change in Total Revenue

	2008	2007	Net Change	Percent of Variance
Total Tenant Revenue	$ 1,001,991	$ 949,294	$ 52,697	5.6 %
HUD Operating Grants	5,639,618	5,850,909	(211,291)	(3.6)%
HUD Capital Grants	467,067	254,970	212,097	83.2 %
Investment Income	32,071	83,736	(51,665)	(61.7)%
Other Revenue	123,490	99,982	23,508	23.5 %
Total Revenue	$ 7,264,237	$ 7,238,891	$ 25,346	0.4 %

Total expenses for fiscal year ending December 31, 2007 were $7,622,872 as compared to $7,363,683 of total expenses for fiscal year ending December 31, 2008. This represents a decrease of $259,189, or 3.4%.

Administrative expenses for fiscal year ending December 31, 2007 were $1,116,303 as compared to $1,230,276 in fiscal year 2008. This represents an increase of $113,973, or 10.2 percent. This change is primarily the result of increases in other administrative operating expenses.

Utilities expenditures for fiscal year ending December 31, 2007 were $609,220 as compared to $699,258 in fiscal year 2008. This represents an increase of $90,038, or 14.8 percent. The major cause for this change is due to the increases in water and sewage costs from the prior fiscal year.

Maintenance expenditures for fiscal year ending December 31, 2007 were $1,164,664 as compared to $1,039,821 in fiscal year 2008. This represents a decrease of $124,843, or 10.7 percent. The main reason for this change was due to decreases in maintenance material costs.

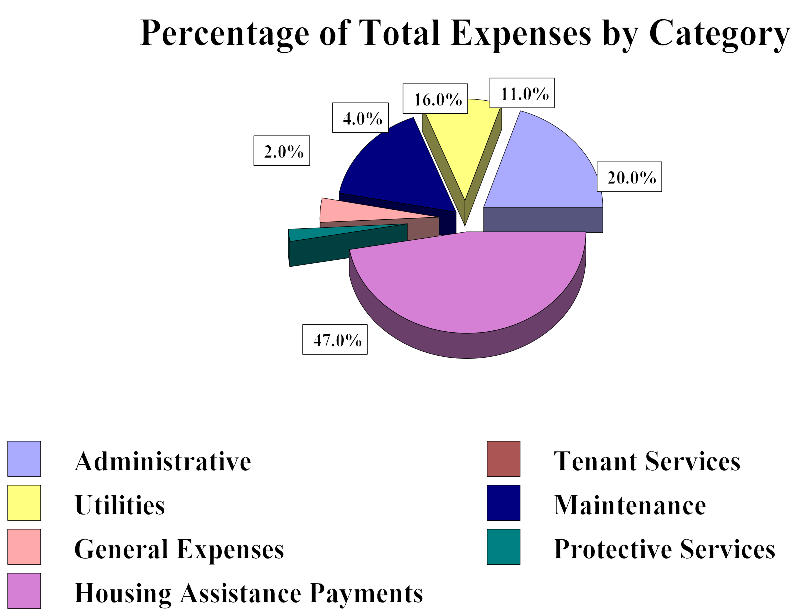
General expenditures for fiscal year ending December 31, 2007 were $173,269 as compared to $224,798 for fiscal year 2008. This represents an increase of $51,529, or 29.7 percent. The main cause for this change was due to increases in insurance premiums and payment in lieu of taxes.

Table 3 illustrates the change in expenditures for the Authority for fiscal year 2008 compared to fiscal year 2007.

Table 3 - Change in Expenditures

	2008	2007	Net Change	Percent of Change
Administrative	$ 1,230,276	$ 1,116,303	$ 113,973	10.2 %
Tenant Services	15,263	11,265	3,998	35.5 %
Utilities	699,258	609,220	90,038	14.8 %
Maintenance	1,039,821	1,164,664	(124,843)	(10.7)%
Protective Services	103,657	0	103,657	100.0 %
General Expenses	224,798	173,269	51,529	29.7 %
Extraordinary Maintenance	385	1,000	(615)	(61.5)%
Housing Assistance Payments	2,947,418	3,420,255	(472,837)	(13.8)%
Depreciation Expense	1,102,807	1,126,896	(24,089)	(2.1)%
Total Expenses	$ 7,363,683	$ 7,622,872	$ (259,189)	(3.4)%

The diagram below illustrates the percentage of Authority expenditures by these categories excluding Depreciation Expense for fiscal year ending December 31, 2008:



Analysis of Capital Asset Activity

The following table illustrates the changes in the Authority's capital assets between fiscal year 2008 and fiscal year 2007.

Table 4 - Summary of Changes in Capital Assets

	2008	2007	Net Change	Percentage of Change
Land	$ 1,102,998	$ 1,102,998	$ 0	0.0 %
Buildings	26,212,478	26,206,612	5,866	0.0 %
Furniture, Equipment, and Machinery - Dwelling	449,684	449,684	0	0.0 %
Furniture, Equipment, and Machinery - Administrative	980,354	967,605	12,749	1.3 %
Construction in Progress	1,413,926	946,858	467,068	49.3 %
Total Capital Assets	30,159,440	29,673,757	485,683	1.6 %
Accumulated Depreciation	(17,172,096)	(16,069,289)	(1,102,807)	6.9 %
Net Capital Assets	$12,987,344	$13,604,468	$ (617,124)	(4.5)%

As previously mentioned, work completed under the Capital Fund Grant Program is temporarily charged to construction in process. When all of the funds allocated to a specific grant have been fully expended, approved by HUD, and audited, the work items are moved from construction in process and placed into Capital Assets.

Increases in the various capital asset accounts, in the amount of $485,683, have been offset by the annual charge to accumulated depreciation, in the amount of $1,102,807.

Special Conditions and Economic Factors

Management is not aware of any facts, decisions, or conditions that would have a significant effect on the future operation of the Authority.

Contacting the Authority

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to: Mr. James Noyes, Executive Director, Ashtabula Metropolitan Housing Authority, 3600 Lake Avenue, Ashtabula, Ohio 44004.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2008

ASSETS	
Current Assets	
Cash and Cash Equivalents - Unrestricted	$ 2,386,796
Cash and Cash Equivalents - Restricted	331,985
Accounts Receivable, Net	130,777
Prepaid Expenses	99,724
Inventories, Net	80,594
Total Current Assets	3,029,876
Noncurrent Assets	
Non-depreciable Capital Assets	2,516,925
Depreciable Capital Assets, Net	10,470,420
Total Noncurrent Assets	12,987,345
TOTAL ASSETS	$ 16,017,221
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	$ 36,407
Accounts Payable - HUD	202,971
Accrued Compensated Absences - Current	17,755
Tenant Security Deposits	101,556
Accrued Wages and Payroll Taxes	6,819
Accounts Payable - Other Government	51,987
Deferred Revenues	13,030
Current Portion of Long-Term Debt	57,729
Interest Payable	2,823
Other Current Liabilities	578
Total Current Liabilities	491,655
Noncurrent Liabilities	
Long-Term Debt, Net of Current	485,525
Accrued Compensated Absences - Net of Current Portion	159,793
Total Noncurrent Liabilities	645,318
Total Liabilities	1,136,973
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	12,444,091
Unrestricted Net Assets	2,104,172
Restricted Net Assets	331,985
Total Net Assets	14,880,248
TOTAL LIABILITIES AND NET ASSETS	$ 16,017,221

See accompanying notes to the basic financial statements.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008

Operating Revenues	
Governmental Grants	$ 5,639,618
Tenant Revenue	1,001,991
Other Revenue	123,490
Total Operating Revenues	6,765,099
Operating Expenses	
Housing Assistance Payments	2,947,418
Administrative	1,231,911
Utilities	699,258
Tenant Services	15,263
Maintenance	1,040,206
Protective Services	103,657
General	190,123
Total Operating Expenses Before Depreciation	6,227,836
Income Before Depreciation	537,263
Depreciation	1,102,807
Operating Loss	(565,544)
Non-Operating Revenues (Expenses)	
Interest and Investment Revenue	32,071
Interest Expense	(34,675)
Total Non-Operating Revenues (Expenses)	(2,604)
Loss Before Contributions and Transfers	(568,148)
Capital Grants	467,067
Change in Net Assets	(101,081)
Total Net Assets, Beginning of Year	14,981,329
Net Assets, End of Year	$ 14,880,248

See accompanying notes to the basic financial statements.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

Cash Flows from Operating Activities	
Cash Received from HUD	$ 5,657,562
Cash Received From Tenants	971,683
Cash Payments for Housing Assistance	(2,947,418)
Cash Payments for Administrative Expenses	(1,231,084)
Cash Payments for Other Operating Expenses	(2,156,823)
Cash Received - Other	125,073
Net Cash (Provided) by Operating Activities	418,993
Cash Flows from Capital and Related Financing Activities	
Principal Payments on Debt	(56,629)
Interest on Debt	(31,852)
Acquisition of Capital Assets	(485,684)
Capital Grants Received	467,067
Net Cash Provided by Capital and Other Related Financing Activities	(107,098)
Cash Flows from Investing Activities	
Interest and Investment Income Received	32,071
Net Cash Provided by Investing Activities	32,071
Net Increase (Decrease) in Cash and Cash Equivalents	343,966
Cash and Cash Equivalents, Beginning	2,374,815
Cash and Cash Equivalents, Ending	$ 2,718,781
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Net Operating (Loss)	$ (565,544)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	1,102,807
(Increase) Decrease in:	
Accounts Receivable - HUD	17,944
Tenant Accounts Receivable	(30,623)
Prepaid Expenses	71
Inventory	(42,509)
Increase (Decrease) in:	
Accounts Payable	(87,405)
Other Current Liabilities	578
Accounts Payable - Other Governments	21,527
Accrued Compensated Absences - Current	(1,593)
Tenants’ Security Deposits	1,005
Accrued Wages and Payroll Taxes	(20,688)
Deferred Revenue (Prepaid Rent)	315
Accrued Compensated Absences - Long-Term	23,108
Net Cash Used by Operating Activities	$ 418,993

See accompanying notes to the basic financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

The Ashtabula Metropolitan Housing Authority (the Authority) was created under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing, and administration of a low-rent housing program. An Annual Contributions Contract (ACC) was signed by the Authority and the U.S. Department of Housing and Urban Development (HUD) under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring, constructing, maintaining, operating, improving, extending, and repairing housing facilities.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. These criteria were considered in determining the reporting entity. The Authority has no component units based on the above considerations.

Basis of Presentation

The financial statements of 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.

In accordance with 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 the provisions of Statements and Interpretations of the Financial Accounting Standards Board issued on or before November 30, 1989 that do not conflict with GASB pronouncements. The Authority has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its enterprise funds.

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

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Presentation (Continued)
The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates
The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America 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.

Cash and Cash Equivalents
The Authority considers all highly liquid investments (including certificates of deposits regardless of maturity) with a maturity of three months or less when purchased to be cash equivalents.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Capital Assets

Capital assets are recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. Depreciation is computed on the straight line method based on the following estimated useful lives:

Buildings	40 years
Building Improvements	15 years
Land Improvements	15 years
Equipment	7 years
Autos	5 years
Computers	3 years

Capitalization of Interest

The Authority's policy is not to capitalize interest related to the construction or purchase of capital assets.

Investments

Investments are stated at fair value. As of December 31, 2008 the Authority had no investments.

Compensated Absences

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

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

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a liability. Information regarding compensated absences is detailed in Note 6.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Change in Accounting Principles

For fiscal year 2008, the Authority implemented GASB Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations*", and GASB Statement No. 50 "*Pension Disclosures*". GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits. The implementation of GASB Statements No. 49 and No. 50 did not affect the presentation of the financial statements of the Authority.

NOTE 2: **DEPOSITS AND INVESTMENTS**

Cash on Hand

At December 31, 2008, the Authority had undeposited cash on hand, including petty cash, of $300.

At December 31, 2008, the carrying amount of the Authority's cash deposits was $2,718,481. The bank balance at December 31, 2008 was $2,872,921. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2008, deposits totaling $341,026 were covered by Federal Depository Insurance and deposits totaling $2,531,895 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, in the Authority's name.

Custodial credit is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 110 percent of deposits. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 110 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at 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 a Federal Reserve bank in the name of the Authority.

Investments

The Authority has a formal investment policy. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At December 31, 2008, the Authority had no investments.

NOTE 2: **DEPOSITS AND INVESTMENTS** (Continued)

Interest Rate Risk
As a means of limiting its exposure to fair value of losses caused by rising interest rates, the Authority's investment policy requires that operating funds be invested primarily in short-term investments maturing within 2 years from the date of purchase and that its investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk
The credit risk of the Authority's investments are in the table below. The Authority has no investment policy that would further limit its investment choices.

Custodial Credit Risk
For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the controller or qualified trustee.

Concentration of Credit Risk
The Authority places no limit on the amount it may invest in any one insurer. The Authority's deposits in financial institutions represents 100 percent of its deposits.

Restricted cash at December 31, 2008 of $331,985 equals restricted net assets.

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NOTE 3: CAPITAL ASSETS

A summary of capital assets at December 31, 2008 by class is as follows:

	01/01/2008	Additions	Deletions	12/31/2008
Capital Assets Not Being Depreciated				
Land	$1,102,999	$ 0	$ 0	$ 1,102,999
Construction in Progress	946,858	467,068	0	1,413,926
Total Capital Assets Not Being Depreciated	2,049,857	467,068	0	2,516,925
Capital Assets Being Depreciated				
Buildings and Improvements	26,206,612	5,866	0	26,212,478
Furniture, Equipment, and Machinery - Dwellings	449,684	0	0	449,684
Furniture, Equipment, and Machinery - Administrative	967,605	12,749	0	980,354
Subtotal Capital Assets Being Depreciated	27,623,901	18,615	0	27,642,516
Accumulated Depreciation				
Buildings and Improvements	(14,848,899)	(1,002,589)	0	(15,851,488)
Furniture, Equipment, and Machinery - Dwellings	(398,170)	(34,324)	0	(432,494)
Furniture, Equipment, and Machinery - Administrative	(822,220)	(65,894)	0	(888,114)
Total Accumulated Depreciation	(16,069,289)	(1,102,807)	0	(17,172,096)
Depreciation Assets, Net	11,554,612	(1,084,192)	0	10,470,420
Total Capital Assets, Net	$13,604,469	$ (617,124)	$ 0	$ 12,987,345

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NOTE 4: RESTRICTED NET ASSETS

The Authority's restricted net assets are as follows:

Cash Held for South Ridge Village Reserve for Replacement	$ 91,026
Unspent Funding Provided by HUD to pay Section 8 Housing Choice Voucher Housing Assistance Payments	240,959
Total Restricted Net Assets	$ 331,985

NOTE 5: DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

All full-time Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans, as described below:

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

OPERS provides retirement, disability, survivor, death benefits, and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377 or by using the OPERS website at www.opers.org.

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

Ohio Public Employees Retirement System (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 9.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 14.00 percent of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2008, 2007, and 2006, were $112,119, $122,438, and $113,040, respectively. The full amount has been contributed for 2008, 2007, and 2006. The Authority had no employees participating in the Member-Directed Plan for the years ended December 31, 2008, 2007, and 2006.

NOTE 6: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2008 employer rate was 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for State and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care was 5.00 percent from January 1 through June 30, 2007, and 6.00 percent from July 1 through December 31, 2007. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

NOTE 6: **POST-EMPLOYMENT BENEFITS** (Continued)

Ohio Public Employees Retirement System (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 5 percent annually for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

As of December 31, 2008, the number of active contributing participants in the Traditional Pension and Combined plans totaled 363,503. The number of active contributing participants for both plans used in the December 31, 2007, actuarial valuation was 364,076. Actual Authority contributions for 2008 which were used to fund post-employment benefits were $64,560. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS' net assets available for payment of benefits at December 31, 2007 (the latest information available) was $12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $29.8 billion and $17.0 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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

NOTE 7: COMPENSATED ABSENCES

Vacation and sick leave policies are established by the Board of Commissioners based on local and state laws.

All permanent employees will earn 10 hours sick leave per month of service. Unused sick leave may be accumulated without limit. At the time of separation, union employees receive payment for thirty (30) days of unused sick leave. All permanent employees will earn vacation hours accumulated based on length of service. All vacation time earned must be used in the year earned without accumulation.

At December 31, 2008, based on the vesting method, $177,548 was accrued by the Authority for unused vacation and sick time. The current portion is $17,755 and the long term portion is $159,793.

NOTE 8: INSURANCE

The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public officials liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance risk pool comprised of thirty-nine (39) Ohio housing authorities, of which Ashtabula is one. Deductibles and coverage limits are summarized below:

Type of Coverage	Deductible	Coverage Limits
Property	$ 1,500	$250,000,000 (per occurrence)
Boiler and Machinery	1,000	50,000,000
General Liability	0	6,000,000
Automobile	500/0	ACV/6,000,000
Public Officials	0	6,000,000
Employee Dishonesty	0	500,000

Additionally, Workers' Compensation insurance is maintained through the State of Ohio Bureau of Workers' Compensation, in which rates are calculated retrospectively. The Authority is also fully insured through a premium payment plan for employee health care benefits. Settled claims have not exceeded the Authority's insurance in any of the past three years.

NOTE 9: CONTINGENCIES

The Authority is party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The Authority's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the Authority.

The Authority has received several Federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, management believes such disallowances, if any, will be immaterial.

NOTE 10: LONG-TERM DEBT

Changes in the Authority's long-term debt during fiscal year 2008 are as follows:

	Balance at 01/01/2008	Additions	Deletions	Balance at 12/31/2008	Due Within One Year
Loan Payable - Rural Economic and Community Development - 8% Interest, $840,000, dated December 12, 1979	$ 441,542	$ 0	$ (39,551)	$ 401,991	$ 40,410
Loan Payable - Rural Economic and Community Development - 9% Interest, $312,600, dated December 12, 1979	158,341	0	(17,078)	141,263	17,319
Total Loans Payable	599,883	0	(56,629)	543,254	57,729
Compensated Absences	156,033	37,528	(16,013)	177,548	17,755
Totals	$ 755,916	$ 37,528	$ (72,642)	$ 720,802	$ 75,484

Long-term debt consists of two term loans payable in the amount of $312,600 at 9 percent and $840,000 at 8 percent, with the Rural Economic and Community Development Services, payable over a period of 40 years. Monthly payments are $2,277 and $5,357, respectively. Interest incurred during 2008 was $36,018. The Rural Economic and Community Development Services interest credit is reduced by rent collections by the Authority in excess of maximum contract rates. The balance due at December 31, 2008, was $543,254, of which $57,729 was the current portion.

The following is a summary of the Authority's future debt service requirements for mortgages payable as of December 31, 2008:

NOTE 10: **LONG-TERM DEBT** (Continued)

For the Year Ended December 31	Principal	Interest	Total Payments
2009	$ 57,729	$ 33,879	$ 91,608
2010	61,628	29,980	91,608
2011	65,793	25,815	91,608
2012	70,242	21,366	91,608
2013	74,994	16,614	91,608
2014-2016	212,868	19,770	232,638
Total	$ 543,254	$ 147,424	$ 690,678

NOTE 11: **CONSTRUCTION AND OTHER COMMITMENTS**

The Authority had no material construction commitments at December 31, 2008.

NOTE 12: **INTERPROGRAM RECEIVABLES/PAYABLES**

Interprogram balance at December 31, 2008, consists of the following receivables and payables:

	Due From	Due to
Central Office Cost Center	$ 22,383	$ 241,003
Supportive Housing for Persons with Disabilities	36,820	0
Shelter Plus Care	13,921	0
Housing Choice Voucher Program	217,387	25,805
Rural Housing and Economic Development	0	23,703
Total	$ 290,511	$ 290,511

These interprogram Due From/Due To arise from allocation of wages and benefits, supplies, and other costs. These balances are eliminated for the Statement of Net Assets on page 12.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Direct Programs:		
Public Housing Programs		
Low Rent Public Housing Program	14.850	$ 1,865,204
Capital Fund Program	14.872	900,215
Total Public Housing Programs		2,765,419
Section 8 Tenant Based Programs		
Tenant Based Program:		
Section 8 Housing Choice Voucher Program	14.871	2,863,111
New Construction Section 8 Program	14.182 *	177,693
Supportive Housing for Persons with Disabilities	14.181	300,462
Total Section 8 Tenant and Project Based Programs		3,341,266
Total Federal Assistance		$ 6,106,685

* Represents rental assistance for South Ridge Village Rural Housing Project #41-004-341031866.

This schedule is prepared on the accrual basis of accounting.

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

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

Board of Directors
Ashtabula Metropolitan Housing Authority
Ashtabula, Ohio

Regional Inspector General for Audit
Department of Housing and Urban Development

We have audited the basic financial statements of the Ashtabula Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2008, and have issued our report thereon dated June 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ashtabula Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ashtabula Metropolitan Housing Authority, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Ashtabula Metropolitan Housing Authority, Ohio'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 Ashtabula Metropolitan Housing Authority, Ohio'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 Ashtabula Metropolitan Housing Authority, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Ashtabula Metropolitan Housing Authority, Ohio'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 Ashtabula Metropolitan Housing Authority, Ohio's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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 the Ashtabula Metropolitan Housing Authority, Ohio'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.*

We noted certain additional matters that we reported to the management of the Ashtabula Metropolitan Housing Authority in a separate letter dated June 17, 2009.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka

James G. Zupka, CPA, Inc.
Certified Public Accountants

June 17, 2009

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Ashtabula Metropolitan Housing Authority
Ashtabula, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

Compliance

We have audited the compliance of the Ashtabula 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 December 31, 2008. The Ashtabula Metropolitan Housing Authority, Ohio's major federal programs are 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 Ashtabula Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Ashtabula Metropolitan Housing Authority, Ohio'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 Ashtabula Metropolitan Housing Authority, Ohio'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 of the Ashtabula Metropolitan Housing Authority, Ohio's compliance with those requirements.

In our opinion, the Ashtabula 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 December 31, 2008.

Internal Control Over Compliance

The management of the Ashtabula 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 our audit, we considered the Ashtabula Metropolitan Housing Authority, Ohio's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Ashtabula Metropolitan Housing Authority, Ohio's internal control over compliance.

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

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

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

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka

James G. Zupka CPA, Inc.
Certified Public Accountants

June 17, 2009

ASHTABULA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2008

1. SUMMARY OF AUDITOR'S RESULTS

2008(i)	Type of Financial Statement Opinion	Unqualified
2008(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2008(ii)	Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2008(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2008(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2008(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2008(v)	Type of Major Programs' Compliance Opinion	Unqualified
2008(vi)	Are there any reportable findings under .510?	No
2008(vii)	Major Programs (list): Section 8 Housing Choice Vouchers - CFDA #14.871	
2008(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: all others
2008(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

The audit report for the prior year ended December 31, 2007 contained no findings or citations other than management letter comments.

Mary Taylor, CPA
Auditor of State

ASHTABULA METROPOLITAN HOUSING AUTHORITY

ASHTABULA 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
AUGUST 13, 2009

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