HURON METROPOLITAN HOUSING AUTHORITY

Financial Condition

As of

June 30, 2008

Together with Auditors' Report

Mary Taylor, CPA
Auditor of State

Board of Trustees
Huron Metropolitan Housing Authority
P.O. Box 1029
Mansfield, Ohio 44901

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 22, 2008

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HURON METROPOLITAN HOUSING AUTHORITY
NORWALK, OHIO

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Independent Auditor's Report

Board of Trustees
Huron Metropolitan Housing Authority
Norwalk, Ohio

I have audited the accompanying statement of net assets of Huron Metropolitan Housing Authority, as of June 30, 2008 and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Huron Metropolitan Housing Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the 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. I believe that my audit provides a reasonable basis in my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Huron Metropolitan Housing Authority, as of June 30, 2008, and the changes in net assets and revenues, expenditures and other changes net assets and cash flows for the year ended June 30, 2008 in conformity with accounting principles generally accepted in the United States of America.

The Management’s Discussion and Analysis (MD&A) on pages 4 – 10 is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. The MD&A has been reviewed in accordance with the standards established by the American Institute of Certified Public Accountants. Such a review, however, is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion on the MD&A information.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 4, 2008 on my consideration of the Huron Metropolitan Housing Authority's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the result of my audit.

Huron Metropolitan Housing Authority has omitted the supplementary information required by the U.S. Department of Housing and Urban Development. The required supplementary information is the responsibility of management of Huron Metropolitan Housing Authority, and is not a required part of the basic financial statements.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Huron Metropolitan Housing Authority taken as a whole. 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. This schedule is the responsibility of management of Huron Metropolitan Housing Authority, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kevin L. Penn, Inc.

November 4, 2008

Huron Metropolitan Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

The Huron Metropolitan Housing Authority's (the Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent fiscal year challenges), and (d) identify individual fund issues or concerns.

This Management Discussion and Analysis is new, and will now be presented at the front of each year's financial statements.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 11).

FINANCIAL HIGHLIGHTS

- During FY 2008, the Authority's net assets decreased by $82,687 (or 13.54%). Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net Assets were $610,895 and $528,208 for FY 2007 and FY 2008 respectively.

- The revenue increased by $343,250 (or 14.99%) during FY 2008, and was $2,290,264 and $2,633,514 for FY 2007 and FY 2008 respectively.

- The total expenses of the Authority increased by $306,621 (or 12.73%). Total expenses were $2,409,580 and $2,716,201 for FY 2007 and FY 2008 respectively.

The primary focus of the Authority's financial statement (summarized fund-type information) has been discarded. The new and clearly preferable focus is on both the Authority as a whole (Authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

Authority-Wide Financial Statements

The Authority-wide financial statements (see pgs 11-12) are designed to be corporate-like in that all business type activities are consolidated into columns, which add to a total for the entire Authority.

These Statements include a <u>Statement of Net Assets</u>, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, 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".

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

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

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

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

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

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

Finally, Statement of Cash Flows (see page 13) is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

Fund Financial Statements

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

Many of the funds maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Authority's Funds

Business Type Funds

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

Business Activities – represents non-HUD resources developed from a variety of activities.

AUTHORITY-WIDE STATEMENT

Statement of Net Assets

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

TABLE 1

STATEMENT OF NET ASSETS

	FY 2008	RESTATED FY 2007
Current and Other Assets	$ 508,619	$ 577,165
Capital Assets	86,181	100,463
Total Assets	594,800	677,628
Other Liabilities	14,969	12,406
Non-Current Liabilities	51,623	54,327
Total Liabilities	66,592	66,733
Net Assets:		
Invested in Capital Assets, Net of Related Debt	86,181	100,463
Restricted	258,498	259,539
Unrestricted	183,529	250,893
Total Net Assets	$ 528,208	$ 610,895

For more detailed information see page 10 for the Statement of Net Assets.

Major Factors Affecting the Statement of Net Assets

Current assets (primarily cash and investments) were decreased by $68,546 in fiscal year 2008. The Authority utilized $76,011 from their restricted HAP funds to cover current year qualified HAP expenses and had an operating loss for the fiscal year, both contributed to the decrease.

The Capital Assets decreased in 2008 by $14,282 all of which was the current year's depreciation. The Authority also removed $12,699 of fully depreciated equipment. For more detail see "Capital Assets and Debt Administration" below.

Table 2 presents details on the change in Unrestricted Net Assets

TABLE 2

CHANGE OF UNRESTRICTED NET ASSETS

Unrestricted Net Assets 6/30/2007 Restated		$ 250,893
Results of Operations	(6,677)	
Adjustments:		
Depreciation (1)	14,282	
Adjusted Results from Operations		7,605
Capital Expenditures		(0)
Unrestricted Net Assets 6/30/08		$ 258,498

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.

TABLE 3

CHANGE OF RESTRICTED NET ASSETS

Restricted Net Assets 6/30/2007 Restated		$ 259,539
Results of Operations		
Spent - HAP from Reserve	(84,495)	
Fraud Recovery/Damage Payments	2,880	
Interest Earned	5,605	
Adjusted Results from Operations		(76,010)
Restricted Net Assets 6/30/08		$ 183,529

While the result of operations is a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

The following table reflects the condensed Statement of Revenues, Expenses and Changes in Net Assets compared to prior year.

TABLE 4

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

	FY 2008	FY 2007
Revenues		
HUD PHA Operating Grants	$ 2,534,838	$ 2,201,445
Investment Income-ALL	15,849	14,500
Other Revenues – Service Income	77,202	64,631
Other Revenues – Fraud Recovery all	5,625	9,688
Total Revenue	2,633,514	2,290,264
Expenses		
Administrative	364,693	342,692
Maintenance	4,208	8,810
General	10,628	11,141
Housing Assistance Payments	2,322,390	2,031,194
Depreciation	14,282	15,743
Total Expenses	2,716,201	2,409,580
Net Increase/ (Decrease)	$ (82,687)	$ (119,316)

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

HUD/PHA Grants for FY 2008 increased by $333,393 or 15.14%. Service Income increased by $12,571 or 19.45% because of additional time billed to Seneca & Crawford MHA's. Fraud Recovery payments however, decreased by $4,063 or 41.94% do to less Fraud repayments needed.

A net decrease of $76,011 in restricted HAP reserves added to the decrease of $6,677 from operations totaled the FY 08 net Decrease for the year of $82,687.

High leasing & increased HAP costs caused the Housing Assistance Payments increase of $291,196 or 14.34%. Most other expenses increase moderately due to inflation. Depreciation decreased because of the changes to capital assets during fiscal year 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of 6/30/08, the Authority had $86,181 invested in capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation).

TABLE 5

CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)

	Business-type Activities	
	FY 2008	FY 2007
Land/Building	$ 119,000	$ 119,000
Equipment – Administrative	35,118	47,817
Building Improvements	76,001	76,001
Accumulated Depreciation	(143,938)	(142,355)
Total	$ 86,181	$ 100,463

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 20 of the notes.

TABLE 6

CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance	$ 100,463
Additions	0
Disposition	(0)
Depreciation	(14,282)
Ending Balance	$ 86,181

Debt Outstanding

As of year-end, the Authority has no outstanding debt (bonds, notes, etc.)

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

The individual to be contacted regarding this report is Marsha K. Inscho, Finance Manager for the Huron Metropolitan Housing Authority, at (419) 526-1622 Specific requests may be submitted to the Authority at P.O. Box 1029, Mansfield, OH 44901.

HURON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS

Current Assets	
Cash and Cash Equivalents (Note 2)	$ 95,035
Investments – Unrestricted	207,047
Investments – Restricted	183,529
Fraud Recovery	7,907
Allowance for Doubtful Accounts - Fraud Recovery	(7,907)
Accounts Receivable – HUD	15,293
Accounts Receivable – Other	2,635
Interest Receivable	2,856
Prepaid Expenses	2,224
Total Current Assets	508,619
Non-Current Assets	
Property and Equipment - Net (Note 3)	86,181
Total Non-Current Assets	86,181
TOTAL ASSETS	$ 594,800

LIABILITIES

Current Liabilities	
Accounts Payable	$ 4,186
Accrued Wages and Payroll Taxes	10,784
Total Current Liabilities	14,970
Non-Current Liabilities	
Accrued Compensated Absences	51,622
Total Non-Current Liabilities	51,622
Total Liabilities	$ 66,592

NET ASSETS

Investment in Capital Assets, Net of Related Debt	$ 86,181
Unrestricted	258,498
Restricted	183,529
Total Net Assets	$ 528,208

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

HURON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

Operating Revenue:	
HUD Operating Subsidies and Grants	$ 2,534,838
Management Fee	77,202
Fraud Recovery	5,625
Total Revenue	2,617,665
Operating Expenses:	
Housing Assistance Payments	2,322,390
Administrative Salaries	203,941
Employee Benefits	77,671
Other Administrative Expense	83,081
Material and Labor - Maintenance	4,208
Depreciation Expense	14,282
General Expenses	10,628
Total Operating Expenses	2,716,201
Operating Income (Loss)	(98,536)
Non-Operating Revenues (Expenses):	
Investment Income - Unrestricted	15,849
Total Non-Operating Revenues (Expenses)	15,849
Change in Net Assets	(82,687)
Net Assets - Beginning of Year	610,895
Net Assets - End of Year	$ 528,208

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

HURON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

Cash Flows From Operating Activities:	
Cash payments to suppliers for goods and services	$ (82,328)
Cash payments for salaries and benefits	(281,612)
Housing assistance payments	(2,322,390)
HUD operating subsidies and grants	2,519,545
Other receipts	82,827
Other payments	(10,628)
Net Cash Provided (Used) by Operating Activities	(94,586)
Cash Flows From Non-Capital Financing:	
Net Cash Provided (Used) by Non-Capital Financing	-
Cash Flows From Capital and Related Financing Activities:	
Net Cash Provided (Used) by Capital and Related Financing Activities	-
Cash Flows From Investing Activities:	
Change in Investments	(63,001)
Investment Income	15,849
Net Cash Provided (Used) by Investing Activities	(47,152)
Increase (Decrease) in Cash and Cash Equivalents	(141,738)
Cash and Cash Equivalents - Beginning of Year	236,773
Cash and Cash Equivalents - End of Year	$ 95,035

The accompanying notes are an integral part of the financial statements. (Continued)

HURON METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating Income (Loss)	$	(98,536)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation		14,282
(Increase) decrease in:		
Accounts Receivable		(15,693)
Interest Receivable		436
Prepaid Expenses		5,066
Increase (decrease) in:		
Accounts Payable		(71)
Compensated Absences		(7,035)
Accrued Expenses		6,965
Net cash used in operating activities	$	(94,586)

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

HURON METROPOLITAN HOUSING AUTHORITY
NORWALK, OHIO

NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - Summary of Significant Accounting Policies:

A. Organization

The Huron Metropolitan Housing Authority (HMHA) is a political subdivision of the State of Ohio, located in Norwalk, Ohio, created under Section 3735.27 of the Ohio Revised Code, to engage in the acquisition, development, leasing and administration of low-rent housing program. An Annual Contributions Contract was signed by the HMHA and the United States 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 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. This criteria, was considered in determining the reporting entity.

B. Basis of Accounting

The Authority has prepared its financial statements in conformity with accounting principles generally accepted in the United States of America. Effective April 1, 2002, the Authority implement GASB Statement No. 34, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments, Statement No. 37, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34, and Statement No. 38, Certain Financial Statement Disclosures. These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. The Authority now follows the business-type activities reporting requirements of GASB Statement No. 34. In accordance with GASB statement No. 34, the accompanying basic financial statements are reported on an Authority-wide basis.

Statement No. 34 requires the following, which collectively make up the Authority’s basic financial statements:

- Management’s Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
- Notes to the Financial Statements

NOTE 1 - Summary of Significant Accounting Policies: (continued)

C. Fund Accounting

The Authority uses a proprietary fund to report on its financial position and the results of its operations for the Section 8 housing program. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Proprietary Fund Types:

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

Enterprise Fund — The Authority is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets. The statement of cash flows provides information about how the Authority finances and meets cash flow needs.

The Authority accounts for operations that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

D. Measurement Focus/Basis of Accounting

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

E. Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents.

F. Prepaid Items

Payments made to vendors for services that will benefit beyond year-end are recorded as prepaid items via the consumption method.

NOTE 1 - Summary of Significant Accounting Policies: (continued)

G. Property and Equipment

Property and equipment is recorded at cost. Costs ($500 or greater) that materially add to the productive capacity or extend the life of an asset are capitalized, while maintenance are repair costs are expensed as incurred.

Useful life of property and equipment is as follows:

Building	40 Years
Equipment	7 Years
Autos	5 Years

Depreciation is recorded on the straight-line method. Total depreciation expense for the 2008 fiscal year was $14,282.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Authority, these revenues are for Housing and Urban Development Grants and other revenues. Operating expenses are necessary costs to provide goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenues.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount reported as restricted net assets at fiscal year end represents the amounts restricted by HUD for future Housing Assistance Payments and amounts from Administration Fee which may be recaptured by HUD. When an expense is incurred for purposes which both restricted and unrestricted net assets are available, the Authority first applies restricted net assets. Net assets restricted by an enabling legislation was $183,529.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – Deposits and Investments:

The provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the disclosures regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Adoption of GASB Statement No. 40 had no effect on net assets and change in net assets in the prior or current year.

A. **Deposits**

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

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

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

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

At year-end, the carrying amount of the Authority's deposits was $485,611 (including $50 of petty cash) and the bank balance was $491,376.

Custodial Credit Risk

Custodial Credit Risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority'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 105 percent of deposits, as permitted by Chapter 135 of the Ohio Revised Code. As of year-end, deposits totaling $100,000 were covered by Federal Depository Insurance and deposits totaling $391,376 were uninsured and collateralized with securities held by the financial institution's trust department or agent, but not in the Authority's name.

B. Investments

HUD, State Statute, and Board resolutions authorize the Authority to invest in obligations of the U. S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

NOTE 2 – Deposits and Investments: (continued)

B. Investments

Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority has a formal investment policy. The objective of this policy shall be to maintain liquidity and protection of principal while earning investment interest. Safety of principal is the primary objective of the investment program. 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.

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 those funds which are not operating reserve funds to be invested in investments with a maximum term of one year or the Authority's operating cycle. For investments of the Authority's operating reserve funds, the maximum term can be up to three years. The intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

Generally, the Authority places no limit on the amount it may invest in any one insurer. However, the investment policy limits the investment of HUD - approved mutual funds to no more than 20 percent of the Authority's available investment funds. The Authority's deposits in financial institutions represents 100 percent of its deposits.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of year-end, the Authority had no exposure to foreign currency rate risk, as regulated by HUD.

Reconciliation of cash and cash equivalents and investments is as follows:

	Cash and Cash Equivalents *	Investments
Per Statement of Net Assets	$ 306,975	$178,636
Certificate of Deposit	178,636	(178,636)
Per GASB Statement No. 3	$ 485,611	$ 0

* Includes Petty Cash.

NOTE 3 – Capital Assets:

A summary of capital assets at June 30, 2008, by class is as follows:

	6/30/2007	Additions	Disposals	6/30/2008
Capital Assets Not Being Depreciated				
Land	$ 10,000	$ 0	$ 0	$ 10,000
Total Capital Assets Not Being Depreciated	10,000	0	0	10,000
Capital Assets Being Depreciated				
Buildings and Improvements	185,001	0	0	185,001
Vehicles	11,260	0	0	11,260
Furniture, Equipment, and Machinery – Administrative	36,557	0	(12,699)	23,858
Subtotal Capital Assets Being Depreciated	232,818	0	(12,699)	220,119
Accumulated Depreciation:				
Buildings	(106,936)	(10,702)	0	(117,638)
Vehicles	(1,173)	(2,365)		(3,538)
Furniture, Equipment and Machinery	(34,246)	(1,215)	12,699	(22,762)
Total Accumulated Depreciation	(142,355)	(14,282)	12,699	(143,938)
Depreciable Assets, Net	90,463	(14,282)	0	(76,181)
Total Capital Assets, Net	$ 100,463	$(14,282)	$ 0	$(86,181)

NOTE 4– Risk Management:

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three years.

NOTE 5 – Reclassification:

As required by the Department of Housing and Urban Development, grant surplus must be classified as restricted HAP funds, as a result, the following reclassification was made from the unrestricted to restricted:

Unrestricted Net Assets at July 1, 2007	$510,432
Adjustment to Reclassify Grant Surplus Received	(259,539)
Unrestricted Net Assets at July 1, 2007, as restated	$258,498

NOTE 6: Pension Plan

Ohio Public Employees Retirement System

All Authority full-time 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 defined 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 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.

Ohio Public Employees Retirement System

PERS provides retirement, disability, survivor, and 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) 222-6701 or 1-800-222-7377.

Effective January 1, 2007, the members of all three plans were required to contribute 9.5 percent of their annual covered salaries; the percent of contributions increased to 10.5 percent effective January 1, 2008. The Authority's required contributions to OPERS for the years ended June 30, 2008, 2007, and 2006 were $26,897; $23,525 and $25,571 respectively. 100 percent has been contributed for 2008, 2007 and 2006.

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 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. 12.

NOTE 7: Post-Employment Benefits (continued)

Ohio Public Employees Retirement System

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 5.00 percent of covered payroll was the portion that was used to fund health care. Effective January 1, 2008, the Authority's contribution rate was 14.00 percent of covered payroll; 5.50 percent of covered payroll was the portion that was used to fund healthcare.

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. 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 4.00 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 costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 percent to 6 percent for the next 9 years. In subsequent years (10 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.

At December 31, 2006, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 374,979. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2006 (the latest information available) were $12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $30.7 billion and $18.7 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 skyrocketing health care costs. Member and employer contribution rates increased as of January 1, 2007, and January 1, 2008, which will allow additional funds to be allocated to the health care plan.

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

NOTE 8 – Contingent Liabilities:

A. Grants

Amounts grantor agencies pay to the Authority are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs or excess reserve balances. Management cannot presently determine amounts grantors may disallow or recapture. However, based on prior experience, management believes any such disallowed claims or recaptured amounts could have a material adverse effect on the overall financial position of the Authority at June 30, 2008.

B. Litigation

The Authority is unaware of any outstanding lawsuits or other contingencies.

NOTE 9 – 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 4.6 hours of sick leave per (80) hours of service. Unused sick leave may be accumulated without limit. At the time of separation, employees shall be paid the value of (30) days of unused sick leave. All permanent employees will earn vacation hours accumulated based on length of service. All vacation time accumulated will paid upon separation.

NOTE 10 – Schedule of Expenditures of Federal Awards:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Huron Metropolitan Housing Authority and is presented on the accrued basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

HURON METROPOLITAN HOUSING AUTHORITY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Program Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development			
Direct Program:			
Section 8 Tenant Based Cluster:			
Housing Choice Voucher	14.871	$2,534,838	$2,633,544
TOTAL FEDERAL FINANCIAL ASSISTANCE			$2,633,544

The notes to the financial statements are an integral part of this statement.

Kevin L.
Penn, Inc.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

Board of Trustees
Huron Metropolitan Housing Authority
Norwalk, Ohio

I have audited the financial statements of Huron Metropolitan Housing Authority, Norwalk, Ohio (the Authority) as of and for the year ended June 30, 2008, and have issued my report thereon dated November 4, 2008. I conducted my audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, I don not express an opinion on the effectiveness of the Authority'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 deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, those charged with governance and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

November 4, 2008

Kevin L.
Penn, Inc.

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Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Board of Trustees
Huron Metropolitan Housing Authority
Norwalk, Ohio

Compliance

I have audited the compliance of Huron Metropolitan Housing Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. My responsibility is to express an opinion on the Authority's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Authority's compliance with those requirements.

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

Internal Control Over Compliance

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

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

This report is intended solely for the information and use of management, those charged with governance and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Kevin L. Penn, Inc.

November 4, 2008

Huron Metropolitan Housing Authority
Schedule of Findings
June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
Identification of major programs:	
14.871	Housing Choice Vouchers
Dollar threshold used to distinguish between Type A and Type B programs:	$300,000 (Type A)
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings

No matters were reported.

Huron Metropolitan Housing Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

There were no audit findings, during the 2007 fiscal year.

HURON COUNTY METROPOLITAN HOUSING AUTHORITY

HURON 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
JANUARY 6, 2009