ASHTABULA METROPOLITAN HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2011

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

Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Ashtabula Metropolitan Housing Authority, Ashtabula County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2011 through December 31, 2011. 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.

Dave Yost
Auditor of State

August 7, 2012

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FOR THE YEAR ENDED DECEMBER 31, 2011

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JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
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Garfield Hts., Ohio 44125

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ashtabula Metropolitan Housing Authority
Ashtabula, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the accompanying basic financial statements of the Ashtabula Metropolitan Housing Authority, Ohio as of and for the year ended December 31, 2011, 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, 2011, and the respective changes in financial position, and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 19, 2012, 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 on 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 taken 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 was 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 as HUD has not completed its review of the Schedules as of the date of this report.

James G. Zupka, CPA, Inc.

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

June 19, 2012

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, 2011. 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.

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 expenses 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

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 is made by HUD, by formula, in accordance with total funds appropriated by Congress.

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

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

Capital Fund Program
Tenant Revenues generated by the Housing Authority are supplemented by operating subsidy from HUD. These two amounts combined are intended to cover only the day to day routine expenses. This leaves the Authority with little to no funding for modernizing of the structures and/or for the completion of non-routine maintenance.

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

Work completed under this grant program is temporarily charged to construction in process. When construction contracts are completed and assets are placed in service, 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 2011 were $15,843,031 and for fiscal year 2010 the amount was $15,477,670. This represents an overall net increase of $365,361, or 2.4 percent.

Cash and Cash Equivalents (including investments) increased to $3,902,887 in fiscal year 2011 from $3,362,117 in fiscal year 2010 or by $540,770 or 16.1 percent. The upward change in the Authority's cash balance is primarily due to an increase in the Authority's investments and unrestricted cash.

Receivables increased to $31,129 in fiscal year 2011 from $29,654 in fiscal year 2010. This represents an increase of $1,475 or 5.0 percent. This change was the result of an increase in HUD Capital Fund Receivables.

Other Current Assets decreased to $123,435 in fiscal year 2011 from $188,195 in fiscal year 2010, or by $64,760 or 34.4 percent. This change was primarily due to a decrease in prepaid expenses.

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

Capital Assets decreased to $12,654,382 in fiscal year 2011 from $12,813,988 in fiscal year 2010, or by $159,606 or 1.2 percent. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities increased to $372,026 in fiscal year 2011 from $355,435 in fiscal year 2010, or by $16,591 or 4.7 percent. This change is primarily the result of increases in accounts payable.

Non-Current Liabilities decreased to $496,776 in fiscal year 2011 from $560,849 in fiscal year 2010, or by $64,073, or 11.4 percent. Primarily, this change was a result of a decrease in long term debt, net of current.

The following table summarizes the change in net assets between December 31, 2011 and 2010 for the Authority as a whole:

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

	2011	2010	Net Change	Percent of Net Change
Assets				
Cash and Investments	$ 3,902,887	$ 3,362,117	$ 540,770	16.1 %
Receivables	31,129	29,654	1,475	5.0 %
Other Current Assets	123,435	188,195	(64,760)	(34.4)%
Capital Assets	12,654,382	12,813,988	(159,606)	(1.2)%
Total Assets	$16,711,833	$16,393,954	$ 317,879	1.9 %
Liabilities				
Current Liabilities	$ 372,026	$ 355,435	$ 16,591	4.7 %
Non-Current Liabilities	496,776	560,849	(64,073)	(11.4)%
Total Liabilities	868,802	916,284	(47,482)	(5.2)%
Net Assets				
Invested in Capital Assets	12,301,092	12,393,447	(92,355)	0.7 %
Restricted Net Assets	403,777	210,282	193,495	92.0 %
Unrestricted Net Assets	3,138,162	2,873,941	264,221	9.2 %
Total Net Assets	15,843,031	15,477,670	365,361	2.4 %
Total Liabilities and Net Assets	$16,711,833	$16,393,954	$ 317,879	1.9 %

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 2011 were as follows:

Program	Revenues Generated
Low Income Public Housing (LIPH)	$ 3,168,061
Section 8 Housing Choice Voucher (HCV)	3,073,579
Public Housing Capital Fund Program (CFP)	1,184,520
Rural Housing and Economic Development (RH)	331,965
Shelter Plus Care (SPC)	20,945
Supportive Housing for Persons With Disabilities (SH)	269,173
Total Revenues	$ 8,048,243

Total revenues for fiscal year 2011 were $8,048,243, as compared to $8,336,943 of total revenues for fiscal year 2010. Comparatively, fiscal year 2010 revenues exceeded fiscal year 2011 revenues by $288,700, or 3.5 percent. The primary reason for this change was the result of reduced funding from the Capital Fund Stimulus and Capital Fund Grant programs.

Table 2 - Change in Total Revenue

	2011	2010	Net Change	Percent of Net Change
Total Tenant Revenue	$ 1,025,163	$ 1,057,005	$ (31,842)	(3.0) %
HUD Operating Grants	5,982,259	6,003,345	(21,086)	(0.4) %
HUD Capital Grants	832,493	1,136,590	(304,097)	(26.8)%
Investment Income	6,787	10,634	(3,847)	(36.2)%
Other Revenue	201,541	129,369	72,172	55.8 %
Total Revenue	$ 8,048,243	$ 8,336,943	$ (288,700)	(3.5)%

Analysis of Entity-Wide Expenses

Total Expenses for fiscal year 2011 were $7,780,556 as compared to the $7,890,915 of total expenditures for fiscal year 2010. This represents an decrease of $110,359 or 1.4 percent.

Administrative expenditures for fiscal year 2011 were $1,326,738 as compared to $1,363,791 in fiscal year 2010. This represents a decrease of $37,053 or 2.7 percent. This changes is primarily the result of a decrease in other administrative operating expenses.

Utilities expenditures for fiscal year 2011 were $736,053 as compared to $768,139 in fiscal year 2010. This represents a decrease of $32,086 or 4.2 percent. The major cause for this change is due to decreases in sewerage, natural gas and electric costs from the prior fiscal year.

Maintenance expenditures for fiscal year 2011 were $1,523,155 as compared to $1,316,127 in fiscal year 2010. This represents an increase of $207,028 or15.7 percent. The main reason for this change was due to increases in maintenance contract costs, and maintenance material costs.

General expenditures for fiscal year 2011 were $157,455 as compared to $184,213 for fiscal year 2010. This represents a decrease of $26,758 or 14.5 percent. The main cause for this change was due to decreases in insurance expenses, interest expense and tenant bad debts expense.

Table 3 illustrates the change in expenses for the Authority for fiscal year 2011 compared to fiscal year 2010.

Table 3 - Change in Expenses

	2011	2010	Net Change	Percent of Change
Administrative	$ 1,326,738	$ 1,363,791	$ (37,053)	(2.7)%
Tenant Services	4,453	5,439	(986)	(18.1)%
Utilities	736,053	768,139	(32,086)	(4.2)%
Maintenance	1,523,155	1,316,127	207,028	15.7 %
Protective Services	75,397	116,394	(40,997)	(35.2)%
General Expenses	157,455	184,213	(26,758)	(14.5)%
Extraordinary Maintenance	33,683	48,527	(14,844)	(30.6)%
Housing Assistance Payments	2,802,637	2,995,003	(192,366)	(6.4) %
Depreciation Expense	1,120,985	1,093,282	27,703	2.5 %
Total Expenses	$ 7,780,556	$ 7,890,915	$ (110,359)	(1.4)%

Analysis of Capital Asset Activity

The following table illustrates the changes in the Authority's capital assets between January 1, 2011 through December 31, 2011.

Table 4 - Summary of Changes in Capital Assets

	2011	2010	Net Change	Percentage of Change
Land	$ 1,113,241	$ 1,113,242	$ (1)	0.0 %
Buildings	28,272,204	27,660,142	612,062	2.2 %
Furniture, Equipment, and Machinery - Dwelling	478,493	471,533	6,960	1.5 %
Furniture, Equipment, and Machinery - Administrative	967,408	982,561	(15,153)	(1.6)%
Construction in Progress	2,146,030	1,925,599	220,431	10.3 %
Total Capital Assets	32,977,376	32,153,077	824,299	2.5 %
Accumulated Depreciation	(20,322,994)	(19,339,089)	983,905	4.8 %
Net Capital Assets	$12,654,382	$12,813,988	$ (159,606)	(1.3)%

As previously mentioned, work completed under the Capital Fund Grant Program is temporarily charged to Construction in Process. When construction contracts are completed and assets are placed in service, the work items are moved from Construction in Process and placed into Capital Assets.

Increases in the various capital asset accounts, in the net amount of $824,299, have been offset by the net change to accumulated depreciation, in the amount of $983,905. This reflects a net decrease in Capital Assets in the amount of $159,606 or by 1.3 percent.

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, 2011 was $353,290. 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, 2011

ASSETS	
Current Assets	
Cash and Cash Equivalents - Unrestricted	$ 3,258,333
Cash and Cash Equivalents - Restricted	499,913
Investments - Unrestricted	144,641
Accounts Receivable, Net	31,129
Prepaid Expenses	20,689
Inventories, Net	102,746
Total Current Assets	4,057,451
Noncurrent Assets	
Non-depreciable Capital Assets	3,259,271
Depreciable Capital Assets, Net	9,395,111
Total Noncurrent Assets	12,654,382
TOTAL ASSETS	$ 16,711,833
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	$ 74,615
Accrued Compensated Absences - Current	23,884
Tenant Security Deposits	96,136
Accrued Wages and Payroll Taxes	34,802
Accounts Payable - Other Government	55,163
Deferred Revenues	11,925
Current Portion of Long-Term Debt	71,472
Interest Payable	1,750
Other Current Liabilities	2,279
Total Current Liabilities	372,026
Noncurrent Liabilities	
Long-Term Debt, Net of Current	281,818
Accrued Compensated Absences - Net of Current Portion	214,958
Total Noncurrent Liabilities	496,776
Total Liabilities	868,802
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	12,301,092
Unrestricted Net Assets	3,138,162
Restricted Net Assets	403,777
Total Net Assets	15,843,031
TOTAL LIABILITIES AND NET ASSETS	$ 16,711,833

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, 2011

Operating Revenues	
Governmental Grants	$ 5,982,259
Tenant Revenue	1,025,163
Other Revenue	190,446
Total Operating Revenues	7,197,868
Operating Expenses	
Housing Assistance Payments	2,802,637
Administrative	1,326,738
Utilities	736,053
Tenant Services	4,453
Maintenance	1,556,838
Protective Services	75,397
General	133,435
Total Operating Expenses Before Depreciation	6,635,551
Income Before Depreciation	562,317
Depreciation	1,120,985
Operating Income (Loss)	(558,668)
Non-Operating Revenues (Expenses)	
Interest and Investment Revenue	6,787
Gain on Disposition of Capital Assets	11,095
Interest Expense	(24,020)
Total Non-Operating Revenues (Expenses)	(6,138)
Loss Before Capital Grants	(564,806)
Capital Grants	832,493
Change in Net Assets	267,687
Prior Period Adjustment	97,674
Total Net Assets, Beginning of Year	15,477,670
Net Assets, End of Year	$ 15,843,031

See accompanying notes to the basic financial statements.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

Cash Flows from Operating Activities	
Cash Received from HUD	$ 5,989,396
Cash Received From Tenants	1,024,510
Cash Payments for Housing Assistance	(2,802,637)
Cash Payments for Administrative Expenses	(1,334,369)
Cash Payments for Other Operating Expenses	(2,425,299)
Cash Received - Other	192,228
Net Cash (Provided) by Operating Activities	643,829
Cash Flows from Capital and Related Financing Activities	
Principal Payments on Debt	(67,251)
Interest on Debt	(24,357)
Acquisition of Capital Assets	(860,598)
Capital Grants Received	832,493
Cash from Asset Sales	7,988
Net Cash Provided by Capital and Other Related Financing Activities	(111,725)
Cash Flows from Investing Activities	
Proceeds from Investments	846,173
Interest and Investment Income Received	8,666
Net Cash Provided by Investing Activities	854,839
Net Increase (Decrease) in Cash and Cash Equivalents	1,386,943
Cash and Cash Equivalents, Beginning	2,371,303
Cash and Cash Equivalents, Ending	$ 3,758,246
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Net Operating (Loss)	$ (558,668)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	1,120,985
(Increase) Decrease in:	
Accounts Receivable - Intergovernmental	(3,228)
Other Accounts Receivable	(126)
Prepaid Expenses	62,121
Inventory	2,639
Increase (Decrease) in:	
Accounts Payable	16,117
Other Current Liabilities	710
Accounts Payable HUD and Other Governments	10,365
Accrued Compensated Absences - Current	984
Tenants' Security Deposits	1,072
Accrued Wages and Payroll Taxes	(17,472)
Deferred Revenue (Prepaid Rent)	(527)
Accrued Compensated Absences - Long-Term	8,857
Net Cash Used by Operating Activities	$ 643,829

See accompanying notes to the basic financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

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

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

Basis of Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of Statements and Interpretations of the Financial Accounting Standards Board issued on or before November 30, 1989 that do not conflict with GASB pronouncements. The Authority will continue applying all applicable pronouncements issued by the Governmental Accounting Standards Board. The Authority has elected not to follow FASB guidance issued after November 30, 1989. The Authority's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

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

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

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

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

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

Use of Estimates
The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

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

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

Investments
Investments are stated at fair value. 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.

NOTE 2: DEPOSITS AND INVESTMENTS

Cash on Hand

At December 31, 2011, the Authority had undeposited cash on hand, including petty cash, of $300.

At December 31, 2011, the carrying amount of the Authority's cash deposits was $3,902,587. The bank balance at December 31, 2011 was $3,939,091. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2011, deposits totaling $2,242,009 were covered by Federal Depository Insurance and deposits totaling $1,697,082 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, 2011, the Authority investments were limited to non-negotiable certificate of deposits.

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

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

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

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

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

A reconciliation of cash and investments as shown on the statement of net assets at December 31, 2011 to the deposits and investments included in this note is as follows:

Financial Statements	
Cash and Cash Equivalents	$ 3,258,333
Cash - Restricted	499,913
Investments	144,641
Total	$ 3,902,887

Note Disclosures	
Carrying Amount of Deposits	$ 3,902,887
Carrying Amount of Investments	0
Total	$ 3,902,887

NOTE 3: RESTRICTED CASH

The restricted cash balance of $499,913 on the financial statements represents the following:

Excess Cash Advanced to the Housing Choice Voucher Program by HUD for Housing Assistance Payments	$ 312,370
Replacement Reserve for South Ridge Village	91,407
Tenant Security Deposits	96,136
Total Restricted Cash	$ 499,913

NOTE 4: CAPITAL ASSETS

A summary of capital assets at December 31, 2011 by class is as follows:

	Balance 01/01/2011	Reclass/ Adjustments	Additions	Deletions	Balance 12/31/2011
Capital Assets Not Being Depreciation					
Land	$ 1,113,242	$ 0	$ 0	$ (1)	$ 1,113,241
Construction in Progress	1,925,599	(612,062)	832,493	0	2,146,030
Total Capital Assets Not Being Depreciated	3,038,841	(612,062)	832,493	0	3,259,271
Capital Assets Being Depreciated					
Buildings and Improvements	27,660,142	612,062	0	0	28,272,204
Furniture, Equipment, and Machinery - Dwellings	471,533	0	6,960	0	478,493
Furniture, Equipment, and Machinery - Administrative	982,561	203,167	21,145	(239,465)	967,408
Subtotal Capital Assets Being Depreciated	29,114,236	815,229	28,105	(239,465)	29,718,105
Accumulated Depreciation					
Buildings and Improvements	(17,940,427)	0	(1,070,718)	3,673	(19,007,472)
Furniture, Equipment, and Machinery - Dwellings	(450,101)	0	(6,073)	0	(456,174)
Furniture, Equipment, and Machinery - Administrative	(948,561)	(105,493)	(44,194)	238,900	(859,348)
Total Accumulated Depreciation	(19,339,089)	(105,493)	(1,120,985)	242,573	(20,322,994)
Depreciation Assets, Net	9,775,147	709,736	(1,092,880)	3,108	9,395,111
Total Capital Assets, Net	$ 12,813,988	$ 97,674	$ (260,387)	$ 3,107	$ 12,654,382

NOTE 5: **RESTRICTED NET ASSETS**

The Authority's restricted net assets are as follows:

Cash Held for South Ridge Village Reserve for Replacement	$ 91,407
Unspent Funding Provided by HUD to pay Section 8 Housing Choice Voucher Housing Assistance Payments	312,370
Total Restricted Net Assets	$ 403,777

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.

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 2011, 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, 2011, 2010, and 2009, were $159,133, $153,596, and $149,918, respectively. The full amount has been contributed for 2011, 2010, and 2009.

NOTE 7: **POST-EMPLOYMENT BENEFITS**

Plan Description
The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans; the Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

NOTE 7: **POST-EMPLOYMENT BENEFITS** (Continued)

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contributions 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 for members in the Traditional Plan was 4.0 percent for calendar year 2011 and allocated to health care for members in the Combined Plan was 6.05 for calendar year 2011. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended December 31, 2011, 2010 and 2009, which were used to fund post-employment benefits were $45,466, $55,770, and $62,073, 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 care expenses.

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, 2011, based on the vesting method, $238,842 was accrued by the Authority for unused vacation and sick time. The current portion is $23,884 and the long term portion is $214,958.

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 Housing Authority Insurance Group, (HAI Group). HAI Group is a public housing authority-owned organization dedicated to providing reliable insurance solutions and related services to the public and affordable housing community in a manner which exceeds expectations. Deductibles and coverage limits are summarized below:

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

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

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 2011 are as follows:

	Balance at 01/01/2011	Additions	Deletions	Balance at 12/31/2011	Due Within One Year
Loan Payable - Rural Economic and Community Development - 8% Interest, $840,000, dated December 12, 1979	$ 316,674	$ 0	$ (46,544)	$ 270,130	$ 50,030
Loan Payable - Rural Economic and Community Development - 9% Interest, $312,600, dated December 12, 1979	103,867	0	(20,707)	83,160	21,442
Total Loans Payable	420,541	0	(67,251)	353,290	71,472
Compensated Absences	229,001	139,604	(129,763)	238,842	23,884
Totals	$ 649,542	$ 139,604	$ (197,014)	$ 592,132	$ 95,356

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 2011 was $24,020. 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, 2011, was $353,290, of which $71,472 was the current portion.

The following is a summary of the Authority's future debt service requirements for mortgages payable as of December 31, 2011:

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

For the Year Ended December 31	Principal	Interest	Total Payments
2012	$ 71,472	$ 20,136	$ 91,608
2013	76,150	15,458	91,608
2014	81,135	10,473	91,608
2015	72,150	4,127	76,277
2016	52,383	1,542	53,925
Total	$ 353,290	$ 51,736	$ 405,026

NOTE 12: **CONSTRUCTION AND OTHER COMMITMENTS**

The Authority had no material construction commitments at December 31, 2011.

NOTE 13: **PRIOR PERIOD ADJUSTMENT**

The Authority reconciled its detailed capital asset records to its depreciation schedules and determined several assets were not on its depreciation schedules and therefore not being depreciated. The net effect of the asset cost less the accumulated depreciation for these items of $97,674 is reflected as a prior period adjustment.

Annual Contributions Contract C-780

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

OH12P02950107	
Funds Approved	$ 932,192
Funds Expended	932,192
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 932,192
Funds Expended	932,192
Excess (Deficiency) of Funds Advanced	$ 0

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, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Direct Programs:		
PHA Owned Housing		
Public Housing Operating Subsidy	14.850	$2,114,940
Total PHA Owned Housing		$2,114,940
CFP Cluster:		
Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded	14.885	301,531
Public Housing Capital Fund	14.872	882,989
Total CFP Cluster		1,184,520
Section 8 Programs:		
Section 8 Project Based Cluster:		
Section 8 New Construction	14.182*	197,977
Total Section 8 Project Based Cluster		197,977
Supportive Housing for Persons with Disabilities	14.181	268,886
Housing Choice Voucher	14.871	3,048,429
Total Section 8 Programs		3,317,315
Total U.S. Department of Housing and Urban Development		6,814,752
TOTAL ALL PROGRAMS		$6,814,752

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

This schedule is prepared on the accrual basis of accounting.

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.

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

Board of Directors
Ashtabula Metropolitan Housing Authority
Ashtabula, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited the basic financial statements of the Ashtabula Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2011, and have issued our report thereon dated June 19, 2012. 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

Management of the Ashtabula Metropolitan Housing Authority is responsible for establishing and maintaining effective 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 June 19, 2012.

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.

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

June 19, 2012

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON 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 *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Ashtabula Metropolitan Housing Authority, Ohio's major federal programs for the year ended December 31, 2011. The Ashtabula Metropolitan 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

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

June 19, 2012

1. SUMMARY OF AUDITOR'S RESULTS

2011(i)	Type of Financial Statement Opinion	Unqualified
2011(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2011(ii)	Were there any other significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2011(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2011(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2011(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
2011(v)	Type of Major Programs' Compliance Opinion	Unqualified
2011(vi)	Are there any reportable findings under .510?	No
2011(vii)	Major Programs (list): Section 8 Housing Choice Voucher - CFDA # 14.871 CFP Cluster: Public Housing Capital Fund - CFDA #14.872 Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded - CFDA #14.885	
2011(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: all others
2011(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.

STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

The audit report for the prior year ended December 31, 2010 contained no findings, but did include a management letter comment. That management comment item has been resolved or has been repeated.

ASHTABULA METROPOLITAN HOUSING AUTHORITY

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 21, 2012