

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY
Single Audit
For the Year Ended December 31, 2012**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ashtabula Metropolitan Housing Authority, Ashtabula County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2012. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 2, 2013

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**ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY**

FOR THE YEAR ENDED DECEMBER 31, 2012

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Perry & Associates
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INDEPENDENT AUDITOR'S REPORT

June 24, 2013

Ashtabula Metropolitan Housing Authority
Ashtabula County
3526 Lake Avenue
Ashtabula, Ohio 44004

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the **Ashtabula Metropolitan Housing Authority**, Ashtabula County, Ohio (the Authority), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Ashtabula Metropolitan Housing Authority, Ashtabula County, Ohio, as of December 31, 2012, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2012 the Ashtabula Metropolitan Housing Authority adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Authority's basic financial statements taken as a whole. The actual modernization cost certificates presented on page 26 and the supplemental financial data schedules presented on pages 27 through 30 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements. The schedule of federal awards expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The actual modernization cost certificates, supplemental financial data schedules and schedule of federal awards expenditures are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ashtabula Metropolitan Housing Authority
Ashtabula County
Independent Auditor's Report
Page 3

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2013, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

Perry & Associates
Certified Public Accountants, A.C.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED**

As management of Ashtabula Metropolitan Housing Authority (the Authority), we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with the Authority's 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.

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:

The Statement of Net Position:

This statement reports all financial and capital resources for the Authority. The statement is presented in the format where assets minus liabilities, equals "Net Position", 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 Investment in Capital Assets:

This component of Net Position 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 Position 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 Investment in Capital Assets", or "Restricted Net Assets".

Statement of Revenue, Expenses, and Change in Net Position

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, and 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.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED**

Notes to the Financial Statements

Provide 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 overall analysis of the Authority as a whole begins on the following pages. The most important question asked about the Authorities finances is "Is the Authority as a whole better or worse off as a result of the year's activities?"

The attached analysis of net position, revenues, and expenses are 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 position and changes in it. One can think of the Authority's net position as the difference between what the Authority owns (assets) to what the Authority owes (liabilities).

The change in net position analysis will assist the reader with measuring the health or financial position of the Authority. Over time, significant changes in the Authorities net position is an indicator of whether its financial health is improving or deteriorating.

To fully assess the financial health of any 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 Authorities capital assets.

To fully understand the financial statements of the Housing Authority, one must start with an understanding of what the Authority actual does.

The following is a brief description of the programs and services that the Authority provides for the residents of Ashtabula County, Ohio:

Housing Authority Programs

Low Income Public Housing (LIPH)

The Authority has 555 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 Housing Authority to assure that they meet or exceed these standards.

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

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED**

Analysis of the Housing Activity (Continued)

Housing Authority Programs (Continued)

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

HUD funds the difference between these allowable costs incurred for all units leased units and the actual tenant revenue generated. Tenant rent is based on 30% of their adjusted household income. Actual funding received from HUD is made by the results of this formula calculation, subject to pro-ration in accordance with total funds actually appropriated by Congress. Actual funding is made by HUD, by formula, in accordance with total funds appropriated by Congress.

Section 8 Housing Choice Vouchers (HCV)

HUD has contracted with the Authority to provide support for the Housing Choice Voucher Program. The Authority pays a Housing Assistance Payments to Landlords for Low Income tenants.

The Housing Assistance Payment 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 based on 30% of their respective adjusted income.

For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program, however, they are responsible for annually inspecting the units to assure 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 appropriations 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

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

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED**

Capital Fund Program

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

The purpose of the capital fund grants is to give funds to the 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 Authority generally has two years to obligate the funds from these capital fund grants, and three to years to fully expend them. As formal contracts are awarded from this program, funds are requisitioned from HUD to pay periodic requests from the contractors.

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

Supportive Housing Program

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

Condensed Comparative Financial Statements

Analysis of Net Position (Statement of Net Position)

Total Net Assets for FY 2012 were \$15,793,455 and for FY 2011 the amount was \$15,863,734. This represents an overall net decrease of \$70,279, or 0.4%.

Cash and Cash Equivalents (Including Investments) decreased to \$3,835,845 in FY 2012 from \$3,902,887 in FY 2011, or by \$67,042, or 1.7%. The downward change in the Authority's cash balance is primarily due to a decrease in the Authority's unrestricted cash.

Receivables decreased to \$32,999 in FY 2012 from \$51,832 in FY 2011. This change was the result of a prior period restatement.

Other Current Assets increased to \$132,382 in FY 2012 from \$123,435 in FY 2011, or by \$8,947, or 7.2%. This change was primarily due to an increase in inventory.

Capital Assets decreased to \$12,523,441 in FY 2012 from \$12,654,382 in FY 2011, or by \$130,941, or 1.0%. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED**

Condensed Comparative Financial Statements (Continued)

Current Liabilities decreased to \$344,655 in FY 2012 from \$372,026 in FY 2011, or by \$27,371, or 7.4%. This change is primarily the result of decreases in HUD accounts payables.

Non Current Liabilities decreased to \$386,557 in FY 2012 from \$496,776 in FY 2011, or by \$110,219, or 22.2%. Primarily, this change was a result of a decrease in long term debt, net of current.

The table below illustrates the changes in net assets between December 31, 2012 and 2011 for the Authority as a whole:

	2012	2011	Net Change	% Variance
Cash and Cash Equivalents	\$ 3,835,845	\$ 3,902,887	\$ (67,042)	-1.7%
Receivables	32,999	51,832	(18,833)	-36.3%
Other Current Assets	132,382	123,435	8,947	7.2%
Capital Assets	12,523,441	12,654,382	(130,941)	-1.0%
Total Assets	16,524,667	16,732,536	(207,869)	-1.2%
Current Liabilities	344,655	372,026	(27,371)	-7.4%
Non-Current Liabilities	386,557	496,776	(110,219)	-22.2%
Total Liabilities	731,212	868,802	(137,590)	-15.8%
Net Investment in Capital Assets	12,241,613	12,321,795	(80,182)	-0.7%
Restricted	267,838	403,777	(135,939)	-33.7%
Unrestricted	3,284,004	3,138,162	145,842	4.6%
Total Net Position/Equity	15,793,455	15,863,734	(70,279)	-0.4%
Total Liabilities and Net Position	\$ 16,524,667	\$ 16,732,536	\$ (207,869)	-1.2%

Analysis of Entity-Wide Revenues (Statement of Revenues, Expenses, and Changes in Net Position)

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2012 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Low Income Public Housing (LIPH)	\$ 3,272,955
Section 8 Housing Choice Vouchers (HCV)	2,942,758
Public Housing Capital Fund Program (CFP)	1,159,965
Rural Housing & Economic Development (RH)	330,097
Shelter Plus Care (SPC)	18,442
Supportive Housing for Persons w/ Disabilities (SH)	265,513
Total Revenue	\$ 7,989,730

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED**

**Analysis of Entity-Wide Revenues (Statement of Revenues, Expenses, and Changes in Net Position)
(Continued)**

Total revenues for FY 2012 were \$7,989,730 as compared to \$8,048,243 of total revenues for FY 2011. Comparatively, FY 2011 revenues exceeded FY 2012 revenues by \$58,513, or 0.7%. The primary reason for this change was the result of reduced funding from HUD Operating Grants and other revenue.

	2012	2011	Net Change	% Change
Total Tenant Revenue	\$ 1,160,473	\$ 1,025,163	\$ 135,310	13.2%
HUD Operating Grants	5,871,102	5,982,259	-111,157	-1.9%
HUD Capital Grants	858,378	832,493	25,885	3.1%
Investment Income	6,312	6,787	-475	-7.0%
Other Revenue	93,465	201,541	-108,076	-53.6%
Total Revenue	<u>\$ 7,989,730</u>	<u>\$ 8,048,243</u>	<u>\$ (58,513)</u>	<u>-0.7%</u>

Analysis of Entity-Wide Expenditures

Total Expenditures for FY 2012 were \$8,060,009 as compared to the \$7,780,556 of total expenditures for FY 2011. This represents an increase of \$279,453, or 3.6%.

Administrative expenditures for FY 2012 were \$1,439,838 as compared to \$1,326,738 in FY 2011. This represents an increase of \$113,100, or 8.5%. This change is primarily the result of an increase in administrative salaries and benefits.

Utilities expenditures for FY 2012 were \$688,774 as compared to \$736,053 in FY 2011. This represents a decrease of \$47,279, or 6.4%. The major cause for this change is due to decreases in sewage, natural gas and electric costs from the prior fiscal year.

Maintenance expenditures for FY 2012 were \$1,601,787 as compared to \$1,523,155 in FY 2011. This represents an increase of \$78,632, or 5.2%. The main reason for this change was due to increases in maintenance salaries and benefits.

General expenditures for FY 2012 were \$150,462 as compared to \$157,455 for FY 2011. This represents a decrease of \$6,993, or 4.4%. The main cause for this change was due to decreases in compensated absences expense.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED**

Analysis of Entity-Wide Expenditures (Continued)

The table below illustrates the change in expenses for the Authority for fiscal year 2012 compared to fiscal year 2011:

	2012	2011	Net Change	% Change
Administrative	\$ 1,439,838	\$ 1,326,738	\$ 113,100	8.5%
Tenant Services	9,649	4,453	5,196	116.7%
Utilities	688,774	736,053	-47,279	-6.4%
Maintenance	1,601,787	1,523,155	78,632	5.2%
Protective Services	130,637	75,397	55,240	73.3%
General Expense	150,462	157,455	-6,993	-4.4%
Extraordinary Maintenance	-	33,683	-33,683	-100.0%
Housing Assistance Payments	2,979,260	2,802,637	176,623	6.3%
Depreciation Expense	1,059,602	1,120,985	-61,383	-5.5%
Total Expenses	\$ 8,060,009	\$ 7,780,556	\$ 279,453	3.6%

ANALYSIS OF CAPITAL ASSET ACTIVITY

The table below illustrates the changes in Capital Assets experienced from January 1, 2012 through December 31, 2012.

	2012	2011	Net Change	% Change
Land	\$ 1,113,241	\$ 1,113,241	\$ -	0.0%
Buildings	28,865,220	28,272,204	593,016	2.1%
Furniture, Equip., & Mach. - Dwelli	492,268	478,493	13,775	2.9%
Furniture, Equip., & Mach. - Admin	1,000,328	967,408	32,920	3.4%
Construction in Progress	2,411,393	2,146,030	265,363	12.4%
Total Fixed Assets	33,882,450	32,977,376	905,074	2.7%
Accumulated Depreciation	21,359,009	20,322,994	1,036,015	5.1%
Net Fixed Assets	\$ 12,523,441	\$ 12,654,382	\$ (130,941)	-1.0%

As previously mentioned, work completed under the capital fund grant program is temporarily charged to Construction in Progress. When all of the funds allocated to a specific grant have been fully expended, approved by HUD, and audited, the work items are moved from Construction in Progress and placed into the Capital Assets.

Increases in the various capital asset accounts, in the amount of \$905,074, have been offset by the net change to accumulated depreciation, in the amount of \$1,036,015. This reflects a net decrease in Capital Assets in the amount of \$130,941, or by 1.0%.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2012
UNAUDITED**

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, 2012 was \$281,828. Further detailed information is available in Note 10 to the financial statements.

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 the Executive Director of the Ashtabula Metropolitan Housing Authority.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY
STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2012

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted	\$	2,437,702
Cash and Cash Equivalents - Restricted		362,440
Investments - Unrestricted		1,035,703
Accounts Receivable, Net		32,999
Prepaid Expenses		21,911
Inventories, Net		110,471
Total Current Assets		4,001,226

Noncurrent Assets

Capital Assets:		
Non-depreciable Capital Assets		3,524,634
Depreciable Capital Assets, Net		8,998,807
Total Noncurrent Assets		12,523,441
Total Assets	\$	16,524,667

LIABILITIES & NET POSITION

Current Liabilities

Accounts Payable	\$	61,682
Accrued Compensated Absences, Current		20,098
Tenant Security Deposits		94,602
Accrued Wages and Payroll Taxes		39,122
Accounts Payable - Other Government		36,533
Deferred Revenues		9,539
Current Portion of Long-Term Debt		76,150
Interest Payable		1,248
Other Current Liabilities		5,681
Total Current Liabilities		344,655

Noncurrent Liabilities

Long-Term Debt, Net of Current		205,678
Accrued Compensated Absences - Net of Current Portion		180,879
Total Noncurrent Liabilities		386,557
Total Liabilities		731,212

NET POSITION

Net Investment in Capital Assets		12,241,613
Restricted		267,838
Unrestricted		3,284,004
Total Net Position		15,793,455
Total Liabilities and Net Position	\$	16,524,667

The accompanying notes are integral part of the financial statements

ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

OPERATING REVENUES	
Governmental Grants	\$ 5,871,102
Tenant Revenue	1,160,473
Other Revenue	93,465
Total Operating Revenues	7,125,040
OPERATING EXPENSES	
Housing Assistance Payments	2,979,260
Administrative	1,439,838
Utilities	688,774
Tenant Services	9,649
Maintenance	1,601,787
Protective Services	130,637
General	130,294
Depreciation	1,059,602
Total Operating Expenses	8,039,841
Operating (Loss)	(914,801)
NONOPERATING REVENUES (EXPENSES)	
Interest and Investment Revenue	6,312
Loss on Disposition of Assets	(524)
Interest Expense	(19,644)
Total Nonoperating Revenues (Expenses)	(13,856)
(Loss) before Capital Grants	(928,657)
Capital Grants	858,378
Change in Net Position	(70,279)
Total Net Position - Beginning (Restated - See Note 13)	15,863,734
Total Net Position - Ending	\$ 15,793,455

The accompanying notes are integral part of the financial statements

ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY
STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Cash Flows from Operating Activities</u>	
Cash Received from HUD	\$ 5,858,027
Cash Received from Tenants	1,150,358
Cash Payments for Housing Assistance	(2,979,260)
Cash Payments for Administrative Expenses	(1,473,383)
Cash Payments for Operating Expenses	(2,562,318)
Cash Received - Other	94,831
Net Cash Flows Provided/(Used) by Operating Activities	<u>88,255</u>
<u>Cash Flows from Investing Activities</u>	
Purchase of Investments	(891,062)
Interest and Investment Income Received	7,119
Net Cash Flows Provided by Investing Activities	<u>(883,943)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Principal Payments on Debt	(71,462)
Interest on Debt	(20,146)
Acquisition of Capital Assets	(929,186)
Capital Grants Received	858,378
Net Cash Flows Provided/(Used) by Capital and Related Financing	<u>(162,416)</u>
Increase (Decrease) in Cash and Cash Equivalents	(958,104)
Cash - Beginning of Period	3,758,246
Cash - End of Period	<u>\$ 2,800,142</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
Net Operating Loss	\$ (914,801)
Adjustment to reconcile operating loss to net cash used by operating activities	
- Depreciation	1,059,602
- Effect of Prior Period Adjustmet	20,703
- (Increase) Decrease in:	
Accounts Receivable - Intergovernmental	5,052
Other Accounts Receivable	(7,729)
Prepaid Expenses	(1,222)
Inventory	(7,725)
- (Decrease) Increase:	
Accounts Payable	(12,933)
Other Current Liabilities	2,900
Accounts Payable HUD and Other Governments	(18,127)
Accrued Compensated Absences - Current	(3,786)
Tenants' Security Deposits	(1,534)
Accrued Wages and Payroll Taxes	4,320
Deferred Revenue (Prepaid Rent)	(2,386)
Accrued Compensated Absences - Long-Term	(34,079)
Net Cash Provided by Operating Activities	<u>\$ 88,255</u>

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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 after 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’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

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 position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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

Measurement Focus and Basis of Accounting (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating 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 restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

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.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of 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 7.

Change in Accounting Principles

For 2012, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". GASB Statement No. 63 provides guidance for reporting deferred outflows or resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the Authority's 2012 financial statements; however, there was no material effect on beginning net position/fund balance.

NOTE 2: **DEPOSITS AND INVESTMENTS**

Deposits

At December 31, 2012, the carrying amount of the Authority's cash deposits was \$3,835,845. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2012, deposits totaling \$2,183,363 were covered by Federal Depository Insurance and deposits totaling \$1,652,482 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.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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

Cash on Hand

At December 31, 2012, the Authority had un-deposited cash on hand, including petty cash, of \$300.

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, 2012, the Authority investments were limited to non-negotiable certificate of deposits.

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

Custodial Credit Risk

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

Concentration of Credit Risk

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

Cash and investments at year-end were as follows:

<u>Cash and Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years) <1</u>
Carrying Amount of Deposits	\$ 3,835,545	\$ 3,835,545
Petty Cash	300	300
Totals	<u>\$ 3,835,845</u>	<u>\$ 3,835,845</u>

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 3: CAPITAL ASSETS

A summary of capital assets at December 31, 2012 by class is as follows:

	<u>1/1/2012</u>	<u>Reclass</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2012</u>
<u>Capital Assets Not Being Depreciated</u>					
Land	\$ 1,113,241	\$ -	\$ -	\$ -	\$ 1,113,241
Construction in Progress	2,146,030	0	858,378	(593,015)	2,411,393
Total Capital Assets Not Being Depreciated	<u>3,259,271</u>	<u>0</u>	<u>858,378</u>	<u>(593,015)</u>	<u>3,524,634</u>
<u>Capital Assets Being Depreciated</u>					
Buildings and Improvements	28,272,204	0	593,016	0	28,865,220
Furniture, Equipment, and Machinery - Dwellings	478,493	0	13,775	0	492,268
Furniture, Equipment, and Machinery - Administrative	967,408	0	57,032	(24,112)	1,000,328
Subtotal Capital Assets Being Depreciated	<u>29,718,105</u>	<u>-</u>	<u>663,823</u>	<u>(24,112)</u>	<u>30,357,816</u>
<u>Accumulated Depreciation</u>					
Buildings and Improvements	(19,007,472)	0	(1,012,518)	0	(20,019,990)
Furniture, Equipment, and Machinery - Dwellings	(456,174)	0	(7,815)	0	(463,989)
Furniture, Equipment, and Machinery - Administrative	(859,348)	0	(39,270)	23,588	(875,030)
Total Accumulated Depreciation	<u>(20,322,994)</u>	<u>0</u>	<u>(1,059,603)</u>	<u>23,588</u>	<u>(21,359,009)</u>
Depreciation Assets, Net	9,395,111	0	(395,780)	(524)	8,998,807
Total Capital Assets, Net	<u>\$ 12,654,382</u>	<u>\$ -</u>	<u>\$ 462,598</u>	<u>\$ (593,539)</u>	<u>\$ 12,523,441</u>

NOTE 4: RESTRICTED NET ASSETS

The Authority's restricted net assets are as follows:

Cash Held for South Ridge Village Reserve for Replacement	\$ 91,433
Unspent Funding Provided by HUD to pay Section 8 Housing Choice Voucher Housing Assistance Payments	176,405
Total Restricted Net Assets	<u>\$ 267,838</u>

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 5: **DEFINED BENEFIT PENSION PLAN**

Ohio Public Employees Retirement System

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

1. The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan;
2. 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.
3. 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 and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. 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 visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. The employee contribution rate for 2012 was 10.0% for employees. The 2012 employer contribution rate was 14.0% of covered payroll. The Authority's contributions to PERS for the years ended December 31, 2012, 2011 and 2010 were \$165,685; \$159,133; and \$149,918; respectively, 100% has been contributed for the above years, respectively.

NOTE 6: **POST-EMPLOYMENT BENEFITS**

Plan Description

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.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

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

Plan Description (Continued)

In order to qualify for post-retirement health care coverage, age and service retirees under the Tradition Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and qualified survivor benefit recipients is available. The health care coverage provided by the retirement system meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 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.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care based on authority granted by state statute. The 2012 employer contribution rate was 14.0% of covered payroll for employees. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for employees. Active members do not make contributions to the OPEB plan.

OPERS' Post Employment Health Care plan was established under, and is administrated 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% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. The Authority's actual contributions for 2012 which were used to fund OPEB were \$47,336 for employees. Effective January 1, 2013, the portion of employer contributions allocated to healthcare was lowered to 1% for both plans, as recommended by the OPERS Actuary. The OPERS Retirement Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Changes to the health care plan were adopted by the OPERS Retirement Board on September 19, 2012, with a transition commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

NOTE 7: **COMPENSATED ABSENCES**

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

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

At December 31, 2012, based on the vesting method, \$200,977 was accrued by the Authority for unused vacation and sick time. The current portion is \$20,098 and the long term portion is \$180,879.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 8: INSURANCE

The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public officials liability, and other crime liabilities through membership in the 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:

<u>Type of Coverage</u>	<u>Deductible Limits</u>	<u>Coverage</u>
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 9: CONTINGENCIES

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

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

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 10: LONG-TERM DEBT

Changes in the Authority's long-term debt during fiscal year 2012 are as follows:

	Balance at 1/1/2012	Additions	Deletions	Balance at 12/31/2012	Due Within One Year
Loan Payable - Rural Economic and Community Development - 8% Interest, \$840,000, dated December 12, 1979	\$ 270,130	\$ 0	\$ (49,297)	\$ 220,833	\$ 53,305
Loan Payable - Rural Economic and Community Development - 9% Interest, \$312,600, dated December 12, 1979	83,160	0	(22,165)	60,995	22,845
Total Loans Payable	353,290	0	(71,462)	281,828	76,150
Compensated Absences	238,842	0	(37,865)	200,977	20,098
Totals	<u>\$ 592,132</u>	<u>\$ 0</u>	<u>\$ (109,327)</u>	<u>\$ 482,805</u>	<u>\$ 96,248</u>

Long-term debt consists of two term loans payable in the amount of \$312,600 at 9 percent and \$840,000 at 8 percent, with the Rural Economic and Community Development Services, payable over a period of 40 years. Monthly payments are \$2,277 and \$5,357, respectively. Interest incurred during 2012 was \$20,146. 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, 2012, was \$281,828, of which \$76,150 was the current portion.

The following is a summary of the Authority's future debt service requirements for mortgages payable as of December 31, 2012:

<u>Ended December 31</u>	Principal	Interest	Payments
2013	76,150	15,458	91,608
2014	81,135	10,473	91,608
2015	72,150	4,127	76,277
2016	52,393	1,542	53,935
Total	<u>\$ 281,828</u>	<u>\$ 31,600</u>	<u>\$ 313,428</u>

NOTE 11: CONSTRUCTION AND OTHER COMMITMENTS

The Authority had no material construction commitments at December 31, 2012.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
(CONTINUED)

NOTE 12: **INTERPROGRAM RECEIVABLES/PAYABLES**

Inter-program balance at December 31, 2012, consists of the following receivables and payables:

	Due From	Due To
Central Office Cost Center	\$ 133,024	\$ -
Supportive Housing for Persons with Disabilities	-	-
Shelter Plus Care	-	-
N/C S/R Section 8 Program	-	-
Housing Choice Voucher Program	-	100,688
Rural Housing and Economic Development	-	32,336
Total	\$ 133,024	\$ 133,024

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

NOTE 13: **PRIOR PERIOD RESTATEMENT**

The Authority had a prior period restatement for prior year accounts receivable from HUD for their Mainstream Program. The effects of the restatement are as follows:

Prior Year Ending Net Position	\$ 15,843,031
Restatement	20,703
Restated Prior Year Ending Net Postion	\$ 15,863,734

Supplemental Information

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY
ACTUAL MODERNIZATION COST CERTIFICATES
FOR THE YEAR ENDED DECEMBER 31, 2012**

Modernization Project Number : OH12P029501-07

Original Funds Approved:	\$ 932,192
Funds Disbursed:	\$ 932,192
Funds Expended (Actual Modernization Cost):	\$ 932,192
Amount to be Recaptured:	Not Applicable
Excess of Funds Disbursed:	Not Applicable

Modernization Project Number : OH12P029501-08

Original Funds Approved:	\$ 912,654
Funds Disbursed:	\$ 912,654
Funds Expended (Actual Modernization Cost):	\$ 912,654
Amount to be Recaptured:	Not Applicable
Excess of Funds Disbursed:	Not Applicable

Modernization Project Number : OH12S029501-09

Original Funds Approved:	\$ 1,155,239
Funds Disbursed:	\$ 1,155,239
Funds Expended (Actual Modernization Cost):	\$ 1,155,239
Amount to be Recaptured:	Not Applicable
Excess of Funds Disbursed:	Not Applicable

ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY
FINANCIAL DATA SCHEDULE

	Project Total	14,871 Housing Choice Vouchers	14,182 N/C S/R Section 8 Programs	14,181 Supportive Housing for Persons with Disabilities \$132,649	14,238 Shelter Plus Care	14,885 Formula Capital Fund Stimulus Grant	14,250 Rural Housing and Economic Development	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$944,147	\$712,079	\$23,301	\$132,649	\$6,489		\$266,409	\$352,628	\$2,437,702		\$2,437,702
112 Cash - Restricted - Modernization and Development											
113 Cash - Other Restricted		\$176,405					\$91,433		\$267,838		\$267,838
114 Cash - Tenant Security Deposits	\$86,030						\$8,572		\$94,602		\$94,602
115 Cash - Restricted for Payment of Current Liabilities											
100 Total Cash	\$1,030,177	\$888,484	\$23,301	\$132,649	\$6,489	\$0	\$366,414	\$352,628	\$2,800,142	\$0	\$2,800,142
121 Accounts Receivable - PHA Projects											
122 Accounts Receivable - HUD Other Projects											
124 Accounts Receivable - Other Government											
125 Accounts Receivable - Miscellaneous											
126 Accounts Receivable - Tenants	\$36,423						\$279		\$36,702		\$36,702
126.1 Allowance for Doubtful Accounts - Tenants	-\$5,000	\$0					\$0		-\$5,000		-\$5,000
126.2 Allowance for Doubtful Accounts - Other				\$0					\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current											
128 Fraud Recovery											
128.1 Allowance for Doubtful Accounts - Fraud											
129 Accrued Interest Receivable		\$636						\$661	\$1,297		\$1,297
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$31,423	\$636	\$0	\$0	\$0	\$0	\$279	\$661	\$32,999	\$0	\$32,999
131 Investments - Unrestricted		\$1,035,703							\$1,035,703		\$1,035,703
132 Investments - Restricted											
135 Investments - Restricted for Payment of Current Liability											
142 Prepaid Expenses and Other Assets	\$15,540	\$1,391					\$864	\$4,116	\$21,911		\$21,911
143 Inventories	\$113,888								\$113,888		\$113,888
143.1 Allowance for Obsolete Inventories	-\$3,417								-\$3,417		-\$3,417
144 Inter Program Due From								\$133,024	\$133,024	-\$133,024	\$0
145 Assets Held for Sale											
150 Total Current Assets	\$1,187,611	\$1,926,214	\$23,301	\$132,649	\$6,489	\$0	\$367,557	\$490,429	\$4,134,250	-\$133,024	\$4,001,226
161 Land	\$857,558	\$10,243							\$116,940		\$1,113,241
162 Buildings	\$24,573,813						\$1,286,725	\$3,004,682	\$28,865,220		\$28,865,220
163 Furniture, Equipment & Machinery - Dwellings	\$379,678						\$50,457	\$62,133	\$492,268		\$492,268
164 Furniture, Equipment & Machinery - Administration	\$807,480	\$55,469						\$137,379	\$1,000,328		\$1,000,328
165 Leasehold Improvements											
166 Accumulated Depreciation	-\$17,872,990	-\$4,561							-\$21,359,009		-\$21,359,009
167 Construction in Progress	\$2,411,393								\$2,411,393		\$2,411,393
168 Infrastructure											
160 Total Capital Assets, Net of Accumulated Depreciation	\$11,156,932	\$61,151	\$0	\$0	\$0	\$0	\$437,189	\$868,169	\$12,523,441	\$0	\$12,523,441
171 Notes, Loans and Mortgages Receivable - Non-Current											
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due											
173 Grants Receivable - Non Current											
174 Other Assets											
176 Investments in Joint Ventures											
180 Total Non-Current Assets	\$11,156,932	\$61,151	\$0	\$0	\$0	\$0	\$437,189	\$868,169	\$12,523,441	\$0	\$12,523,441
190 Total Assets	\$12,344,543	\$1,987,365	\$23,301	\$132,649	\$6,489	\$0	\$804,746	\$1,358,598	\$16,657,691	-\$133,024	\$16,524,667
311 Bank Overdraft											
312 Accounts Payable <= 90 Days	\$33,373	\$1,683					\$740	\$25,886	\$61,682		\$61,682
313 Accounts Payable >90 Days Past Due											
321 Accrued Wage/Payroll Taxes Payable	\$14,191	\$6,449					\$2,283	\$16,199	\$39,122		\$39,122
322 Accrued Compensated Absences - Current Portion	\$5,284	\$4,081					\$1,539	\$9,194	\$20,098		\$20,098
324 Accrued Contingency Liability											
325 Accrued Interest Payable							\$1,248		\$1,248		\$1,248
331 Accounts Payable - HUD PHA Programs				\$3,199					\$3,199		\$3,199

ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY
FINANCIAL DATA SCHEDULE

332 Account Payable - PHA Projects												
333 Accounts Payable - Other Government	\$33,334								\$33,334			\$33,334
341 Tenant Security Deposits	\$86,030						\$8,572		\$94,602			\$94,602
342 Deferred Revenues	\$8,200						\$1,339		\$9,539			\$9,539
343 Current Portion of Long-term Debt - Capital Projects/Mortgage							\$76,150		\$76,150			\$76,150
344 Current Portion of Long-term Debt - Operating Borrowings												
345 Other Current Liabilities						\$3,438			\$2,243		\$5,681	\$5,681
346 Accrued Liabilities - Other												
347 Inter Program - Due To		\$100,688					\$32,336		\$133,024	-\$133,024		\$0
348 Loan Liability - Current												
310 Total Current Liabilities	\$180,412	\$112,901	\$0	\$3,199	\$3,438	\$0	\$124,207	\$53,522	\$477,679	-\$133,024		\$344,655
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue								\$205,678		\$205,678		\$205,678
352 Long-term Debt, Net of Current - Operating Borrowings												
353 Non-current Liabilities - Other												
354 Accrued Compensated Absences - Non Current	\$47,558	\$36,726					\$13,848	\$82,747	\$180,879			\$180,879
355 Loan Liability - Non Current												
356 FASB 5 Liabilities												
357 Accrued Pension and OPEB Liabilities												
350 Total Non-Current Liabilities	\$47,558	\$36,726	\$0	\$0	\$0	\$0	\$219,526	\$82,747	\$386,557	\$0		\$386,557
300 Total Liabilities	\$227,970	\$149,627	\$0	\$3,199	\$3,438	\$0	\$343,733	\$136,269	\$864,236	-\$133,024		\$731,212
508.1 Invested in Capital Assets, Net of Related Debt	\$11,156,932	\$61,151					\$155,361	\$868,169	\$12,241,613			\$12,241,613
511.1 Restricted Net Assets		\$176,405					\$91,433		\$267,838			\$267,838
512.1 Unrestricted Net Assets	\$959,641	\$1,600,182	\$23,301	\$129,450	\$3,051	\$0	\$214,219	\$354,160	\$3,284,004			\$3,284,004
513 Total Equity/Net Assets	\$12,116,573	\$1,837,738	\$23,301	\$129,450	\$3,051	\$0	\$461,013	\$1,222,329	\$15,793,455	\$0		\$15,793,455
600 Total Liabilities and Equity/Net Assets	\$12,344,543	\$1,987,365	\$23,301	\$132,649	\$6,489	\$0	\$804,746	\$1,358,598	\$16,657,691	-\$133,024		\$16,524,667
70300 Net Tenant Rental Revenue	\$901,439						\$122,283		\$1,023,722			\$1,023,722
70400 Tenant Revenue - Other	\$126,337						\$10,414		\$136,751			\$136,751
70500 Total Tenant Revenue	\$1,027,776	\$0	\$0	\$0	\$0	\$0	\$132,697	\$0	\$1,160,473	\$0		\$1,160,473
70600 HUD PHA Operating Grants	\$2,434,989	\$2,914,921		\$265,190		\$61,866	\$194,136		\$5,871,102			\$5,871,102
70610 Capital Grants	\$858,378								\$858,378			\$858,378
70710 Management Fee								\$571,159	\$571,159	-\$571,159		\$0
70720 Asset Management Fee								\$66,600	\$66,600	-\$66,600		\$0
70730 Book Keeping Fee								\$93,128	\$93,128	-\$93,128		\$0
70740 Front Line Service Fee												
70750 Other Fees												
70700 Total Fee Revenue								\$730,887	\$730,887	-\$730,887		\$0
70800 Other Government Grants												
71100 Investment Income - Unrestricted		\$2,364		\$323	\$269				\$3,080	\$6,036		\$6,036
71200 Mortgage Interest Income												
71300 Proceeds from Disposition of Assets Held for Sale												
71310 Cost of Sale of Assets												
71400 Fraud Recovery		\$2,326							\$2,326			\$2,326
71500 Other Revenue	\$29,443	\$22,897			\$18,173		\$3,238	\$17,388	\$91,139			\$91,139
71600 Gain or Loss on Sale of Capital Assets		-\$524							-\$524			-\$524
72000 Investment Income - Restricted		\$250					\$26		\$276			\$276
70000 Total Revenue	\$4,350,586	\$2,942,234	\$0	\$265,513	\$18,442	\$61,866	\$330,097	\$751,355	\$8,720,093	-\$730,887		\$7,989,206
91100 Administrative Salaries	\$170,016	\$170,172		\$21,045	\$17,538		\$69,028	\$306,216	\$754,015			\$754,015
91200 Auditing Fees	\$13,720								\$13,720			\$13,720
91300 Management Fee	\$435,412	\$73,881				\$61,866			\$571,159	-\$571,159		\$0
91310 Book-keeping Fee	\$49,463	\$43,665							\$93,128	-\$93,128		\$0
91400 Advertising and Marketing												
91500 Employee Benefit Contributions - Administrative	\$110,411	\$26,402		\$3,265	\$2,721		\$8,154	\$195,240	\$346,193			\$346,193
91600 Office Expenses	\$88,023	\$12,583		\$1,556	\$1,297		\$2,171	\$30,679	\$136,309			\$136,309
91700 Legal Expense	\$68,082						\$122	\$25,057	\$93,261			\$93,261

ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY
FINANCIAL DATA SCHEDULE

91800 Travel												
91810 Allocated Overhead												
91900 Other	\$70,647	\$10,035		\$1,237	\$1,030		\$1,115	\$12,276	\$96,340			\$96,340
91000 Total Operating - Administrative	\$1,005,774	\$336,738	\$0	\$27,103	\$22,586	\$61,866	\$80,590	\$569,468	\$2,104,125	-\$664,287		\$1,439,838
92000 Asset Management Fee	\$66,600								\$66,600	-\$66,600		\$0
92100 Tenant Services - Salaries												
92200 Relocation Costs												
92300 Employee Benefit Contributions - Tenant Services												
92400 Tenant Services - Other	\$9,649								\$9,649			\$9,649
92500 Total Tenant Services	\$9,649	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,649	\$0		\$9,649
93100 Water	\$220,296						\$6,915	\$866	\$228,077			\$228,077
93200 Electricity	\$191,478						\$19,068	\$9,657	\$220,203			\$220,203
93300 Gas	\$69,730						\$15,199	\$1,322	\$86,251			\$86,251
93400 Fuel												
93500 Labor												
93600 Sewer	\$135,871						\$18,186	\$186	\$154,243			\$154,243
93700 Employee Benefit Contributions - Utilities												
93800 Other Utilities Expense												
93000 Total Utilities	\$617,375	\$0	\$0	\$0	\$0	\$0	\$59,368	\$12,031	\$688,774	\$0		\$688,774
94100 Ordinary Maintenance and Operations - Labor	\$504,881						\$17,486		\$522,367			\$522,367
94200 Ordinary Maintenance and Operations - Materials and Other	\$214,310	\$810		\$100	\$83		\$14,268	\$9,892	\$239,463			\$239,463
94300 Ordinary Maintenance and Operations Contracts	\$477,072	\$125,314		\$15,497	\$12,915		\$34,867	\$11,911	\$677,576			\$677,576
94500 Employee Benefit Contributions - Ordinary Maintenance	\$160,315						\$2,066		\$162,381			\$162,381
94000 Total Maintenance	\$1,356,578	\$126,124	\$0	\$15,597	\$12,998	\$0	\$68,687	\$21,803	\$1,601,787	\$0		\$1,601,787
95100 Protective Services - Labor												
95200 Protective Services - Other Contract Costs	\$128,098						\$132	\$2,407	\$130,637			\$130,637
95300 Protective Services - Other												
95500 Employee Benefit Contributions - Protective Services												
95000 Total Protective Services	\$128,098	\$0	\$0	\$0	\$0	\$0	\$132	\$2,407	\$130,637	\$0		\$130,637
96110 Property Insurance												
96120 Liability Insurance												
96130 Workmen's Compensation												
96140 All Other Insurance	\$58,002	\$4,434		\$548	\$457		\$3,634	\$27,484	\$94,559			\$94,559
96100 Total insurance Premiums	\$58,002	\$4,434	\$0	\$548	\$457	\$0	\$3,634	\$27,484	\$94,559	\$0		\$94,559
96200 Other General Expenses												
96210 Compensated Absences	\$442	\$477		\$59	\$49		\$702		\$1,729			\$1,729
96300 Payments in Lieu of Taxes	\$33,334								\$33,334			\$33,334
96400 Bad debt - Tenant Rents	\$672								\$672			\$672
96500 Bad debt - Mortgages												
96600 Bad debt - Other												
96800 Severance Expense												
96000 Total Other General Expenses	\$34,448	\$477	\$0	\$59	\$49	\$0	\$702	\$0	\$35,735	\$0		\$35,735
96710 Interest of Mortgage (or Bonds) Payable												
96720 Interest on Notes Payable (Short and Long Term)							\$19,644		\$19,644			\$19,644
96730 Amortization of Bond Issue Costs												
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$19,644	\$0	\$19,644	\$0		\$19,644
96900 Total Operating Expenses	\$3,276,524	\$467,773	\$0	\$43,307	\$36,090	\$61,866	\$232,757	\$633,193	\$4,751,510	-\$730,887		\$4,020,623
97000 Excess of Operating Revenue over Operating Expenses	\$1,074,062	\$2,474,461	\$0	\$222,206	-\$17,648	\$0	\$97,340	\$118,162	\$3,968,583	\$0		\$3,968,583
97100 Extraordinary Maintenance												
97200 Casualty Losses - Non-capitalized												
97300 Housing Assistance Payments		\$2,744,009		\$219,555					\$2,963,564			\$2,963,564
97350 HAP Portability-In		\$15,696							\$15,696			\$15,696

ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY
FINANCIAL DATA SCHEDULE

97400 Depreciation Expense	\$897,778	\$4,564					\$34,836	\$122,424	\$1,059,602		\$1,059,602
97500 Fraud Losses											
97600 Capital Outlays - Governmental Funds											
97700 Debt Principal Payment - Governmental Funds											
97800 Dwelling Units Rent Expense											
90000 Total Expenses	\$4,174,302	\$3,232,042	\$0	\$262,862	\$36,090	\$61,866	\$267,593	\$755,617	\$8,790,372	-\$730,887	\$8,059,485
10010 Operating Transfer In	\$1,774								\$1,774	-\$1,774	\$0
10020 Operating transfer Out	-\$1,774								-\$1,774	\$1,774	\$0
10030 Operating Transfers from/to Primary Government											
10040 Operating Transfers from/to Component Unit											
10050 Proceeds from Notes, Loans and Bonds											
10060 Proceeds from Property Sales											
10070 Extraordinary Items, Net Gain/Loss											
10080 Special Items (Net Gain/Loss)											
10091 Inter Project Excess Cash Transfer In	\$315,000								\$315,000	-\$315,000	\$0
10092 Inter Project Excess Cash Transfer Out	-\$315,000								-\$315,000	\$315,000	\$0
10093 Transfers between Program and Project - In											
10094 Transfers between Project and Program - Out											
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	\$176,284	-\$289,808	\$0	\$2,651	-\$17,648	\$0	\$62,504	-\$4,262	-\$70,279	\$0	-\$70,279
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$71,462	\$0	\$71,462		\$71,462
11030 Beginning Equity	\$11,940,289	\$2,127,546	\$23,301	\$106,096	\$20,699	\$0	\$398,509	\$1,226,591	\$15,843,031		\$15,843,031
11040 Prior Period Adjustments, Equity Transfers and Correction of				\$20,703					\$20,703		\$20,703
11060 Changes in Contingent Liability Balance											
11070 Changes in Unrecognized Pension Transition Liability											
11080 Changes in Special Term/Severance Benefits Liability											
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents											
11100 Changes in Allowance for Doubtful Accounts - Other											
11170 Administrative Fee Equity		\$1,661,333							\$1,661,333		\$1,661,333
11180 Housing Assistance Payments Equity		\$176,405							\$176,405		\$176,405
11190 Unit Months Available	6660	5988	0	720	624		480		14472		14472
11210 Number of Unit Months Leased	6577	5822	0	720	600		440		14159		14159
11270 Excess Cash	\$616,241								\$616,241		\$616,241
11610 Land Purchases	\$0							\$0	\$0		\$0
11620 Building Purchases	\$858,108							\$0	\$858,108		\$858,108
11630 Furniture & Equipment - Dwelling Purchases	\$0							\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0							\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$0							\$0	\$0		\$0
11660 Infrastructure Purchases	\$0							\$0	\$0		\$0
13510 CFPF Debt Service Payments	\$0							\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0							\$0	\$0		\$0

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012**

FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
<i>Direct Programs:</i>		
Public Housing Programs:		
Public Housing Operating Subsidy	14.850	\$ 2,195,268
Capital Fund Program Cluster:		
Public Housing Capital Fund	14.872	1,098,099
Public Housing Capital Fund Stimulus (Formula)		
Recovery Act Funded - ARRA	14.885	61,866
Total Capital Fund Program Cluster		1,159,965
Total Public Housing Programs		3,355,233
Section 8 Programs:		
Section 8 Project Based Cluster:		
Section 8 New Construction	14.182*	194,136
Total Section 8 Project Based Cluster		194,136
Supportive Housing for Persons with Disabilities	14.181	265,190
Housing Choice Vouchers	14.871	2,914,921
Total Section 8 Programs		3,374,247
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		6,729,480
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 6,729,480

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

The accompanying notes to this schedule are an integral part of this schedule.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures includes the federal grant activity of the Authority and is presented on the full accrual 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*.

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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*

June 24, 2013

Ashtabula Metropolitan Housing Authority
Ashtabula County
3526 Lake Avenue
Ashtabula, Ohio 44004

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the **Ashtabula Metropolitan Housing Authority**, Ashtabula County, (the Authority) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 24, 2013, wherein we noted the Authority has adopted Governmental Accounting Standards Board Statement No. 63.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry & Associates
Certified Public Accountants, A.C.

Perry & Associates

Certified Public Accountants, A.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

June 24, 2013

Ashtabula Metropolitan Housing Authority
Ashtabula County
3526 Lake Avenue
Ashtabula, Ohio 44004

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited the **Ashtabula Metropolitan Housing Authority's** (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Ashtabula Metropolitan Authority's major federal program for the year ended December 31, 2012. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Authority's major federal program.

Management's Responsibility

The Authority's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for each of the Authority's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Authority's major program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Ashtabula Metropolitan Housing Authority complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority'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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Perry & Associates
Certified Public Accountants, A.C.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
ASHTABULA COUNTY
FOR THE YEAR ENDED DECEMBER 31, 2012**

**SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A -133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Public Housing Operating Subsidy CFDA # 14.850
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

ASHTABULA METROPOLITAN HOUSING AUTHORITY

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 20, 2013**