

ASHTABULA METROPOLITAN HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2009



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, 2009 through December 31, 2009. 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

July 2, 2010

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**ASHTABULA METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2009**

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JAMES G. ZUPKA, C.P.A., INC.

Certified Public Accountants

5240 East 98th Street

Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

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, 2009, 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, 2009, 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 May 20, 2010, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 as a whole. The Statement of Modernization Costs - Completed is presented for purposes of additional analysis and is not a required part of the 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 Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The Schedule of Expenditures of Federal Awards and the Statement of Modernization Costs - Completed are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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



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

May 20, 2010

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Unaudited)**

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, 2009. 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 of the 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 engaged 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.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Unaudited)**

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 following analysis of changes in 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 the residents of Ashtabula County, Ohio.

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 pre-determined 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 expenses and

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Unaudited)**

Low Income Public Housing (LIPH) (Continued)

the estimated tenant revenue to be generated. Tenant rent is based on 30 percent of their adjusted household income. Actual funding received from HUD is made pursuant to the results of this formula calculation, subject to proration 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 which is based on 30 percent of the tenant family's 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.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Unaudited)**

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 to no funding for capital expenditures, if not for the Capital Fund Program.

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 four 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 2008 were \$15,106,520 and for fiscal year 2009 the amount was \$15,031,642. This represents an overall net decrease of \$74,878, or (.5) percent.

Cash and Cash Equivalents increased by \$599,324 or 22 percent. The Authority received Section 8 HCV funding for January 2010 expenditures during December, 2009. This will be expended in January 2010 for Housing Assistance Payments and Operating Expenses. The Authority also received increased funding for 2009 as compared to 2008.

Receivables decreased by \$16,762 or 13 percent. The Authority received outstanding funding due as of December 31, 2008 during fiscal year ending 2009.

Capital Assets decreased by \$356,275 or 2.7 percent. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities increased by \$340,694 or 128 percent. Deferred revenues increased because the Authority received Section 8 HCV funding for January 2010 expenditures during December 2009. This will be expended in January 2010 for Housing Assistance Payments and Operating Expenses.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009
(Unaudited)**

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

Non-Current Liabilities decreased by \$33,385 or 5.2 percent. The Authority made payments towards its outstanding long-term debt.

The following table summarizes the change in net assets between December 31, 2009 and 2008 for the Authority as a whole:

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

	<u>2009</u>	<u>2008</u>	<u>Net Change</u>	<u>Percent of Variance</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 3,318,105	\$ 2,718,781	\$ 599,324	22.0 %
Receivables	114,015	130,777	(16,762)	(12.8)%
Other Current Assets	186,462	180,318	6,144	3.4 %
Capital Assets	<u>12,631,070</u>	<u>12,987,345</u>	<u>(356,275)</u>	<u>(2.7)%</u>
Total Assets	<u>\$16,249,652</u>	<u>\$16,017,221</u>	<u>\$ 232,431</u>	<u>(1.5)%</u>
<u>Liabilities</u>				
Current Liabilities	\$ 606,077	\$ 265,383	\$ 340,694	128.4 %
Non-Current Liabilities	<u>611,933</u>	<u>645,318</u>	<u>(33,385)</u>	<u>(5.2)%</u>
Total Liabilities	<u>1,218,010</u>	<u>910,701</u>	<u>307,309</u>	<u>59.3 %</u>
<u>Net Assets</u>				
Invested in Capital Assets	12,147,382	12,444,091	(296,709)	(2.4)%
Restricted Net Assets	196,604	331,985	(135,381)	(40.8)%
Unrestricted Net Assets	<u>2,687,656</u>	<u>2,330,444</u>	<u>357,212</u>	<u>15.3 %</u>
Total Net Assets	<u>15,031,642</u>	<u>15,106,520</u>	<u>(74,878)</u>	<u>(0.5)%</u>
Total Liabilities and Net Assets	<u>\$16,249,652</u>	<u>\$16,017,221</u>	<u>\$ 232,431</u>	<u>1.5 %</u>

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009
(Unaudited)**

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 2009 were as follows:

Program	Revenues Generated
Low Income Public Housing (LIPH)	\$ 2,989,177
Section 8 Housing Choice Vouchers (HCV)	2,919,890
Public Housing Capital Fund Program (CFP)	860,185
Rural Housing and Economic Development (RH)	294,668
Business Activities (BA)	13,756
Supportive Housing for Persons with Disabilities (SH)	260,375
Capital Fund Recovery Grant (CFRG)	264,968
Total Revenues	<u>\$ 7,603,019</u>

Total revenues for fiscal year 2008 were \$7,264,237, as compared to \$7,603,019 of total revenues for fiscal year 2009. Comparatively, fiscal year 2009 revenues exceeded fiscal year 2008 revenues by \$338,782, or 4.7 percent. The primary reason for this change was the addition of the Capital Fund Recovery Grant which provided the Authority with additional capital revenues.

Table 2 - Change in Total Revenue

	2009	2008	Net Change	Percent of Variance
Total Tenant Revenue	\$ 1,036,448	\$ 1,001,991	\$ 34,457	3.44 %
HUD Operating Grants	5,749,219	5,639,618	109,601	1.94 %
HUD Capital Grants	709,484	467,067	242,417	51.90 %
Investment Income	14,363	32,071	(17,708)	(55.21)%
Other Revenue	93,505	123,490	(29,985)	(24.28)%
Total Revenue	<u>\$ 7,603,019</u>	<u>\$ 7,264,237</u>	<u>\$ 338,782</u>	4.66 %

Analysis of Entity-Wide Expenditures

Total operating expenses for fiscal year ending December 31, 2008 were \$6,260,876 as compared to \$6,599,195 of total expenses for fiscal year ending December 31, 2009. Total operating expenses increased by \$338,319 or 5.4 percent. The most significant changes were in administrative and maintenance expenses. Staffing increases contributed to the increase in administrative expenses. An increase in vacancies and the need to devote resources to turning over the vacant units was a factor causing the increase in maintenance expenses.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009
(Unaudited)**

Table 3 illustrates the change in expenditures for the Authority for fiscal year 2009 compared to fiscal year 2008.

Table 3 - Change in Expenditures

	2009	2008	Net Change	Percent of Change
Administrative	\$ 1,398,337	\$ 1,230,276	\$ 168,061	13.7 %
Tenant Services	11,934	15,263	(3,329)	(21.8)%
Utilities	705,555	699,258	6,297	0.9 %
Maintenance	1,202,766	1,039,821	162,945	15.7 %
Protective Services	62,243	103,657	(41,414)	(40.0)%
General Expenses	207,715	224,798	(17,083)	(7.6) %
Extraordinary Maintenance	41,962	385	41,577	10799.2%
Housing Assistance Payments	2,968,683	2,947,418	21,265	0.7 %
Total Operating Expenses	<u>6,599,195</u>	<u>6,260,876</u>	<u>388,319</u>	5.4 %
Depreciation Expense	<u>1,078,702</u>	<u>1,102,807</u>	<u>(24,105)</u>	(2.2)%
Total Expenses	<u>\$ 7,677,897</u>	<u>\$ 7,363,683</u>	<u>\$ 314,214</u>	4.3 %

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 2009 and fiscal year 2008.

Table 4 - Summary of Changes in Capital Assets

	2009	2008	Net Change	Percentage of Change
Land	\$ 1,102,998	\$ 1,102,998	\$ 0	0.0 %
Buildings	26,866,459	26,212,478	653,981	2.5 %
Furniture, Equipment, and Machinery - Dwelling	462,627	449,684	12,943	2.9 %
Furniture, Equipment, and Machinery - Administrative	980,354	980,354	0	0.0 %
Construction in Progress	<u>1,469,429</u>	<u>1,413,926</u>	<u>55,503</u>	9.3 %
Total Capital Assets	30,881,867	30,159,440	722,427	2.4 %
Accumulated Depreciation	<u>(18,250,797)</u>	<u>(17,172,096)</u>	<u>(1,078,701)</u>	6.3 %
Net Capital Assets	<u>\$12,631,070</u>	<u>\$12,987,344</u>	<u>\$ (356,274)</u>	(2.7)%

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2009
(Unaudited)**

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. Depreciation at this point.

Increases in the various capital asset accounts, in the amount of \$722,427, have been offset by the annual charge to accumulated depreciation, in the amount of \$1,078,701.

Debt

The Authority has two loans payable to the Rural Economic and Community Development Services. The total balance due on the loans at December 31, 2009 was \$483,688. Further detailed information is available in Note 11 to the financial statements.

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, 2009

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted	\$ 3,022,291
Cash and Cash Equivalents - Restricted	295,814
Accounts Receivable, Net	114,015
Prepaid Expenses	91,705
Inventories, Net	<u>94,757</u>
Total Current Assets	<u>3,618,582</u>

Noncurrent Assets

Non-depreciable Capital Assets	2,572,428
Depreciable Capital Assets, Net	<u>10,058,642</u>
Total Noncurrent Assets	<u>12,631,070</u>

TOTAL ASSETS **\$ 16,249,652**

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 29,957
Accrued Compensated Absences - Current	21,097
Tenant Security Deposits	99,210
Accrued Wages and Payroll Taxes	36,612
Accounts Payable - Other Government	34,639
Deferred Revenues	319,472
Current Portion of Long-Term Debt	61,628
Interest Payable	2,498
Other Current Liabilities	<u>964</u>
Total Current Liabilities	<u>606,077</u>

Noncurrent Liabilities

Long-Term Debt, Net of Current	422,060
Accrued Compensated Absences - Net of Current Portion	<u>189,873</u>
Total Noncurrent Liabilities	<u>611,933</u>
Total Liabilities	<u>1,218,010</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	12,147,382
Unrestricted Net Assets	2,687,656
Restricted Net Assets	<u>196,604</u>
Total Net Assets	<u>15,031,642</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 16,249,652**

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, 2009

<u>Operating Revenues</u>	
Governmental Grants	\$ 5,749,219
Tenant Revenue	1,036,448
Other Revenue	<u>93,505</u>
Total Operating Revenues	<u>6,879,172</u>
<u>Operating Expenses</u>	
Housing Assistance Payments	2,968,683
Administrative	1,398,337
Utilities	705,555
Tenant Services	11,934
Maintenance	1,244,728
Protective Services	62,243
General	<u>175,998</u>
Total Operating Expenses Before Depreciation	<u>6,567,478</u>
Income Before Depreciation	311,694
Depreciation	<u>1,078,702</u>
Operating Loss	<u>(767,008)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest and Investment Revenue	14,363
Interest Expense	<u>(31,717)</u>
Total Non-Operating Revenues (Expenses)	<u>(17,354)</u>
Loss Before Contributions and Transfers	(784,362)
Capital Grants	<u>709,484</u>
Change in Net Assets	(74,878)
Total Net Assets, Beginning of Year, Restated	<u>15,106,520</u>
Net Assets, End of Year	<u>\$ 15,031,642</u>

See accompanying notes to the basic financial statements.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

<u>Cash Flows from Operating Activities</u>	
Cash Received from HUD	\$ 6,083,995
Cash Received From Tenants	1,038,255
Cash Payments for Housing Assistance	(2,968,683)
Cash Payments for Administrative Expenses	(1,335,122)
Cash Payments for Other Operating Expenses	(2,213,052)
Cash Received - Other	91,545
Net Cash (Provided) by Operating Activities	<u>696,938</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Principal Payments on Debt	(59,566)
Interest on Debt	(32,042)
Acquisition of Capital Assets	(722,427)
Capital Grants Received	709,484
Net Cash Provided by Capital and Other Related Financing Activities	<u>(104,551)</u>
 <u>Cash Flows from Investing Activities</u>	
Interest and Investment Income Received	6,937
Net Cash Provided by Investing Activities	<u>6,937</u>
Net Increase (Decrease) in Cash and Cash Equivalents	599,324
 Cash and Cash Equivalents, Beginning	 <u>2,718,781</u>
 Cash and Cash Equivalents, Ending	 <u>\$ 3,318,105</u>
 <u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u>	
Net Operating (Loss)	\$ (767,008)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	1,078,702
(Increase) Decrease in:	
Accounts Receivable - HUD	41,598
Other Tenant Accounts Receivable	(17,410)
Prepaid Expenses	8,019
Inventory	(14,163)
Increase (Decrease) in:	
Accounts Payable	(6,450)
Other Current Liabilities	386
Accounts Payable HUD and Other Governments	313,159
Accrued Compensated Absences - Current	3,342
Tenants' Security Deposits	(2,346)
Accrued Wages and Payroll Taxes	29,793
Deferred Revenue (Prepaid Rent)	(764)
Accrued Compensated Absences - Long-Term	30,080
Net Cash Used by Operating Activities	<u>\$ 696,938</u>

See accompanying notes to the basic financial statements.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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 will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board after that date.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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. Cost based measures of fair value were applied to nonnegotiable certificates of deposit and money market 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 8.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 2: **DEPOSITS AND INVESTMENTS**

Cash on Hand

At December 31, 2009, the Authority had undeposited cash on hand, petty cash, of \$300.

At December 31, 2009, the carrying amount of the Authority's cash deposits was \$3,317,805. The bank balance at December 31, 2009 was \$3,439,647. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2009, deposits totaling \$591,223 were covered by Federal Depository Insurance and deposits totaling \$2,848,423 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. However, at December 31, 2009, the Authority investments were limited to certificates of deposits.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

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

All deposits of the Authority exceeding the FDIC insurance limit are fully and continuously collateralized by securities pledged in the name of the Authority.

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.

Cash and investments at year-end were as follows:

<u>Cash and Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years <1)</u>	<u>Investment Maturities (In Years 1<2)</u>
Carrying Amount of Deposits	\$ 3,317,805	\$ 2,723,523	\$ 594,282
Petty Cash	300	300	0
Totals	<u>\$ 3,318,105</u>	<u>\$ 2,723,823</u>	<u>\$ 594,282</u>

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 3: RESTRICTED CASH

The restricted cash balance of \$295,814 on the financial statements represents the following:

Excess Cash Advanced to the Housing Choice Voucher Program by	
HUD for Housing Assistance Payments	\$ 105,381
Replacement Reserve for South Ridge Village	91,223
Tenant Security Deposits	<u>99,210</u>
Total Restricted Cash	<u>\$ 295,814</u>

NOTE 4: CAPITAL ASSETS

A summary of capital assets at December 31, 2009 by class is as follows:

	<u>01/01/2009</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2009</u>
<u>Capital Assets Not Being Depreciated</u>					
Land	\$ 1,102,999	\$ 0	\$ 0	\$ 0	\$ 1,102,999
Construction in Progress	<u>1,413,926</u>	<u>(653,981)</u>	<u>709,484</u>	<u>0</u>	<u>1,469,429</u>
Total Capital Assets Not Being Depreciated	<u>2,516,925</u>	<u>(653,981)</u>	<u>709,484</u>	<u>0</u>	<u>2,572,428</u>
<u>Capital Assets Being Depreciated</u>					
Buildings and Improvements	26,212,478	653,981	0	0	26,866,459
Furniture, Equipment, and Machinery - Dwellings	449,684	0	12,943	0	462,627
Furniture, Equipment, and Machinery - Administrative	<u>980,354</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>980,354</u>
Subtotal Capital Assets Being Depreciated	<u>27,642,516</u>	<u>653,981</u>	<u>12,943</u>	<u>0</u>	<u>28,309,440</u>
<u>Accumulated Depreciation</u>					
Buildings and Improvements	(15,851,488)	0	(1,027,883)	0	(16,879,371)
Furniture, Equipment, and Machinery - Dwellings	(432,494)	0	(11,477)	0	(443,971)
Furniture, Equipment, and Machinery - Administrative	<u>(888,114)</u>	<u>0</u>	<u>(39,342)</u>	<u>0</u>	<u>(927,456)</u>
Total Accumulated Depreciation	<u>(17,172,096)</u>	<u>0</u>	<u>(1,078,702)</u>	<u>0</u>	<u>(18,250,798)</u>
Depreciation Assets, Net					
Total Capital Assets, Net	<u>\$ 12,987,345</u>	<u>\$ 0</u>	<u>\$ (356,275)</u>	<u>\$ 0</u>	<u>\$ 12,631,070</u>

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 5: **RESTRICTED NET ASSETS**

The Authority's restricted net assets are as follows:

Cash Held for South Ridge Village Reserve for Replacement	\$ 91,223
Unspent Funding Provided by HUD to pay Section 8 Housing Choice Voucher Housing Assistance Payments	<u>105,381</u>
Total Restricted Net Assets	<u>\$ 196,604</u>

NOTE 6: **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.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

Ohio Public Employees Retirement System (Continued)

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 10 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, 2009, 2008, and 2007, were \$147,918, \$129,119, and \$125,102, respectively. The full amount has been contributed for 2009, 2008, and 2007. The Authority had no employees participating in the Member-Directed Plan for the years ended December 31, 2009, 2008, and 2007.

NOTE 7: **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 2009 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 7.00 percent for the months of January through March in 2009 and was 5.5 percent for the months of April through December. 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.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 7: **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, 2009, the number of active contributing participants in the Traditional Pension and Combined plans totaled 357,584. The number of active contributing participants for both plans used in the December 31, 2008, actuarial valuation was 356,388. Actual Authority contributions for 2009 which were used to fund post-employment benefits were \$61,788. 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, 2008 (the latest information available) was \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.6 billion and \$18.9 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.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 8: 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, 2009, based on the vesting method, \$210,970 was accrued by the Authority for unused vacation and sick time. The current portion is \$21,097 and the long term portion is \$189,873.

NOTE 9: 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:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limits</u>
Property	\$ 1,500	\$ 83,812,400 (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.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 10: 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 11: LONG-TERM DEBT

Changes in the Authority's long-term debt during fiscal year 2009 are as follows:

	<u>Balance at</u> <u>01/01/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/2009</u>	<u>Due Within</u> <u>One Year</u>
Loan Payable - Rural Economic and Community Development - 8% Interest, \$840,000, dated December 12, 1979	\$ 401,991	\$ 0	\$ (41,480)	\$ 360,511	\$ 43,140
Loan Payable - Rural Economic and Community Development - 9% Interest, \$312,600, dated December 12, 1979	141,263	0	(18,086)	123,177	18,488
Total Loans Payable	543,254	0	(59,566)	483,688	61,628
Compensated Absences	177,548	53,868	(20,446)	210,970	21,097
Totals	<u>\$ 720,802</u>	<u>\$ 53,868</u>	<u>\$ (80,012)</u>	<u>\$ 694,658</u>	<u>\$ 82,725</u>

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 2009 was \$31,717. 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, 2009, was \$483,688, of which \$61,628 was the current portion.

The following is a summary of the Authority's future debt service requirements for mortgages payable as of December 31, 2009:

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(CONTINUED)

NOTE 11: **LONG-TERM DEBT** (Continued)

<u>For the Year</u> <u>Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
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	80,071	11,537	91,608
2015-2018	130,960	8,233	139,193
Total	<u>\$ 483,688</u>	<u>\$ 113,545</u>	<u>\$ 597,233</u>

NOTE 12: **CONSTRUCTION AND OTHER COMMITMENTS**

The Authority had no material construction commitments at December 31, 2009.

NOTE 13: **INTERPROGRAM RECEIVABLES/PAYABLES**

Interprogram balance at December 31, 2009, consists of the following receivables and payables:

	<u>Due From</u>	<u>Due to</u>
Central Office Cost Center	\$ 0	\$ 21,436
Supportive Housing for Persons with Disabilities	129,446	0
Shelter Plus Care	0	22,180
Housing Choice Voucher Program	57,911	130,567
Rural Housing and Economic Development	0	13,174
Total	<u>\$ 187,357</u>	<u>\$ 187,357</u>

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 11.

NOTE 14: **PRIOR PERIOD ADJUSTMENT**

Total Net Assets was restated to correct for an overstatement of an Accounts Payable HUD balance. The Accounts Payable HUD was a balance related to the administration of a HAP Contract under the Section 8 New Construction program. The contract Ashtabula Metropolitan Housing Authority administered was a HAP contract that expired at June 30, 2007. It has been concluded the Authority does not owe HUD funds related to its administration of those HAP contracts.

Total Net Assets at 12/31/2008	\$14,880,248
Prior Period Adjustment	226,272
Restated Total Net Assets at 12/31/2008	<u>\$15,106,520</u>

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF MODERNIZATION COST - COMPLETED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2009**

Annual Contributions Contract C-5031

1. The total amount of modernization costs of the Capital Fund Program grants are shown below:

<u>OH12P02950104</u>	
Funds Approved	\$ 1,098,972
Funds Expended	<u>1,098,972</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 1,098,972
Funds Expended	<u>1,098,972</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>

2. All modernization work in connection with the Capital Fund Program has been completed.
3. The entire actual modernization cost or liabilities incurred by the Authority have been fully paid.
4. There are no discharged mechanics, laborers, contractors, or material-mens liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs:</i>		
PHA Owned Housing		
Public Housing Operating Subsidy	14.850	<u>\$1,978,023</u>
Total PHA Owned Housing		<u>\$1,978,023</u>
CFP Cluster:		
Public Housing Capital Fund Stimulus (Formula)		
Recovery Act Funded	14.885	264,968
Public Housing Capital Fund	14.872	<u>860,185</u>
Total CFP Cluster		<u>1,125,153</u>
Section 8 Programs:		
Section 8 Project Based Cluster:		
Section 8 New Construction	14.182*	<u>179,496</u>
Total Section 8 Project Based Cluster		<u>179,496</u>
Supportive Housing for Persons with Disabilities	14.181	259,847
Housing Choice Voucher	14.871	<u>2,916,184</u>
Total Section 8 Programs		<u>3,355,527</u>
Total U.S. Department of Housing and Urban Development		<u>6,458,703</u>
TOTAL ALL PROGRAMS		<u>\$6,458,703</u>

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

This schedule is prepared on the accrual basis of accounting.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the Authority's federal awards programs. The schedule has been prepared on the accrual basis of accounting prescribed by the U.S. Department of Housing and Urban Development.

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

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**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, 2009, and have issued our report thereon dated May 20, 2010. 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 deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 May 20, 2010.

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, CPA, Inc.
Certified Public Accountants

May 20, 2010

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

Member American Institute of Certified Public Accountants

(216) 475 - 6136

Ohio Society of Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
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, 2009. 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, 2009.

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 and to test and report on internal control over compliance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 CPA, Inc.
Certified Public Accountants

May 20, 2010

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

2009(i)	Type of Financial Statement Opinion	Unqualified
2009(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2009(ii)	Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2009(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2009(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2009(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2009(v)	Type of Major Programs' Compliance Opinion	Unqualified
2009(vi)	Are there any reportable findings under .510?	No
2009(vii)	Major Programs (list): <div style="margin-left: 40px;"> Low Rent Public Housing - CFDA #14.850 CFP Cluster: Public Housing Capital Fund - CFDA #14.872 Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded - CFDA #14.885 </div>	
2009(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
2009(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, 2009**

The audit report for the prior year ended December 31, 2008 contained no findings, but did include a management letter comment. That management comment item has been resolved.



Mary Taylor, CPA
Auditor of State

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
JULY 20, 2010**