

ASHTABULA METROPOLITAN HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ashtabula Metropolitan Housing Authority, Ashtabula County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 18, 2007

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**ASHTABULA METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2006**

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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 financial statements of the Ashtabula Metropolitan Housing Authority as of and for the year ended December 31, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Ashtabula Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these basic 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ashtabula Metropolitan Housing Authority as of December 31, 2006, and the changes in net assets and the 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 August 30, 2007 on our consideration of the Ashtabula Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. The combining Financial Data Schedules (FDS) and Schedule of Capital Grants-Completed are presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

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

August 30, 2007

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

As management of the Ashtabula Metropolitan Housing Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Financial Highlights

- The assets of the Authority exceeded its liabilities at December 31, 2006 by \$15,365,310 (net assets).
- The Authority's cash balance at December 31, 2006 was \$1,965,599, representing an increase of \$442,149 from December 31, 2005.
- The Authority had intergovernmental revenue of \$5,980,053 in HUD operating grants and \$451,901 of capital grants for the year ended December 31, 2006.

Overview of the Financial Statements

The financial statements included in this annual report are those of a quasi-governmental agency engaged in a business-type activity. The following statements are included:

- Statement of Net Assets - reports the Authority's current financial resources (short-term spendable resources) with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses, and Changes 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.
- Statement of Cash Flows - provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

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

The attached analysis of entity wide net assets, revenues, and expenses 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.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

Overview of the Financial Statements (Continued)

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.

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 Authority, the reader must also consider other non-financial factors such as change 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 Housing 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:

Low Income Public Housing (LIPH)

The Housing Authority has 585 units in its Public Housing inventory. The Authority is responsible for the management, maintenance, and utilities for all units. 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 is calculated by HUD in accordance with the results of the Harvard Cost Study which was performed for HUD. HUD funds the difference between allowable costs as incurred for all units under lease and the actual tenant revenue generated. Funding is made by formula, in accordance with total funds appropriated by Congress.

Section 8 Housing Choice Vouchers (HCV)

HUD has contracted with the Housing Authority for administration of the Housing Choice Vouchers 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 cant pay. For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Housing Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program.

Capital Fund Program

Revenue received from normal operations in addition to operating subsidy provided by HUD is intended to cover normal routine operating expenses. This leaves the Housing Authority with little to no funding for capital expenditures. The purpose of the Capital Fund grants is to provide funding to the Housing Authority for improvement of the Public Housing communities by way of non-routine maintenance. This grant program is awarded by HUD, by formula allocation, on an annual basis.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

Capital Fund Program (Continued)

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

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 immunodeficiency syndrome (AIDS), and related diseases.

Section 8 Moderate Rehabilitation Program

This program assists very low-income individuals in obtaining decent, safe, and sanitary housing in privately owned, rehabilitated buildings. The Housing Authority makes rental assistance payments to participating landlords on behalf of the individuals who rent the rehabilitated dwellings.

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.

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

Total net assets for fiscal year 2006 were \$15,365,310 and for fiscal year 2005 the amount was \$15,423,274. This represents an overall net decrease of \$57,964, or 1 percent.

Cash and Cash Equivalents increased from \$1,523,450 in fiscal year 2005 to \$1,965,599 in fiscal year 2006, or by \$442,149 or 29 percent. The change in the Authority's cash balance is primarily due to an increase in the Authority's investment balance.

Receivables increased from \$22,498 in fiscal year 2005 to \$52,491 in fiscal year 2006. This represents an increase of \$29,993, or 133 percent. This increase was a result in increases to miscellaneous receivables and tenant dwelling rents receivable.

Other Current Assets increased from \$87,617 in fiscal year 2005 to \$146,220 in fiscal year 2006, or by \$58,603 or 67 percent. This increase was due primarily to increases in prepaid expenses.

Capital Assets decreased from \$14,988,217 in fiscal year 2005 to \$14,430,648 in fiscal year 2006, or by \$557,569 or 3.7 percent. 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 (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

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

Current liabilities increased from \$385,411 in fiscal year 2005 to \$501,129 in fiscal year 2006, or by \$115,718 or 30 percent. This change is primarily a result of increases in accounts payable-vendors, and accounts payable-HUD PHA Programs, partially offset by decreases in accrued wages and payroll taxes payable, and deferred revenues at the end of the year.

Non-Current Liabilities decreased from \$813,096 in fiscal year 2005 to \$728,519 in fiscal year 2006, or by \$84,577, or 10.4 percent. Primarily, this change was a result of decreases in long term debt and accrued compensated absences.

The following table summarizes the change in net assets between December 31, 2006 and 2005 for the Authority as a whole:

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

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>	<u>Percent of Change</u>
<u>Assets</u>				
Cash & Cash Equivalents	\$ 1,965,599	\$ 1,523,450	\$ 442,149	29.0 %
Receivables	52,491	22,498	29,993	133.3 %
Other Current Assets	146,220	87,617	58,603	66.9 %
Capital Assets	14,430,648	14,988,217	(557,569)	(3.7)%
Total Assets	<u>\$16,594,958</u>	<u>\$16,621,782</u>	<u>\$ (26,824)</u>	(0.2)%
<u>Liabilities</u>				
Current Liabilities	\$ 501,129	\$ 385,411	\$ 115,718	30.0 %
Non-Current Liabilities	728,519	813,096	(84,577)	(10.4)%
Total Liabilities	<u>1,229,648</u>	<u>1,198,507</u>	<u>31,141</u>	2.6 %
<u>Net Assets</u>				
Invested in Capital Assets	13,778,765	14,287,924	(509,159)	(3.6)%
Restricted Net Assets	86,509	75,955	10,554	13.9 %
Unrestricted Net Assets	1,500,036	1,059,396	440,640	41.6 %
Total Net Assets	<u>15,365,310</u>	<u>15,423,275</u>	<u>(57,965)</u>	(0.1)%
Total Liabilities and Net Assets	<u>\$16,594,958</u>	<u>\$16,621,782</u>	<u>\$ (26,824)</u>	(0.2)%

Total revenues for fiscal year 2006 were \$7,631,496, as compared to \$7,816,510 of total revenues for fiscal year 2005. Comparatively, fiscal year 2005 revenues exceeded fiscal year 2006 revenues by \$185,014, or 2.4 percent. The primary reason for this change was a result of decreased HUD Capital Grant Funding received, partially offset by the receipt of other grant funding. The following table summarizes the changes in total revenue including capital grants between fiscal year 2006 and fiscal year 2005 for the Authority as a whole:

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

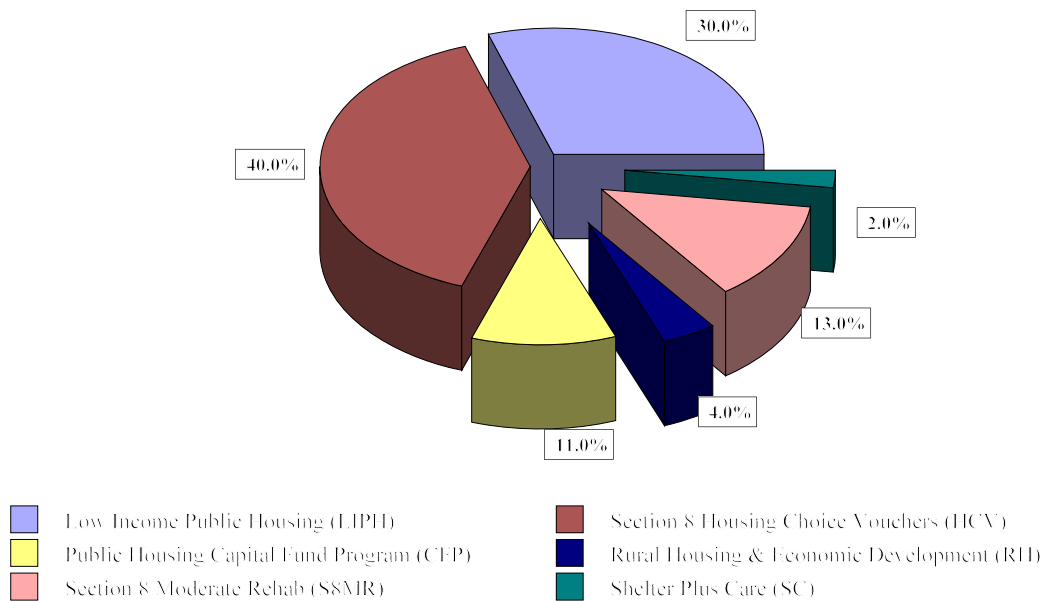
Table 2 - Change in Total Revenue

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>	<u>Percent of Change</u>
Total Tenant Revenue	\$ 975,699	\$ 1,002,860	\$ (27,161)	(2.7)%
HUD Operating Grants	5,980,053	5,939,677	40,376	(0.7)%
HUD Capital Grants	451,901	796,684	(344,783)	(43.3)%
Other Grants	162,040	0	162,040	100.0 %
Investment Income	33,835	20,412	13,423	65.8 %
Other Income	<u>27,968</u>	<u>56,877</u>	<u>(28,909)</u>	(50.8)%
Total Revenue	<u>\$ 7,631,496</u>	<u>\$ 7,816,510</u>	<u>\$ (185,014)</u>	(2.4)%

The chart below illustrates the percentage of revenues generated by the funding sources for fiscal year 2006.

The follow chart illustrates the Authority's grant revenue by funding source.

Revenue Percentage by Program



**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

Analysis of Entity Wide Expenditures

Total expenditures for fiscal year ending December 31, 2006 were \$7,689,460, compared to the \$7,711,680 of total expenditures for fiscal year ending December 31, 2005. This represents a decrease of \$22,220 or 1 percent.

Administrative expenditures for fiscal year ending December 31, 2006 were \$1,050,685 as compared to \$1,095,237 in fiscal year 2005. This represents a decrease of \$44,552 or 4 percent. Decreases were experienced in administrative salaries, compensated absences, and other administrative expenses.

Utilities expenditures for fiscal year ending December 31, 2006 were \$641,131 as compared to \$636,172 in fiscal year 2005. This represents an increase of \$4,959 or 1 percent. The major cause for this change is due to the increases in water and other utilities expenses, offset by decreases in natural gas and electric costs from the prior fiscal year.

Maintenance expenditures for fiscal year ending December 31, 2006 were \$952,169 as compared to \$1,075,536 in fiscal year 2005. This represents a decrease of \$123,367 or 11 percent. The main cause for this change was due to a decrease in maintenance contract costs.

General expenditures for fiscal year ending December 31, 2006 were \$211,502 as compared to \$188,027 for fiscal year 2005. This represents an increase of \$23,475 or 12.5 percent. The main cause for this change was due to increases in insurance premiums, payments in lieu of taxes, and tenants' bad debts.

Table 3 illustrates the change in expenditures for the Authority for fiscal year 2006 compared to fiscal year 2005.

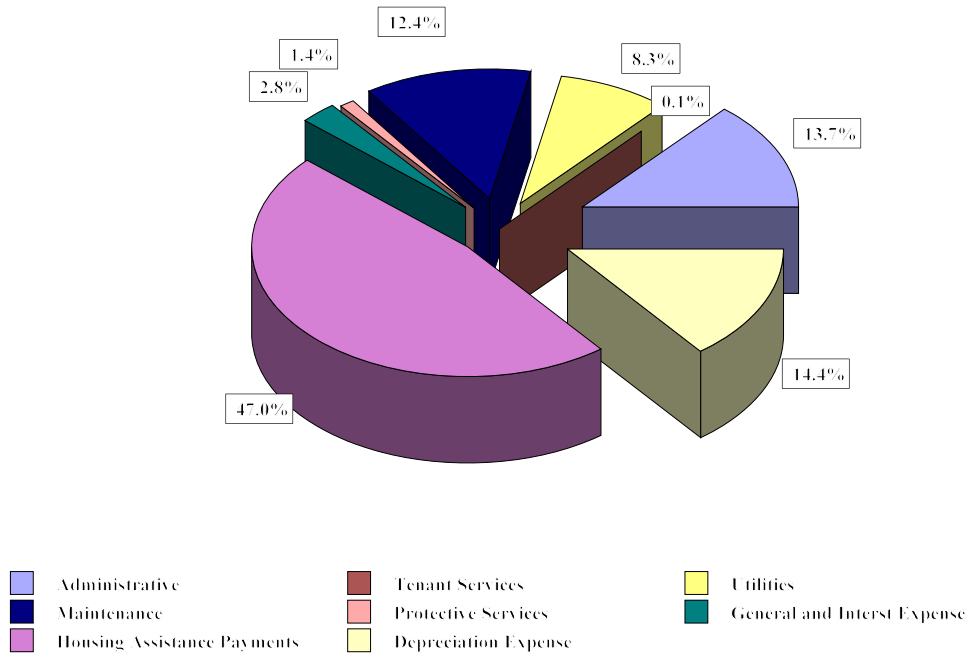
Table 3 - Change in Expenditures

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>	<u>Percent of Change</u>
Administrative	\$ 1,050,685	\$ 1,095,237	\$ (44,552)	(4.1)%
Tenant Services	7,640	13,969	(6,329)	(45.3)%
Utilities	641,131	636,172	4,959	0.8 %
Maintenance	952,169	1,075,536	(123,367)	(11.5)%
Protective Services	103,294	94,243	9,051	9.6 %
General and Interest Expenses	211,502	188,027	23,475	12.5 %
Extraordinary Maintenance	0	4,399	(4,399)	(100)%
Housing Assistance Payments	3,617,688	3,582,285	35,403	1.0 %
Depreciation Expense	<u>1,105,351</u>	<u>1,021,812</u>	<u>83,539</u>	8.2 %
Total Expenses	<u>\$ 7,689,460</u>	<u>\$ 7,711,680</u>	<u>\$ (22,220)</u>	(1.0)%

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

The chart illustrates the percentage of Authority expenditures by these categories, excluding depreciation expense, for fiscal year 2006.

Percentage of Total Expenses by Category



Analysis of Capital Asset Activity

Buildings increased by \$1,635,510. This increase is a result of renovations and rehabilitation of buildings through the Low Income Public Housing and Capital Fund programs.

Furniture, Equipment and Machinery - Dwelling increased by \$7,726. The Authority purchased ranges and refrigerators.

Furniture, Equipment and Machinery - Administration decreased by \$(6,373). The Authority purchased office and administrative equipment and disposed of some equipment in 2006.

Accumulated depreciation increased by \$1,071,412. Accumulated depreciation increased \$1,105,351 in depreciation expense for fiscal year 2006 and a reduction of \$33,939 due to disposal of assets.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2006
(Unaudited)**

Construction in progress decreased by \$(1,123,020). The decrease is due to the utilization of capital fund awards for the improvement of the Authority's existing structures and the transfer of some of these assets to the building account.

The following table summarizes the changes in the Authority's capital assets between fiscal year 2006 and fiscal year 2005.

Table 4 - Summary of Changes in Capital Assets

	2006	2005	Net Change	Percentage of Change
Land	\$ 1,102,998	\$ 1,102,998	\$ 0	0.0 %
Buildings	25,422,845	23,787,335	1,635,510	6.9 %
Furniture, Equipment, and Machinery - Dwelling	449,684	441,958	7,726	1.7 %
Furniture, Equipment, and Machinery - Administrative	935,941	942,314	(6,373)	(0.7)%
Construction in Progress	<u>1,461,573</u>	<u>2,584,593</u>	<u>(1,123,020)</u>	<u>(43.5)%</u>
Total Capital Assets	29,373,041	28,859,198	513,843	1.8 %
Accumulated Depreciation	<u>(14,942,393)</u>	<u>(13,870,981)</u>	<u>(1,071,412)</u>	7.7 %
Net Capital Assets	<u>\$14,430,648</u>	<u>\$14,988,217</u>	<u>\$ (557,569)</u>	<u>(3.7)%</u>

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

Increases in capital asset accounts have been offset by the associated decrease in construction in progress and the annual charge to accumulated depreciation.

Debt

As of December 31, 2006, the Authority had outstanding debt of \$651,883 related to the South Ridge Village Project. The current portion of this debt is \$50,658. No new debt was issued in 2006. See Note 10 to the financial statements for further debt information.

Financial Contact

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, 2006

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 1,965,599
Tenant Accounts Receivable, Net	52,491
Prepaid Expenses	111,233
Inventories, Net	<u>34,987</u>
Total Current Assets	<u>2,164,310</u>

Noncurrent Assets

Non-depreciable Capital Assets	2,564,571
Depreciable Capital Assets, Net	<u>11,866,077</u>
Total Noncurrent Assets	<u>14,430,648</u>

TOTAL ASSETS	<u>\$ 16,594,958</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 72,788
Accounts Payable - HUD	200,490
Accrued Compensated Absences - Current	14,144
Tenant Security Deposits	95,451
Accrued Wages and Payroll Taxes	25,374
Accounts Payable - Other Government	29,937
Deferred Revenues	12,287
Current Portion of Long-Term Debt	<u>50,658</u>
Total Current Liabilities	<u>501,129</u>

Noncurrent Liabilities

Long-Term Debt, Net of Current	601,225
Accrued Compensated Absences - Net of Current Portion	<u>127,294</u>
Total Noncurrent Liabilities	<u>728,519</u>
Total Liabilities	<u>1,229,648</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	13,778,765
Unrestricted Net Assets	1,500,036
Restricted Net Assets	<u>86,509</u>
Total Net Assets	<u>15,365,310</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,594,958</u>
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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, 2006

<u>Operating Revenues</u>	
HUD Grants	\$ 6,142,093
Tenant Revenue	975,699
Other Revenue	<u>27,968</u>
Total Operating Revenues	<u>7,145,760</u>
<u>Operating Expenses</u>	
Housing Assistance Payments	3,617,688
Administrative	1,050,685
Utilities	641,131
Tenant Services	7,640
Maintenance	952,169
Protective Services	103,294
General	<u>169,194</u>
Total Operating Expenses Before Depreciation	<u>6,541,801</u>
Income Before Depreciation	603,959
Depreciation	<u>1,105,351</u>
Operating Loss	<u>(501,392)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest and Investment Revenue	33,835
Interest Expense	<u>(42,308)</u>
Total Non-Operating Revenues (Expenses)	<u>(8,473)</u>
Loss Before Contributions and Transfers	(509,865)
Capital Grants	<u>451,901</u>
Change in Net Assets	(57,964)
Total Net Assets, Beginning of Year	<u>15,423,274</u>
Net Assets, End of Year	<u>\$ 15,365,310</u>

See accompanying notes to the basic financial statements.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

<u>Cash Flows from Operating Activities</u>	
Cash Received from HUD	\$ 6,230,670
Cash Received From Tenants	945,706
Cash Payments for Housing Assistance	(3,617,688)
Cash Payments for Administrative Expenses	(1,063,842)
Cash Payments for Other Operating Expenses	(1,932,757)
Cash Received - Other	<u>32,824</u>
Net Cash (Provided) by Operating Activities	<u>594,913</u>
 <u>Cash Flows from Capital and Related Financing Activities</u>	
Principal Payments on Debt	(48,410)
Interest on Debt	(42,308)
Acquisition of Capital Assets	(547,782)
Capital Grants Received	<u>451,901</u>
Net Cash Provided by Capital and Other Related Financing Activities	<u>(186,599)</u>
 <u>Cash Flows from Investing Activities</u>	
Interest and Investment Income Received	<u>33,835</u>
Net Cash Provided by Investing Activities	<u>33,835</u>
Net Increase (Decrease) in Cash and Cash Equivalents	442,149
 Cash and Cash Equivalents, Beginning	 <u>1,523,450</u>
 Cash and Cash Equivalents, Ending	 <u>\$ 1,965,599</u>
 <u>Reconciliation of Operating Loss to Net Cash Provided by Operating Activities</u>	
Net Operating (Loss)	\$ (501,392)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	1,105,351
(Increase) Decrease in:	
Tenant Accounts Receivable	(29,993)
Prepaid Expenses	(58,603)
Increase (Decrease) in:	
Accounts Payable	37,433
Accounts Payable - HUD	200,490
Accounts Payable - Other Governments	3,462
Accrued Compensated Absences - Current	(3,655)
Tenants' Security Deposits	4,857
Accrued Wages and Payroll Taxes	(14,764)
Deferred Revenue (Prepaid Rent)	(115,375)
Accrued Compensated Absences - Long-Term	<u>(32,898)</u>
Net Cash Used by Operating Activities	<u>\$ 594,913</u>

See accompanying notes to the basic financial statements.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

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

Basis of Presentation (Continued)

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

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

Measurement Focus and Basis of Accounting

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

Capitalization of Interest

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

Investments

Investments are stated at fair value. Cost based measures of fair value were applied to nonnegotiable certificates of deposit and money market investments.

Compensated Absences

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

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

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

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

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

Change in Accounting Principles

For fiscal year 2006, the Authority implemented GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, GASB Statement No. 47, *Accounting for Termination Benefits*.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements that amount of net assets restricted by enabling legislation. The implementation of GASB Statement No. 46 did not have an effect on the financial statements of the Authority.

GASB Statement No. 47 provides guidance on how employers should account for benefits associated with either voluntary or involuntary terminations. The implementation of GASB Statement No. 47 did not have an effect on the financial statements of the Authority.

NOTE 2: **DEPOSITS AND INVESTMENTS**

Cash on Hand

At December 31, 2006, the Authority had undeposited cash on hand, including petty cash, of \$300.

At December 31, 2006, the carrying amount of the Authority's cash deposits was \$1,965,599. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2006, deposits totaling \$286,509 were covered by Federal Depository Insurance and deposits totaling \$1,679,090 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

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

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

Cash on Hand (Continued)

Reserve system in the name of the respective depository bank, and pledged as a pool of collateral against all of the public deposits it holds, or as specific collateral held at a Federal Reserve bank in the name of the Authority.

Investments

The Authority has a formal investment policy. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At December 31, 2006, the Authority had no investments.

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

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

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)</u>
Carrying Amount of Deposits	\$ 1,965,299	\$ 1,965,299
Petty Cash	300	300
Totals	<u>\$ 1,965,599</u>	<u>\$ 1,965,599</u>

NOTE 3: **CAPITAL ASSETS**

A summary of capital assets at December 31, 2006 by class is as follows:

	<u>01/01/2006</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2006</u>
<u>Capital Assets Not Being Depreciated</u>					
Land	\$ 1,102,998	\$ 0	\$ 0	\$ 0	\$ 1,102,998
Construction in Progress	<u>2,584,593</u>	<u>0</u>	<u>451,901</u>	<u>(1,574,921)</u>	<u>1,461,573</u>
Total Capital Assets Not Being Depreciated	<u>3,687,591</u>	<u>0</u>	<u>451,901</u>	<u>(1,574,921)</u>	<u>2,564,571</u>
<u>Capital Assets Being Depreciated</u>					
Buildings and Improvements	23,787,335	0	1,635,510	0	25,422,845
Furniture, Equipment, and Machinery - Dwellings	441,958	0	7,726	0	449,684
Furniture, Equipment, and Machinery - Administrative	<u>942,314</u>	<u>0</u>	<u>27,566</u>	<u>(33,939)</u>	<u>935,941</u>
Subtotal Capital Assets Being Depreciated	<u>25,171,607</u>	<u>0</u>	<u>1,670,802</u>	<u>(33,939)</u>	<u>26,808,470</u>
<u>Accumulated Depreciation</u>					
Buildings and Improvements	(12,898,366)	27,330	(966,680)	0	(13,837,716)
Furniture, Equipment, and Machinery - Dwellings	(295,183)	(27,330)	(38,895)	0	(361,408)
Furniture, Equipment, and Machinery - Administrative	<u>(677,432)</u>	<u>0</u>	<u>(99,776)</u>	<u>33,939</u>	<u>(743,269)</u>
Total Accumulated Depreciation	<u>(13,870,981)</u>	<u>0</u>	<u>(1,105,351)</u>	<u>33,939</u>	<u>(14,942,393)</u>
Depreciation Assets, Net	<u>11,300,626</u>	<u>0</u>	<u>565,451</u>	<u>0</u>	<u>11,866,077</u>
Total Capital Assets, Net	<u>\$ 14,988,217</u>	<u>\$ 0</u>	<u>\$ 1,017,352</u>	<u>\$(1,574,921)</u>	<u>\$ 14,430,648</u>

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

NOTE 4: **RESTRICTED NET ASSETS**

The Authority's restricted net assets are as follows:

Cash Held for South Ridge Village Reserve for Replacement	<u>\$ 86,509</u>
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NOTE 5: **PENSION PLAN**

Ohio Public Employees Retirement System

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution 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 plan benefit. Member contributions, whose investment is self-directed by the member, 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 both the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

For the year ended December 31, 2006, the members of all three plans were required to contribute 9 percent of their annual covered salaries. The Authority's contribution rate for pension benefits for 2006 was 13.7 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Authority's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$113,040, \$118,458, and \$116,136, respectively; 100 percent has been contributed for 2006, 2005, and 2004. The Authority had no employees participating in the combined or member-directed plans for the years ended December 31, 2006, 2005, and 2004.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

NOTE 6: **POST-EMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local employer contribution rate was 13.7 percent of covered payroll, 4.5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5 percent to 6 percent for the next 9 years. In subsequent years (10 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

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

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005 actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$276,415. The actual contribution and the actuarially required contribution amounts are the same. OPER's net assets available for payment of benefits at December 31, 2005 (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$ 20.2 billion, respectively.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006
(CONTINUED)

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

Ohio Public Employees Retirement System (Continued)

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

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, 2006 based on the vesting method, \$141,438 was accrued by the Authority for unused vacation and sick time. The current portion is \$14,144 and the long term portion is \$127,294.

NOTE 8: **INSURANCE**

The Authority is covered for property damage, general liability, automobile liability, law enforcement liability, public officials liability, and other crime liabilities through membership in the State Housing Authority Risk Pool Association, Inc. (SHARP). SHARP is an insurance risk pool comprised of thirty-six (36) Ohio housing authorities, of which Ashtabula is one. Deductibles and coverage limits are summarized below:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limits</u>
Property	\$ 1,500	\$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
Law Enforcement	0	6,000,000
Public Officials	0	6,000,000

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

NOTE 8: **INSURANCE** (Continued)

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.

NOTE 10: **LONG-TERM DEBT**

Changes in the Authority's long-term debt during fiscal year 2006 are as follows:

	<u>Balance at</u> <u>01/01/2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12/31/2006</u>	<u>Due Within</u> <u>One Year</u>
Loan Payable - Rural Economic and Community Development - 8% Interest, \$840,000, dated December 12, 1979	\$ 511,984	\$ 0	\$ (34,013)	\$ 477,971	\$ 35,763
Loan Payable - Rural Economic and Community Development - 9% Interest, \$312,600, dated December 12, 1979	<u>188,309</u>	<u>0</u>	<u>(14,397)</u>	<u>173,912</u>	<u>14,895</u>
Total Loans Payable	700,293	0	(48,410)	651,883	50,658
Compensated Absences	<u>177,991</u>	<u>0</u>	<u>(36,553)</u>	<u>141,438</u>	<u>14,144</u>
Totals	<u>\$ 878,284</u>	<u>\$ 0</u>	<u>\$ (84,963)</u>	<u>\$ 793,321</u>	<u>\$ 64,802</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 2006 was \$42,308. 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, 2006 was \$651,883, of which \$50,658 was the current portion.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(CONTINUED)

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

The following is a summary of the Authority's future debt service requirements for mortgages payable as of December 31, 2006:

<u>For the Year</u> <u>Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Payments</u>
2007	\$ 50,659	\$ 40,949	\$ 91,608
2008	54,077	37,531	91,608
2009	57,729	33,879	91,608
2010	61,628	29,980	91,608
2011	65,793	25,815	91,608
2012-2016	<u>361,997</u>	<u>57,750</u>	<u>419,747</u>
Total	<u>\$ 651,883</u>	<u>\$ 225,904</u>	<u>\$ 877,787</u>

NOTE 11: **CONSTRUCTION AND OTHER COMMITMENTS**

The Authority had no material construction commitments at December 31, 2006.

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>		
<i>Direct Programs:</i>		
<u>Public Housing Programs</u>		
Low Rent Public Housing Program	14.850	\$ 1,335,230
Capital Fund Program	14.872	<u>867,875</u>
Total Public Housing Programs		<u>2,203,105</u>
<u>Section 8 Tenant Based Programs</u>		
Tenant Based Program:		
Section 8 Housing Choice Voucher Program	14.871	3,041,382
Project Based Program:		
New Construction Section 8 Program	14.182	<u>1,009,807</u>
Total Section 8 Tenant and Project Based Programs		<u>4,051,189</u>
Rural Housing and Economic Development	14.250	<u>177,660</u>
Total Federal Assistance		<u>\$ 6,431,954</u>

This schedule is prepared on the accrual basis of accounting.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULES
STATEMENT OF NET ASSETS BY PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2006

Line Item No.	Account Description	N/C S/R Section 8 Programs	Shelter Plus Care	Rural Housing and Economic Development	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
ASSETS								
Current Assets								
111	Cash - Unrestricted	\$0	\$0	\$143,230	\$51,988	\$1,277,425	\$0	\$1,472,643
113	Cash - Other Restricted	\$0	\$0	\$86,509	\$0	\$0	\$0	\$86,509
100	Total Cash	\$0	\$0	\$229,739	\$51,988	\$1,277,425	\$0	\$1,559,152
125	Accounts Receivable - Miscellaneous	\$0	\$24,936	\$0	\$0	\$0	\$0	\$24,936
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$0	\$181	\$32,088	\$0	\$0	\$32,269
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	(\$5,000)	\$0	\$0	(\$5,000)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	\$0	\$0	\$0	\$0
129	Accrued Interest Receivable	\$0	\$0	\$0	\$286	\$0	\$0	\$286
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$24,936	\$181	\$27,374	\$0	\$0	\$52,491
131	Investments - Unrestricted	\$0	\$0	\$0	\$406,447	\$0	\$0	\$406,447
142	Prepaid Expenses and Other Assets	\$0	\$0	\$2,876	\$58,453	\$49,904	\$0	\$111,233
143	Inventories	\$0	\$0	\$0	\$34,987	\$0	\$0	\$34,987
143.1	Allowance for Obsolete Inventories	\$0	\$0	\$0	\$0	\$0	\$0	\$0
144	Interprogram Due From	\$204,644	\$0	\$0	\$4,117	\$455,890	\$0	\$664,651
150	Total Current Assets	\$204,644	\$24,936	\$232,796	\$583,366	\$1,783,219	\$0	\$2,828,961
161	Land	\$0	\$0	\$128,500	\$974,498	\$0	\$0	\$1,102,998
162	Buildings	\$0	\$0	\$1,173,461	\$24,249,384	\$0	\$0	\$25,422,845
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$0	\$50,457	\$399,227	\$0	\$0	\$449,684
164	Furniture, Equipment & Machinery - Administration	\$0	\$0	\$0	\$861,744	\$74,197	\$0	\$935,941
165	Leasehold Improvements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
166	Accumulated Depreciation	\$0	\$0	(\$831,492)	(\$14,078,740)	(\$32,161)	\$0	(\$14,942,393)
167	Construction In Progress	\$0	\$0	\$0	\$0	\$0	\$1,461,573	\$1,461,573
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$0	\$520,926	\$12,406,113	\$42,036	\$1,461,573	\$14,430,648
180	Total Non-Current Assets	\$0	\$0	\$520,926	\$12,406,113	\$42,036	\$1,461,573	\$14,430,648
190	TOTAL ASSETS	\$204,644	\$24,936	\$753,722	\$12,989,479	\$1,825,255	\$1,461,573	\$17,259,609
LIABILITIES								
Current Liabilities								
312	Accounts Payable <= 90 Days	\$0	\$0	\$11,461	\$61,230	\$97	\$0	\$72,788
321	Accrued Wage/Payroll Taxes Payable	\$0	\$0	\$0	\$23,136	\$0	\$0	\$23,136
322	Accrued Compensated Absences - Current Portion	\$0	\$0	\$450	\$12,041	\$1,653	\$0	\$14,144
325	Accrued Interest Payable	\$0	\$0	\$2,238	\$0	\$0	\$0	\$2,238
331	Accounts Payable - HUD PHA Programs	\$153,931	\$0	\$0	\$0	\$46,559	\$0	\$200,490
333	Accounts Payable - Other Government	\$0	\$0	\$0	\$29,937	\$0	\$0	\$29,937
341	Tenant Security Deposits	\$0	\$0	\$7,664	\$87,787	\$0	\$0	\$95,451
342	Deferred Revenues	\$0	\$0	\$871	\$11,416	\$0	\$0	\$12,287
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$50,658	\$0	\$0	\$0	\$50,658
347	Interprogram Due To	\$1,792	\$24,216	\$14,054	\$372,012	\$252,577	\$0	\$664,651
310	Total Current Liabilities	\$155,723	\$24,216	\$87,396	\$597,559	\$300,886	\$0	\$1,165,780
Noncurrent Liabilities								
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$0	\$0	\$601,225	\$0	\$0	\$0	\$601,225
354	Accrued Compensated Absences - Non Current	\$0	\$0	\$4,052	\$108,368	\$14,874	\$0	\$127,294
350	Total Noncurrent Liabilities	\$0	\$0	\$605,277	\$108,368	\$14,874	\$0	\$728,519
300	Total Liabilities	\$155,723	\$24,216	\$692,673	\$705,927	\$315,760	\$0	\$1,894,299
NET ASSETS								
508	Total Contributed Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$0	(\$130,957)	\$12,406,113	\$42,036	\$1,461,573	\$13,778,765
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
512.1	Unrestricted Net Assets	\$48,921	\$720	\$192,006	(\$122,561)	\$1,467,459	\$0	\$1,586,545
513	Total Equity/Net Assets	\$48,921	\$720	\$61,049	\$12,283,552	\$1,509,495	\$1,461,573	\$15,365,310
600	TOTAL LIABILITIES AND EQUITY/NET ASSETS	\$204,644	\$24,936	\$753,722	\$12,989,479	\$1,825,255	\$1,461,573	\$17,259,609

ASHTABULA METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY PROGRAM
FOR THE YEAR ENDED DECEMBER 31, 2006

Line Item No.	Account Description	N/C S/R Section 8 Programs	Shelter Plus Care	Rural Housing and Economic Development	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
REVENUES								
703	Net Tenant Rental Revenue	\$0	\$0	\$91,893	\$877,093	\$0	\$0	\$968,986
704	Tenant Revenue - Other	\$0	\$0	\$171	\$6,542	\$0	\$0	\$6,713
705	Total Tenant Revenue	\$0	\$0	\$92,064	\$883,635	\$0	\$0	\$975,699
706	HUD PHA Operating Grants	\$1,009,807	\$0	\$177,660	\$1,335,230	\$3,041,382	\$415,974	\$5,980,053
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$451,901	\$451,901
708	Other Government Grants	\$0	\$162,040	\$0	\$0	\$0	\$0	\$162,040
711	Investment Income - Unrestricted	\$0	\$0	\$953	\$17,365	\$15,517	\$0	\$33,835
713.1	Cost of Sale of Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0
715	Other Revenue	\$0	\$0	\$12,814	\$15,154	\$0	\$0	\$27,968
720	Investment Income - Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0
700	Total Revenue	\$1,009,807	\$162,040	\$283,491	\$2,251,384	\$3,056,899	\$867,875	\$7,631,496
EXPENSES								
911	Administrative Salaries	\$3,958	\$9,896	\$14,817	\$320,614	\$85,106	\$65,938	\$500,329
912	Auditing Fees	\$72	\$0	\$360	\$10,212	\$1,728	\$0	\$12,372
914	Compensated Absences	\$0	\$1,387	(\$837)	(\$24,342)	(\$4,384)	\$0	(\$28,176)
915	Employee Benefit Contributions - Administrative	\$555	\$0	\$1,612	\$138,728	\$13,211	\$43,959	\$198,065
916	Other Operating - Administrative	\$1,115	\$0	\$19,540	\$297,670	\$28,317	\$21,453	\$368,095
924	Tenant Services - Other	\$0	\$0	\$0	\$7,640	\$0	\$0	\$7,640
931	Water	\$0	\$0	\$17,535	\$168,179	\$0	\$0	\$185,714
932	Electricity	\$0	\$0	\$21,444	\$197,268	\$0	\$0	\$218,712
933	Gas	\$0	\$0	\$23,892	\$109,664	\$0	\$0	\$133,556
938	Other Utilities Expense	\$0	\$0	\$0	\$103,149	\$0	\$0	\$103,149
941	Ordinary Maintenance and Operations - Labor	\$0	\$0	\$10,966	\$353,674	\$0	\$0	\$364,640
942	Ordinary Maintenance and Operations - Materials and Other	\$50	\$0	\$8,034	\$173,218	\$0	\$0	\$181,302
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$0	\$35,039	\$250,795	\$0	\$0	\$285,834
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$0	\$1,168	\$119,225	\$0	\$0	\$120,393
952	Protective Services - Other Contract Costs	\$0	\$0	\$402	\$102,892	\$0	\$0	\$103,294
961	Insurance Premiums	\$0	\$0	\$7,060	\$96,418	\$4,921	\$0	\$108,399
962	Other General Expenses	\$32	\$0	\$0	\$0	\$0	\$0	\$32
963	Payments in Lieu of Taxes	\$0	\$0	\$0	\$29,937	\$0	\$0	\$29,937
964	Bad Debt - Tenant Rents	\$0	\$0	\$0	\$30,826	\$0	\$0	\$30,826
967	Interest Expense	\$0	\$0	\$42,308	\$0	\$0	\$0	\$42,308
969	Total Operating Expenses	\$5,782	\$11,283	\$203,340	\$2,485,767	\$128,899	\$131,350	\$2,966,421
970	Excess Operating Revenue over Operating Expenses	\$1,004,025	\$150,757	\$80,151	(\$234,383)	\$2,928,000	\$736,525	\$4,665,075
973	Housing Assistance Payments	\$942,132	\$150,037	\$0	\$0	\$2,525,519	\$0	\$3,617,688
974	Depreciation Expense	\$0	\$0	\$41,685	\$1,053,867	\$9,799	\$0	\$1,105,351
900	Total Expenses	\$947,914	\$161,320	\$245,025	\$3,539,634	\$2,664,217	\$131,350	\$7,689,460
OTHER FINANCING SOURCES (USES)								
1001	Operating Transfers In	\$0	\$0	\$0	\$284,624	\$0	\$0	\$284,624
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	\$0	(\$284,624)	(\$284,624)
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$284,624	\$0	(\$284,624)	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$61,893	\$720	\$38,466	(\$1,003,626)	\$392,682	\$451,901	(\$57,964)
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1103	Beginning Equity	(\$12,972)	\$0	\$22,583	\$11,712,257	\$1,116,814	\$2,584,593	\$15,423,275
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0	\$1,574,921	(\$1)	(\$1,574,921)	(\$1)
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1114	Months	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1120	Unit Months Available	2,076	0	429	7,020	6,360	0	15,885
1121	Number of Unit Months Leased	2,076	0	414	6,461	5,916	0	14,867
1117	Administrative Fee Equity	\$0	\$0	\$0	\$0	\$420,731	\$0	\$420,731
1118	Housing Assistance Payments Equity	\$0	\$0	\$0	\$0	\$1,088,764	\$0	\$1,088,764

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CAPITAL GRANTS - COMPLETED
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2006**

Annual Capital Fund Program OH12PO1850

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

	Capital Grant <u>OH12PO2950100</u>	Capital Grant <u>OH12PO2950101</u>	Capital Grant <u>OH12PO2950102</u>	Comprehensive Improvement Assistance <u>OH12PO2970798</u>
Funds Approved	\$ 1,181,443	\$ 1,208,237	\$ 1,153,324	\$ 1,035,706
Funds Expended	<u>1,181,443</u>	<u>1,208,237</u>	<u>1,153,324</u>	<u>1,035,706</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Funds Advanced	\$ 1,181,443	\$ 1,208,237	\$ 1,153,324	\$ 1,035,706
Funds Expended	<u>1,181,443</u>	<u>1,208,237</u>	<u>1,153,324</u>	<u>1,035,706</u>
Excess (Deficiency) of Funds Advanced	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

2. All modernization work in connection with the above grants have been completed.
3. The entire actual costs and liabilities incurred by the Housing 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.

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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 accompanying financial statements of the Ashtabula Metropolitan Housing Authority (the Authority), Ohio, as of and for the year ended December 31, 2006, and have issued our report thereon dated August 30, 2007. 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 of America.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Ashtabula Metropolitan Housing Authority, Ohio's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Ashtabula Metropolitan Housing Authority, Ohio's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

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

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

We noted certain matters that we reported to the management of the Ashtabula Metropolitan Housing Authority, Ohio, in a separate letter dated August 30, 2007.

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 affect 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*.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

August 30, 2007

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

*Certified Public Accountants
5240 East 98th Street
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Ashtabula Metropolitan Housing Authority
Ashtabula, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Ashtabula Metropolitan Housing Authority (the Authority), Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The Ashtabula Metropolitan Housing Authority, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Ashtabula Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Ashtabula Metropolitan Housing Authority, Ohio's compliance based on our audit.

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

In our opinion, the Ashtabula Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, the Auditor of State, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

James G. Zupka CPA, Inc.
Certified Public Accountants

August 30, 2007

**ASHTABULA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

2006(i)	Type of Financial Statement Opinion	Unqualified
2006(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2006(ii)	Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
2006(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2006(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2006(iv)	Were there any other reportable internal control weakness conditions reported for major Federal programs?	No
2006(v)	Type of Major Programs' Compliance Opinion	Unqualified
2006(vi)	Are there any reportable findings under .510?	No
2006(vii)	Major Programs (list):	
	Low Rent Public Housing	CFDA #14.850
	Capital Fund Program	CFDA #14.872
2006(viii)	Dollar Threshold: Type A\B Programs	Type A: >\$300,000 Type B: all others
2006(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.



Mary Taylor, CPA
Auditor of State

ASHTABULA METROPOLITAN HOUSING AUTHORITY

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 8, 2007**