Coshocton Metropolitan Housing Authority

Financial Statements

For the Year Ended June 30, 2008

Mary Taylor, CPA
Auditor of State

Board of Directors
Coshocton Metropolitan Housing Authority
823 Magnolia Street
Coshocton, Ohio 43812

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 26, 2009

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COSHOCTON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2008

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SALVATORE CONSIGLIO, CPA, INC.

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Independent Auditors' Report

Board of Directors
Coshocton Metropolitan Housing Authority

I have audited the accompanying financial statements of the business-type activities of Coshocton Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2008, which collectively comprise the Authority basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Coshocton Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Coshocton Metropolitan Housing Authority, Ohio, as of June 30, 2008, and the respective change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* I have also issued my report dated February 20, 2009, on my consideration of the Coshocton Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the result of my audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United State of America. I have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion thereon.

My Audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Coshocton Metropolitan Housing Authority basic financial statements. The accompanying Schedule of Expenditure of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.

Salvatore Consiglio, CPA, Inc.

February 20, 2009

Coshocton Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2008
Unaudited

This Management's Discussion and Analysis (MD&A) for the Coshocton Metropolitan Housing Authority (Coshocton MHA) is intended to assist the reader identify what management feels are significant financial issues, provide an overview of the financial activity for the year, and identify changes in Coshocton MHA's financial position. It is designed to focus on the financial activity for the fiscal year ended June 30, 2008, resulting changes and currently known facts. Please read it in conjunction with the financial statements found elsewhere in this report.

Overview of the Financial Statements

The Basic Financial Statements included elsewhere in this report are:

Statement of Net Assets
Statement of Revenues, Expenses & Changes in Net Assets
Statement of Cash Flows

The **Statement of Net Assets** is very similar to, and what most people would think of as, a Balance Sheet. In the first half it reports the value of assets Coshocton MHA holds at 6/30/08, that is, the cash Coshocton MHA has, the amounts that are owed Coshocton MHA from others, and the value of the equipment Coshocton MHA owns. In the other half of the report it shows the liabilities Coshocton MHA has, that is, what Coshocton MHA owes others at 6/30/08; and what Net Assets (or what is commonly referred to as Equity) Coshocton MHA has at 6/30/08. The two parts of the report are in balance, thus why many might refer to this type of report as a Balance Sheet, in that the total of the assets part equals the total of the liabilities plus net assets (or equity) part.

In the statement, the Net Assets part is broken out into three broad categories:

Net Assets, Invested in Capital Assets, Net of Related Debt
Restricted Net Assets
Unrestricted Net Assets

The balance is Net Assets, Invested in Capital Assets, Net of Related Debt reflects the value of capital assets (assets such as land, buildings, & equipment) reported in the top part of the statement reduced by the amount of accumulated depreciation of those assets and by the outstanding amount of debt yet owed on those assets.

The balance in Restricted Net Assets reflects the value of assets reported in the top part of the statement that are restricted for use by law or regulation, or when the use of those assets is restricted by constraints placed on the assets by creditors.

The balance in Unrestricted Net Assets is what is left over of Net Assets after what is classified in the two previously mentioned components of Net Assets. It reflects the value of assets available to Coshocton MHA to use to further its purposes.

The **Statement of Revenues, Expenses & Changes in Net Assets** are very similar to and may commonly be referred to as an Income Statement. It is in essence a report showing what Coshocton MHA earned, that is what its revenues or incomes were, versus what expenses Coshocton MHA had over the same period. And then it shows how the Fund Balance (or net assets or equity) changed because of how the incomes exceeded or were less than what expenses were. It helps the reader to determine if Coshocton MHA had more in revenues than in expenses or vice-versa, and then how that net gain or net loss affected the Fund Balance (or net assets or equity). The bottom line of the report, the Ending Total Net Assets, is what is referred to in the above discussion of the Statement of Net Assets that when added to the liabilities the Coshocton MHA has equals the total assets Coshocton MHA has.

The **Statement of Cash Flows** is a report that shows how the amount of cash Coshocton MHA had at the end of the previous year was impacted by the activities of the current year. It breaks out in general categories the cash coming in, and the cash going out. It helps the reader to understand the sources and uses of cash by Coshocton MHA during the year, to include a measurement of cash gained or used by operating activities, by activities related to acquiring capital assets, and by activities related to investing activities.

Coshocton MHA's Business Type Programs

The financial statements included elsewhere in this report are presented using the Authority-wide perspective meaning the activity reported reflects the summed results of all the programs, or business type fund of Coshocton MHA. Coshocton MHA consists exclusively of Enterprise Funds. The full accrual basis of accounting is used for Enterprise Funds. That method of accounting is very similar to accounting used in the private sector.

Coshocton MHA's business type programs include the following:

Low Rent Public Housing Program
Section 8 Housing Programs
Rural Housing Program, and
State & Local Program

Under the Low Rent Public Housing program, Coshocton MHA rents dwelling units it owns to low to moderate-income families. Through an Annual Contributions Contract (commonly referred to as an ACC) with HUD, HUD provides an operating subsidy to Coshocton MHA to help support the operations of the program. In addition, HUD provides funds for physical improvements to Coshocton MHA's properties and funds for management improvements through Capital Fund Program grants.

Under the Section 8 Housing Choice Voucher program, Coshocton MHA subsidizes the rents of low to moderate-income families through Housing Assistance Payments contracts when those families rent from private landlords. This is called a tenant-based program because when the tenant family moves, the rental assistance goes with the family to the new rental unit.

Under the Rural Housing program, the USDA provided a low interest loan to Coshocton MHA to finance the construction of the dwelling units and then also provides rental assistance to the low to moderate-income families that rent them from the owner, Coshocton MHA.

Under its State and Local programs, Coshocton MHA operates coin laundry facility. 100% of the revenue generated from this program is used to pay down the debt owed to the low rent public housing program as a result of the IG audit finding noted in prior years. This was part of the settlement reached with HUD to resolve the findings noted by the IG.

Condensed Financial Statements

The following page reflects a condensed **Statement of Net Assets** compared to prior year. Coshocton MHA is engaged only in business type activities.

Coshocton Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2008
Unaudited

Table 1 - Condensed Statement of Net Assets Compared to Prior Year
(Values Rounded to Nearest Thousand)

		2008		2007
Current and Other Assets	$	284,000	$	213,000
Capital Assets		3,163,000		3,441,000
Total Assets	$	3,447,000	$	3,654,000
Current Liabilities	$	163,000	$	196,000
Long-Term Liabilities		753,000		763,000
Total Liabilities		916,000		959,000
Net Assets:				
Investment in Capital Assets, net of Related Debt		2,452,000		2,726,000
Restricted Net Assets		205,000		77,000
Unrestricted Net Assets		(126,000)		(108,000)
Total Net Assets		2,531,000		2,695,000
Total Liabilities and Net Assets	$	3,447,000	$	3,654,000

For more detail information see Statement of Net Assets presented elsewhere in this report.

Total Net Assets was reduced from the prior year-end by $164,000. The changes in incomes and expenses from the prior year causing that change is discussed more in the next section where we discuss Table 2, the Modified Statement of Revenues, Expenses and Changes in Net Assets.

Current Assets increased 33% from the prior year. That increase is primarily due to an increase in unspent HAP funding at year-end reflected in the increase in Restricted Net Assets in the period. HAP funding is the funding provided by HUD for making rental assistance payments under the Housing Choice Voucher program. A large extra amount of HAP funding was provided the agency in the fiscal period for this purpose and that extra amount provided was not fully spent in the fiscal period. The agency plans to spend those funds making rental assistance payment under the program in subsequent fiscal periods. It should be noted the change in Current Assets is not as drastic as the change in Restricted Net Assets. Contributing to that is the reduction in liabilities from the prior period.

Coshocton Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2008
Unaudited

The17% reduction in Current Liabilities from the prior year reflects that the agency owes less to vendors, suppliers and HUD at 6/30/08 than at 6/30/07. And the slight change in Long-term Liabilities is primarily the result of a reduction in compensated absences liability, the liability the agency recognizes in the financial statements for unused sick and vacation time available for use by the employees of the agency.

Of the components of Net Assets, the change in Invested in Capital Assets, Net of Related Debt closely corresponds to the change in Capital Assets because that is what that component of Net Assets represents. As was discussed above, the change in Restricted Net Assets is a result of the increase in unspent HAP funding. Unrestricted Net Assets dropped by $18,000, or 17%. Unrestricted Net Assets component is the component that measures what the agency has in Net Assets to further its purpose.

The following is a modified **Statement of Revenues, Expenses & Changes in Net Assets**. Coshocton MHA is engaged only in business type activities.

Table 2 - Statement of Revenue, Expenses & Changes in Net Assets
(Values Rounded to Nearest Thousand)

		2008		2007
Revenues				
Tenant Revenues - Rents & Other	$	180,000	$	184,000
Operating Subsidies & Grants		1,400,000		1,515,000
Capital Grants		-		68,000
Investment Income		3,000		1,000
Other Revenues		16,000		8,000
Total Revenues		**1,599,000**		**1,776,000**
Expenses				
Administrative		371,000		398,000
Tenant Services		8,000		-
Utilities		94,000		74,000
Maintenance		217,000		201,000
General & Interest Expenses		74,000		96,000
Housing Assistance Payaments		721,000		1,000,000
Depreciation		278,000		276,000
Total Expenses		**1,763,000**		**2,045,000**
Net Increases (Decreases)	**$**	**(164,000)**	**$**	**(269,000)**

Coshocton Metropolitan Housing Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2008
Unaudited

Revenues dropped by 10% from the prior period. The entire reduction of $177,000 is reflected in the drop in operating subsidy and Capital Grants. The primary factor causing that drop was the loss of a contract effective 6/30/07 through which Coshocton MHA administered a Section 8 project based rental assistance grant on behalf of HUD. Coshocton MHA lost that contract as part of a HUD initiative to consolidate administration of all such contracts with one provider in the state. The responsibility for performing that work was slated to shift at the renewal of the Annual Contributions Contract (ACC) with the Section 8 housing provider, and the ACC was renewed effective 7/1/07 and so Coshocton MHA lost the contract to administer that grant on behalf of HUD on that date.

Likewise expenses dropped by 14% from the prior period, and the bulk of the drop was in Housing Assistance Payments. That reduction in Housing Assistance Payments corresponds to the loss of administration of the Section 8 project based rental assistance grant referred to in the preceding paragraph. Coshocton MHA lost the contract to administer the rental assistance grant and therefore did not make rental assistance payments to the owner after 6/30/07.

The following is a condensed **Statement of Changes in Capital Assets** comparing balances in capital assets at the year-end versus at the end of the prior year.

Table 3 - Condensed Statement of Changes in Capital Assets
(Values Rounded to Nearest Thousand)

		2008		2007
Land and Land Rights	$	439,000	$	439,000
Building & Improvements		7,470,000		7,470,000
Equipment		293,000		293,000
Construction in Progress		17,000		17,000
Accumulated Depreciation		(5,056,000)		(4,778,000)
Total	$	3,163,000	$	3,441,000

There were not additions to capital assets in the period so the only change in capital assets I the period was the increase in accumulated depreciation.

The following is a **comparison of debt outstanding** at the year-end versus at the end of the prior year.

Table 4 - Condensed Statement of Changes in Debt Outstanding (Values Rounded to Nearest Thousand)				
		2008		**2007**
Current Portion of Debt	$	4,000	$	3,000
Long Term Portion of Debt		708,000		712,000
Total	$	712,000	$	715,000

Debt was reduced by $3,000 during year-end 2008, a reduction of about .4%. That is the result of regular payments on a loan due to the US Department of Agriculture issued to permit the development several years ago of rental property owned by Coshocton MHA.

Economic Factors

Coshocton MHA faces the continuing prospect of declining Federal subsidies used to administer their programs and maintain their properties. Unfavorable economic times, as reflected in the numbers of families earning less in addition to those leaving the community because they cannot find adequate employment opportunities, also mean revenues from tenants are reduced because generally rents are based on the tenant families' ability to pay as dictated by the Federal government. Rising insurance, utility and other operating costs compound the effect of the reduction in incomes available to Coshocton MHA to administer its program, and continue to challenge management to cut operating costs. The reduction in government assistance for the administration of programs and ongoing operating cuts by management means Coshocton MHA can provide lesser services to clients.

Financial Contact

Questions concerning this report or requests for additional information should be directed to Gregory J. Darr, Executive Director of the Coshocton Metropolitan Housing Authority, 823 Magnolia Street, Coshocton, Ohio, 43812.

Coshocton Metropolitan Housing Authority	
Statement of Net Assets	
Proprietary Funds	
June 30, 2008	
ASSETS	
Current assets	
Cash and cash equivalents	$38,691
Restricted cash and cash equivalents	154,586
Receivables, net	42,153
Inventories, net	6,737
Prepaid expenses and other assets	41,339
Total current assets	**283,506**
Noncurrent assets	
Capital assets:	
Land	438,538
Building and equipment	7,763,086
Construction in Progress	17,348
Less accumulated depreciation	(5,055,697)
Capital assets, net	**3,163,275**
Total assets	**$3,446,781**
LIABILITIES	
Current liabilities	
Accounts payable	$2,802
Accrued liabilities	16,831
Accrued Interest	1,282
Intergovernmental payables	113,692
Tenant security deposits	20,538
Deferred revenue	4,126
Bonds, notes, and loans payable	3,889
Total current liabilities	**$163,160**

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

Coshocton Metropolitan Housing Authority	
Statement of Net Assets (Continued)	
Proprietary Funds	
June 30, 2008	
Noncurrent liabilities	
Bonds, notes, and loans payable	$707,682
Accrued compensated absences non-current	45,331
Total noncurrent liabilities	**753,013**
Total liabilities	**$916,173**
NET ASSETS	
Invested in capital assets, net of related debt	$2,451,704
Restricted net assets	204,698
Unrestricted net assets	(125,794)
Total net assets	**$2,530,608**

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

Coshocton Metropolitan Housing Authority	
Statement of Revenues, Expenses, and Changes in Fund Net Assets	
Proprietary Funds	
For the Year Ended June 30, 2008	
OPERATING REVENUES	
Tenant Revenue	$179,764
Government operating grants	1,399,571
Other revenue	16,396
Total operating revenues	**1,595,731**
OPERATING EXPENSES	
Administrative	371,121
Tenant Services	8,222
Utilities	93,583
Maintenance	217,239
General	58,584
Housing assistance payment	720,849
Depreciation	278,153
Total operating expenses	***1,747,751***
Operating income (loss)	**(152,020)**
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	3,366
Interest expense	(15,474)
Total nonoperating revenues (expenses)	***(12,108)***
Income (loss) before contributions and transfers	(164,128)
Change in net assets	(164,128)
Total net assets - beginning	2,694,736
Total net assets - ending	**$2,530,608**

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

Coshocton Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating grants received	$1,361,668
Tenant revenue received	197,264
Other revenue received	9,638
General and administrative expenses paid	(804,208)
Housing assistance payments	(720,849)
Net cash provided (used) by operating activities	**43,513**
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	3,366
Net cash provided (used) by investing activities	**3,366**
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal Payment	(3,398)
Interest Payment on Debt	(15,523)
Net cash provided (used) by financing activities	**(18,921)**
Net increase (decrease) in cash	27,958
Cash and cash equivalents - Beginning of year	165,319
Cash and cash equivalents - End of year	***$193,277***

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

Coshocton Metropolitan Housing Authority	
Statement of Cash Flows (Continued)	
Proprietary Funds	
For the Year Ended June 30, 2008	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	($152,020)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	278,153
- (Increases) Decreases in Accounts Receivable	(24,198)
- (Increases) Decreases in Prepaid Assets	(23,079)
- (Increases) Decreases in Inventory	4,501
- Increases (Decreases) in Accounts Payable	(18,147)
- Increases (Decreases) in Accrued Expenses Payable	34
- Increases (Decreases) in Deferred Revenue/Other Liabilities	(18,768)
- Increases (Decreases) in Tenant Security Deposits	(2,963)
Net cash provided by operating activities	***$43,513***

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Coshocton Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (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. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Coshocton Metropolitan Housing Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD to operate.

The accompanying basic financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government a) is entitled to the organization's resources; b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

Basis of Presentation

The Authority's basic financial statements consist of a statement of net assets, statement of revenue, expenses and changes net assets, and a statement of cash flows.

Fund Accounting

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

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

Proprietary Fund Types

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus/Basis of Accounting

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

Description of programs

The following are the various programs which are included in the single enterprise fund:

A. Public Housing Program

The pubic housing program is designed to provide low-cost housing within the County. Under this program, HUD provides funding via an annual contribution contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

B. Capital Fund Program

The capital fund program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development housing.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Housing Choice Voucher Program

The Housing Choice Voucher Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons.

D. Rural Housing Program

The United State Department of Agricultural provided a low interest loan to Coshocton MHA to finance the construction of the dwelling units and then also provides rental assistance to the low to moderate-income families that rent them from the owner, Coshocton MHA.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending June 30, 2008 totaled $3,366.

Capital Assets

Capital assets are stated at cost. The capitalization policy of the Authority is to depreciate all non-expendable personal property having a useful life of more then one year and a purchase price of $500 or more per unit. Depreciation is calculated using the straight-line method over the estimated useful lives. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

The estimated useful lives for each major class of depreciable capital assets are as follows:

Buildings & improvements	15-40 years
Furniture, fixtures & equipment	3-7 years

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets – net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are recorded as restricted when there are limitations imposed on their use by internal or external restrictions.

Operating Revenues and Expenses

Operating revenues and expenses are those revenues that are generated directly from the primary activities of the proprietary fund and expenses incurred for the day to day operation. For the Authority, operating revenues are tenant rent charges, operating subsidy from HUD and other miscellaneous revenue.

Capital Contributions

This represents contributions made available by HUD with respect to all federally aided projects under an annual contribution contract.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

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 services are included in the calculation of the compensated absence 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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

is attributable to services already rendered and is not contingent on a specific event that is outside the control of the employer and employee. (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 fund liability.

The following is a summary of changes in compensated absence for the year ended June 30, 2008:

DESCRIPTION	BALANCE 06/30/07	DECREASE	BALANCE 06/30/08
Loan Payable	$51,540	$6,209	$45,331
TOTAL	$51,540	$6,209	$45,331

Budgetary Accounting

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is adopted by the Board o the agency and submitted to the Department of Housing and Urban Development.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: DEPOSIT

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

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

NOTE 2: DEPOSIT (Continued)

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

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

Protection of Authority deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by collateral held by MCTA or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

At year-end, the carrying amount of the Authority's deposits was $193,277 and the bank balance was $201,277. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2008, $188,399 was exposed to custodial risk as discussed below, while $12,877 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Authority will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits.

Investments - The Authority's had no investments during the fiscal year.

NOTE 4: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2008 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

NOTE 4: RISK MANAGEMENT (Continued)

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2008 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

NOTE 5: CAPITAL ASSETS

	Balance 06/30/07	Additions	Adjust / Deletion	Balance 06/30/08
Capital Assets Not Depreciated:				
Land	$438,538	$0	$0	$438,538
Construction in Progress	17,348	0	0	17,348
Total Capital Assets Not Being Depreciated	**455,886**	**0**	**0**	**455,886**
Capital Assets Being Depreciated:				
Buildings	7,470,023	0	0	7,470,023
Furniture and Equipment	293,063	0	0	293,063
Total Capital Assets Being Depreciated	**7,763,086**	**0**	**0**	**7,763,086**
Accumulated Depreciated:				
Buildings	4,504,421	270,792	0	4,775,213
Furniture and Equipment	273,123	7,361	0	280,484
Total Accumulated Depreciated	**4,777,544**	**278,153**	**0**	**5,055,697**
Total Capital Assets Being Depreciated, Net	**2,985,542**	**(278,153)**	**0**	**2,707,389**
Total Capital Assets, Net	**$3,441,428**	**($278,153)**	**$0**	**$3,163,275**

NOTE 6: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES RETIREMENT SYSTEM

All full-time employees of Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board.

OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

Ohio Public Employees Retirement System administers three separate pension plans as described below:

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.

2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.

3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits 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.

Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension obligations and the employer contribution rate was 14.0 percent. These rates reflect an increase from the 2007 rates of 9.5 percent for members and 13.85 for employers. The contribution rates are determined actuarially. The Authority's contribution for the years ended June 30, 2008, 2007, and 2006 amounted to $43,413, $44,061, and $42,877 respectively. One hundred percent has been contributed for the fiscal year ended June 30, 2008. All required contributions for the two previous years have been paid as well.

NOTE 7: POSTEMPLOYMENT BENEFITS

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory Authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the employer contribution rate (identified above) that was used to fund health care for the year ended June 30, 2008 was 6.0 percent of covered payroll from July to December 2007 and 5.5% percent of covered payroll from January to June 2008, which amounted to $17,930. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2007. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2007 was 6.5 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from .5% to 4% for the next 7 years. In subsequent years (8 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 363,503. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2007 was $12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.8 billion and $17.0 billion, respectively.

NOTE 8: LONG-TERM DEBT

The Authority is obligated on a mortgage payable to the United States Department of Agriculture-Rural Development, which matures in November 2040. The date of the loan was October 30, 1990 for the amount of $744,314 with an interest rate of 9%. Rural Development requires monthly installments of $1,579. This monthly installment represents a discounted interest rate of 1%. The note is secured by the property.

The following is a summary of changes in long-term debt for the year ended June 30, 2008:

DESCRIPTION	BALANCE 06/30/07	ISSUED	RETIRED	BALANCE 06/30/08
Loan Payable	$714,696	$-0-	$3,125	$711,571
TOTAL	$714,696	$-0-	$3,125	$711,571

Debt maturities for the period after June 30, 2008 are estimated as follows:

Years – June 30,	Principal	Interest
2009	3,889	15,058
2010	4,254	14,693
2011	4,653	14,294
2012	5,089	13,858
2013	5,567	13,380
2014 to 2018	36,994	57,741
2019 to 2023	57,920	36,815
2024 to 2028	90,685	4,050
2029 to 2033	141,983	(47,248)
2034 to 2038	217,720	(122,985)
2039 to 2041	142,817	(98,607)
Total	711,571	($98,951)

NOTE 9: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

The accompanying Schedule of Federal Awards expenditures is a summary of the activity of the Authority's federal awards programs. The schedule has been prepared on the accrual basis of accounting.

NOTE 10: CONTINGENCIES

Litigations and Claims

In the normal course of operations the PHA may be subject to litigation and claims. At June 30, 2008 the PHA was involved in such matters. While the outcome of these matters cannot presently be determined, management believes that their ultimate resolution will not have a material effect on the financial statements.

Inspector General Audit

The financial data schedule submitted to REAC included a non-current receivable in the Low Rent Program and an offsetting liability in the State and Local program in the amount of $575,566 related to an audit finding identified in a 2003 report by the Inspector General's Office. In accordance with generally accepted accounting principles, these amounts are not reflected in the agency wide financial statements because they are inter-agency receivables and payables. In addition management believes it is not likely that the receivable will ever be fully collected and the payable will ever be fully repaid. This information was reflected on the financial data schedule submitted to REAC as instructed by HUD.

Coshocton MHA did sign a repayment agreement with HUD related to this amount due to the Public Housing program. The agreement specifies that laundry income the PHA collects will be applied against the amount to be paid back to the Public Housing program. Based on this arrangement, it will take well over 100+ years for the liability to be satisfied.

The amount applied to the balance during the audit period was $1,864.

Coshocton Metropolitan Housing Authority
Schedule of Expenditures of Federal Award
For the Year Ended June 30, 2008

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	**CFDA NUMBER**	**EXPENDITURES**
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850	$301,568
Housing Choice Vouchers	14.871	924,685
Public Housing Capital Fund Program	14.872	139,755
Total U.S. Department HUD		1,366,008
U.S. Department of Agriculture - Rural Housing Service Direct Program		
Rural Rental Housing Loan	10.415	33,563
Total U.S. Department of Agriculture		33,563
Total Expenditure of Federal Award		$1,399,571

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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
Coshocton Metropolitan Housing Authority

I have audited the financial statements of the business-type activities of the Coshocton Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2008, which collectively comprise the Coshocton Metropolitan Housing Authority basic financial statements and have issued my report thereon dated February 20, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Coshocton Metropolitan Housing Authority, Ohio's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but no for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coshocton Metropolitan Housing Authority financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The result of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Board of Directors, management, 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.

Salvatore Consiglio, CPA, Inc.

February 20, 2009

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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
Coshocton Metropolitan Housing Authority

Compliance

I have audited the compliance of the Coshocton Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Coshocton Metropolitan Housing Authority, Ohio major federal programs are identified in the summary of auditor's result 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 Coshocton Metropolitan Housing Authority, Ohio’s management. My responsibility is to express an opinion on Coshocton Metropolitan Housing Authority, Ohio’s compliance based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Coshocton Metropolitan Housing Authority, Ohio’s compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Coshocton Metropolitan Housing Authority, Ohio’s compliance with those requirements.

In my opinion, Coshocton 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 June 30, 2008.

Internal Control Over Compliance

The management of Coshocton 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 my audit, I considered Coshocton 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 my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an Authority's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Authority's internal control.

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

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

Salvatore Consiglio, CPA, Inc.

February 20, 2009

Coshocton Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2008

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA # 14.871 - Housing Choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > $300,000 Type B: All Others
Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There are no Findings or questioned costs for the year ended June 30, 2008.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no Findings or questioned costs for the year ended June 30, 2008.

Coshocton Metropolitan Housing Authority
Schedule of Prior Audit Findings
June 30, 2008

The audit report for the fiscal year ending June 30, 2007 contained no audit findings.

Mary Taylor, CPA
Auditor of State

COSHOCTON METROPOLITAN HOUSING AUTHORITY

COSHOCTON 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
APRIL 7, 2009

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