ASHTABULA METROPOLITAN HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004

Auditor of State
Betty Montgomery

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, C.P.A., Inc., for the audit period January 1, 2004 through December 31, 2004. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 25, 2005

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ASHTABULA METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2004

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Statement of Net Assets	11
Statement of Revenues, Expenses and Changes in Net Assets	12
Statement of Cash Flows	13
Notes to the Basic Financial Statements	14-24
Supplemental Data:	
Schedule of Federal Awards Expenditures	25
Financial Data Schedule: Statement of Net Assets	26
Financial Data Schedule - Statement of Revenues, Expenses, and Changes in Net Assets	27
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*	28-29
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	30-31
Schedule of Findings and Questioned Costs	32

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JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ashtabula Metropolitan Housing Authority
Ashtabula, Ohio

Regional Inspector General of Audit
Department of Housing and Urban Development

We have audited the accompanying financial statements of the Ashtabula Metropolitan Housing Authority as of and for the year ended December 31, 2004, 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, 2004, 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 September 7, 2005, 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. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the financial statements of the Ashtabula Metropolitan Housing Authority. 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.

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

September 7, 2005

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, 2004. 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, 2004 by $15,314,877 (net assets.
- The Authority's cash balance at December 31, 2004 was $990,975, representing a decrease of $71,971 from December 31, 2003.
- The Authority had intergovernmental revenue of $5,955,588 in HUD operating grants and $629,698 of capital grants for the year ended December 31, 2004.

Overview of the Financial Statements

The financial statements included in this annual report are those of a special-purpose government 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 abut 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 revenue and expenses when earned regardless of when cash is received or paid.

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.

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

Total assets decreased by $415,506. Specifically, cash decreased by $71,971 and Capital Assets decreased by $279,231. The decrease in cash in mainly from an investment in Capital Assets and maintaining HUD compliance and to provide decent, safe, and sanitary living conditions to our residents.

Current assets decreased by $64,304. This is mainly due to the reclassification of an investment from current assets to cash.

Total liabilities decreased by $204,625. The majority of this increase consists of effective grant management where the Authority requisitioned funds in a timely and non-excessive manner.

The following table summarizes the change in net assets between December 31, 2004 and 2003 for the Authority as a whole:

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

	2004	2003	Net Change	Percent of Change
Assets				
Cash	$ 990,975	$ 1,062,946	$ (71,971)	(6.77)%
Current Assets	280,152	344,456	(64,304)	(18.67)%
Capital Assets	15,164,309	15,443,540	(279,231)	(1.81)%
Total Assets	$ 16,435,436	$ 16,850,942	$ (415,506)	(2.47)%
Liabilities				
Current Liabilities	$ 256,821	$ 420,093	$ (163,272)	(38.87)%
Non-Current Liabilities	863,738	905,091	(41,353)	(4.57)%
Total Liabilities	1,120,559	1,325,184	(204,625)	(15.44)%
Net Assets				
Invested in Capital Assets, Net of Related Debt	14,419,513	14,659,008	(239,495)	(1.63)%
Restricted Net Assets	68,240	91,245	(23,005)	(25.21)%
Unrestricted Net Assets	827,124	775,505	51,619	6.66 %
Total Net Assets	15,314,877	15,525,758	(210,881)	(1.36)%
Total Liabilities and Net Assets	$ 16,435,436	$ 16,850,942	$ (415,506)	(2.47)%

Comparatively, FYE 2003 operating revenue exceeded FYE 2004 operating revenue by $617,534. Capital Grant revenue was the driving force behind the 58.65 percent decrease.

The following table summarizes the changes in operating revenue between FYE 2004 and 2003 for the Authority as a whole:

Table 2 - Change in Operating Revenue

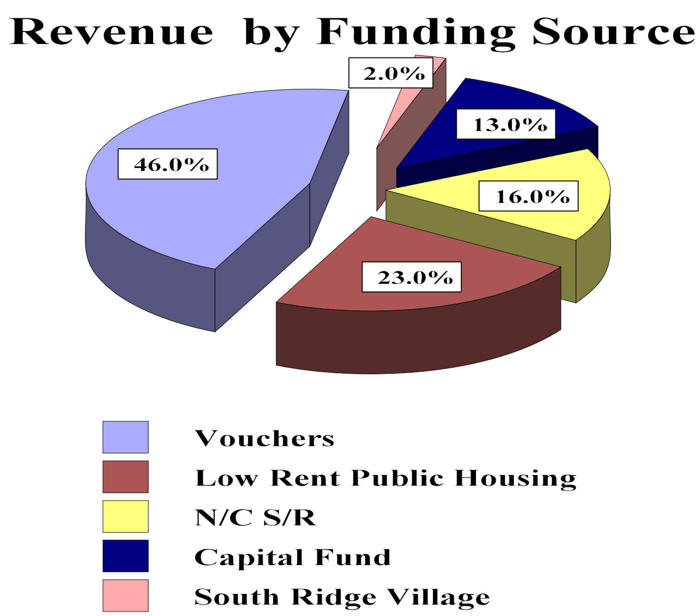
	2004	2003	Net Change	Percent of Change
Revenue				
Tenant Rental Revenue	$ 979,580	$ 999,336	$ (19,756)	(1.98)%
HUD PHA Operating Grants	5,955,588	5,644,529	311,059	5.51 %
Capital Grants	629,698	1,523,028	(893,330)	(58.65)%
Investment Income	5,467	6,337	(870)	(13.73)%
Other Income	3,941	18,579	(14,638)	(78.79)%
Total Revenue	7,574,274	8,191,809	(617,535)	(7.54)%
Expenses				
Administrative	1,059,403	1,140,633	(81,230)	(7.12)%
Tenant Services	10,821	7,025	3,796	54.04 %
Utilities	603,983	567,132	36,851	6.50 %
Maintenance	915,974	854,707	61,267	7.17 %
Protective Services	97,536	101,235	(3,699)	(3.65)%
General	239,471	226,740	12,731	5.62 %
Housing Assistance Payments	3,682,087	3,366,017	316,070	9.39 %
Depreciation	1,025,848	987,352	38,496	3.90 %
Total Expenses	7,635,123	7,250,841	384,282	5.30 %
Net Income/(Loss)	$ (60,849)	$ 940,968	$(1,001,817)	(106.47)%

Capital grant revenue decreased $893,330 or 58.65 percent compared to FYE 2003. The Authority decreased requisitions for capital expenditures. This is pure a timing issue with expenditures.

Administrative expenses decreased $81,230 or 7.12 percent as compared to FYE 2003. The Authority was better able to manage administrative costs and decreased two major categories: administrative salaries and other operating administrative expenses.

Other expenditures remained similar as prior year.

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

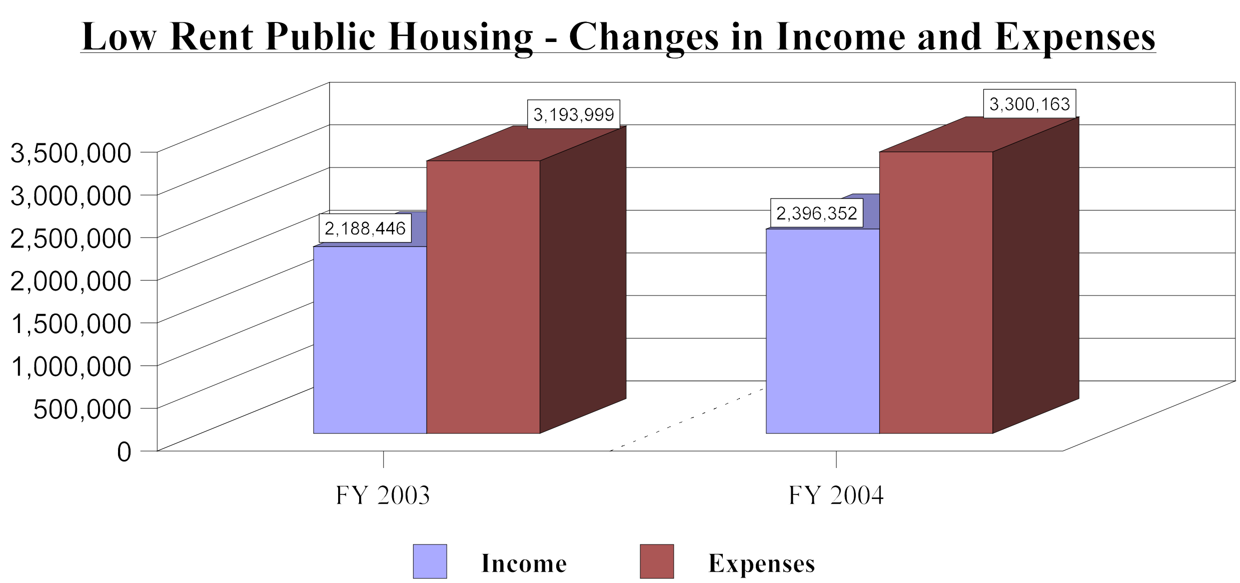


Budgets

The Authority adopts a consolidated annual operating budget for all programs. The budget for Low Rent Public Housing is adopted on the basis of accounting practices prescribed by the U.S. Department of Housing and Urban Development, which differs is some respects from generally accepted accounting principles.

Table 2 - Budget vs. Actual - Low Rent Public Housing

	2004 Budget	2004 Actual	Net Change	% Change
Revenues				
Tenant Rental Revenue	$ 808,600	$ 874,781	$ 66,181	8.18 %
Operating Subsidy	1,566,611	1,517,682	(48,929)	(3.12)%
Investment Income	1,000	3,889	2,889	288.90 %
Other Income and Transfers In	43,500	59,047	15,547	35.74 %
Total Revenues	2,419,711	2,455,399	35,688	1.47 %
Operating Expenses				
Administrative	470,120	679,730	(209,610)	(44.59)%
Tenant Services	39,400	10,821	28,579	72.54 %
Utilities	558,370	544,635	13,735	2.46 %
Maintenance	445,300	862,111	(416,811)	(93.60)%
Protective Services	61,000	97,536	(36,536)	(59.90)%
General	299,310	133,220	166,090	55.49 %
Total Expenses	1,873,500	2,328,053	(454,553)	(24.26)%
Net Income/(Loss)	$ 546,211	$ 127,346	$ 418,865	76.69 %



Administrative salaries were lower than expected, but benefits were higher. Additional miscellaneous administrative costs accounted for the variance.

Tenant services expenditures were less than budgeted, due to funding limitations on subsidy.

Maintenance expense was erroneously budgeted less than what was required. The amount is comparative to last year.

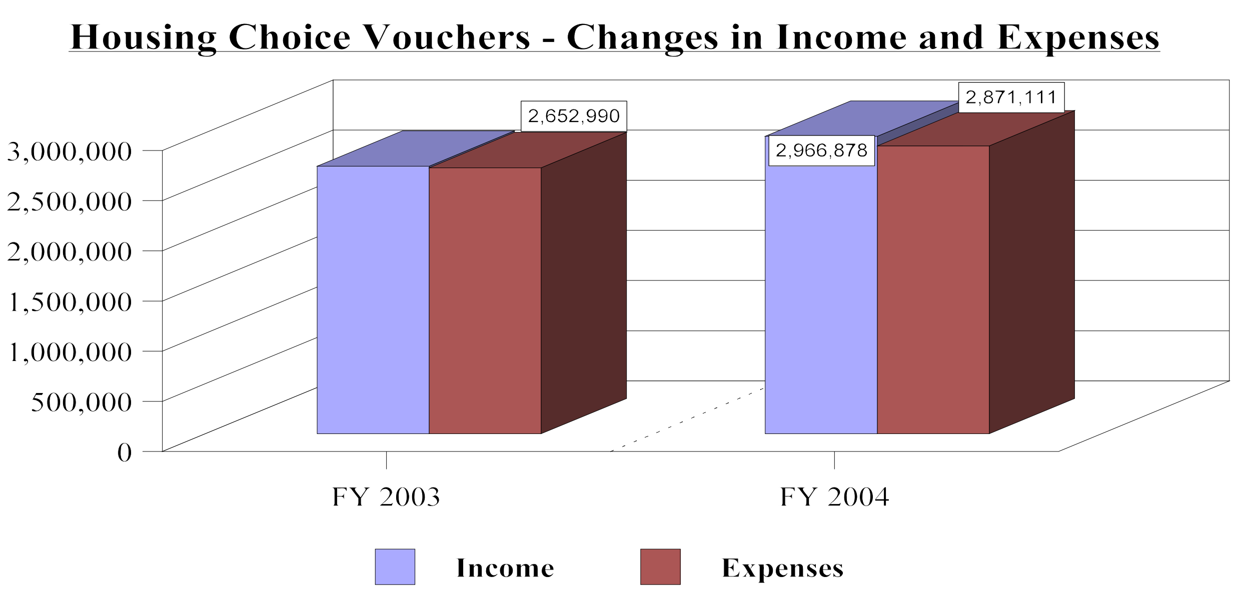
Protective services was limited to the amount the Capital Fund could support.

General expenses had less expenditures on insurance and was able to reclassify extraordinary maintenance materials to fixed assets, which accounts for the variance of $(166,090).

Program budgets for the Housing Choice Vouchers Program are approved by the U.S. Department of Housing and Urban Development.

Table 3 - Budget vs. Actual - Housing Choice Voucher Programs

	2004 Budget	2004 Actual	Net Change	% Change
Revenues				
Housing Assistance Payments	$ 2,556,751	$ 2,662,649	$ 105,898	4.14 %
Administrative Fees	294,624	296,430	1,806	0.61 %
Hard-to-House	3,000	4,575	1,575	52.50 %
Audit Costs	3,000	1,957	(1,043)	(34.73)%
Interest Income	0	1,267	1,267	100.00 %
Total Revenues	2,857,375	2,966,878	109,503	3.83 %
Operating Expenditures				
Housing Assistance Payments	2,556,751	2,662,649	(105,898)	(4.14)%
Ongoing Administrative Costs	297,624	205,057	92,567	31.04 %
Total Expenses	2,854,375	2,867,706	(13,331)	(0.47)%
Net Income/(Loss)	$ 3,000	$ 99,172	$ (96,172)	(3,205.73)%



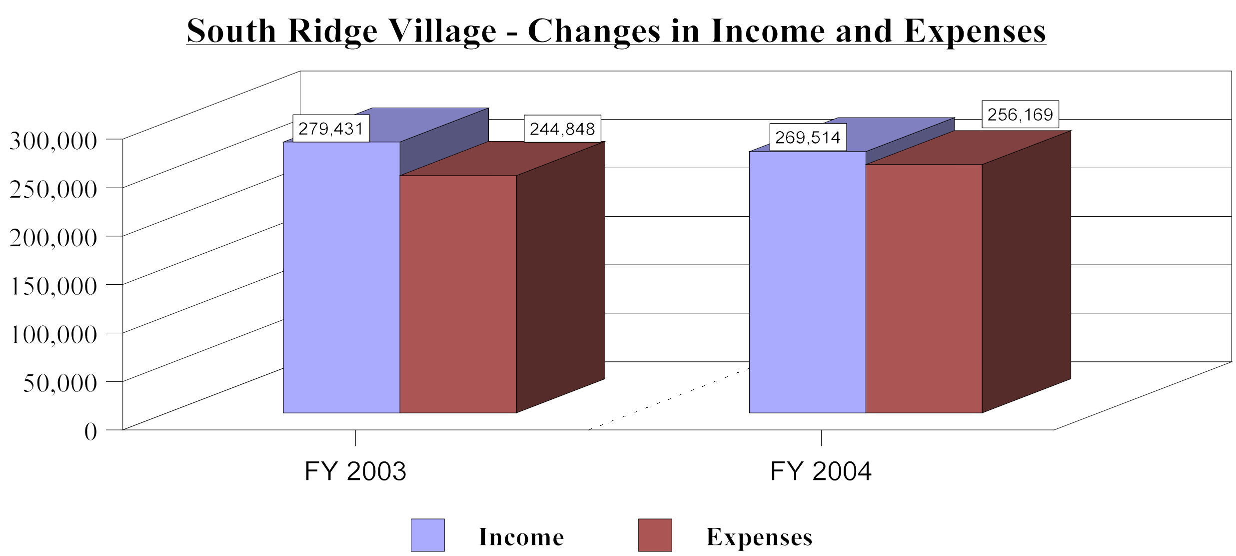
Administrative expenses experienced a variance of 31 percent. The Authority was better able to manage administrative costs and decreased two major categories: administrative salaries and administrative costs.

South Ridge Village is a subsidized program financed through the U.S. Department of Agriculture as a rural development. The SRV program budget has the same characteristics of the Low Rent program.

Table 4 - Budget vs. Actual - South Ridge Village Project

	2004 Budget	2004 Actual	Net Change	% Change
Revenues				
Rental Income	$ 110,830	$ 104,799	$ (6,031)	(5.44)%
FmHA Rental Assistance	164,162	164,162	0	0.00 %
Interest Income	100	311	211	211.00 %
Tenant Charges	350	242	(108)	(30.86)%
Other - Project Sources	10,700	0	(10,700)	(100.00)%
Total Revenues	286,142	269,514	(16,628)	(5.81)%
Operating Expenses				
Administrative	40,860	35,895	4,965	12.15 %
Maintenance	44,850	51,992	(7,142)	(15.92)%
Utilities	61,845	59,348	2,497	4.04 %
General	4,200	6,728	(2,528)	(60.19)%
FmHA Debt Payment	91,608	51,873	39,735	43.38 %
Total Expenses	243,363	205,836	37,527	15.42 %
Net Income/(Loss)	$ 42,779	$ 63,678	$ (20,899)	(48.85)%

The chart below displays the changes in income and expenses for South Ridge Village from 2003 to 2004.



Capital Asset and Debt Administration

Capital Assets

The following table (Table 5) summarizes the changes in capital assets between December 31, 2004 and 2003:

Table 5 - Summary of Changes in Capital Assets

	2004	2003	Net Change	Percentage of Change
Capital Assets				
Land	$ 1,113,241	$ 1,113,241	$ 0	0.00 %
Buildings and Improvements	23,765,900	22,920,558	845,342	3.69 %
Equipment	1,341,611	1,199,380	142,231	11.86 %
Construction in Progress	1,787,786	2,052,093	(264,307)	(12.88)%
Total Capital Assets	28,008,538	27,285,272	723,266	2.65 %
Accumulated Depreciation	(12,844,229)	(11,841,732)	(1,002,497)	(8.47)%
Net Capital Assets	$15,164,309	$15,443,540	$ (279,231)	(1.81)%

Debt

As of December 31, 2004, the Authority had outstanding debt of $744,796 related to the South Ridge Village Project. The current portion of this debt is $39,735. No new debt was issued in 2004.

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, 2004

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 914,791
Accounts Receivable - HUD	178,992
Accounts Receivable - Other Governments	25,117
Tenant Accounts Receivable, Net	5,724
Interest Receivable	156
Prepaid Expenses	33,403
Inventories, Net	36,760
Total Current Assets	1,194,943
Noncurrent Assets	
Cash and Cash Equivalents - Restricted:	
Tenant Security Deposits - South Ridge Village	7,944
South Ridge Village Reserve	68,240
Capital Assets, Net	15,164,309
Total Noncurrent Assets	15,240,493
TOTAL ASSETS	$ 16,435,436
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	$ 43,044
Accounts Payable - HUD	5,418
Accrued Compensated Absences - Current	17,630
Tenant Security Deposits	87,761
Accrued Wages and Payroll Taxes	25,141
Accounts Payable - Other Government	28,299
Deferred Revenues	9,793
Current Portion of Long-Term Debt	39,735
Total Current Liabilities	256,821
Noncurrent Liabilities	
Long-Term Debt, Net of Current	705,061
Accrued Compensated Absences - Net of Current Portion	158,677
Total Noncurrent Liabilities	863,738
Total Liabilities	1,120,559
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	14,419,513
Unrestricted Net Assets	827,124
Restricted Net Assets	68,240
Total Net Assets	15,314,877
TOTAL LIABILITIES AND NET ASSETS	$ 16,435,436

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, 2004

Operating Revenues	
HUD Grants	$ 5,955,588
Rental Income	920,135
Other Revenue	63,144
Total Operating Revenues	6,938,867
Operating Expenses	
Housing Assistance Payments	3,682,087
Administrative	1,059,403
Utilities	603,983
Tenant Services	10,821
Maintenance	931,121
Protective Services	97,536
General	172,451
Total Operating Expenses Before Depreciation	6,557,402
Income Before Depreciation	381,465
Depreciation	1,025,848
Operating Loss	(644,383)
Non-Operating Revenues (Expenses)	
Interest and Investment Revenue	5,709
Interest Expense	(51,873)
Total Non-Operating Revenues (Expenses)	(46,164)
Loss Before Contributions and Transfers	(690,547)
Capital Grants	629,698
Change in Net Assets	(60,849)
Total Net Assets, Beginning of Year	15,525,758
Prior Period Adjustments	(150,032)
Total Net Assets, Beginning of Year, Restated	15,375,726
Net Assets, End of Year	$ 15,314,877

See accompanying notes to the basic financial statements.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004

Cash Flows from Operating Activities	
Cash Received from HUD	$ 5,843,048
Cash Received From Tenants	924,625
Cash Payments for Housing Assistance	(3,682,087)
Cash Payments for Administrative Expenses	(1,094,635)
Cash Payments for Other Operating Expenses	(2,002,552)
Cash Payments to HUD and Other Governments	(61,136)
Cash Received - Other	37,967
Net Cash (Provided) by Operating Activities	(34,770)
Cash Flows from Capital and Related Financing Activities	
Principal Payments on Debt	(39,736)
Interest on Debt	(51,873)
Acquisition of Capital Assets	(778,849)
Capital Grants Received	736,303
Net Cash Provided by Capital and Other Related Financing Activities	(134,155)
Cash Flows from Investing Activities	
Interest and Investment Income Received	5,709
Net Cash Provided by Investing Activities	5,709
Net Increase (Decrease) in Cash and Cash Equivalents	(163,216)
Cash and Cash Equivalents, Beginning	1,154,191
Cash and Cash Equivalents, Ending	$ 990,975
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Net Operating (Loss)	$ (644,383)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	1,025,848
(Increase) Decrease in:	
Accounts Receivable - HUD	(112,540)
Accounts Receivable - Miscellaneous	(25,250)
Tenant Accounts Receivable	4,490
Prepaid Expenses	954
Inventories	(1,200)
Increase (Decrease) in:	
Accounts Payable	(61,367)
Accounts Payable - HUD	(55,718)
Accounts Payable - Other	(117,800)
Accrued Compensated Absences - Current	130
Tenants' Security Deposits	(5,551)
Accrued Wages and Payroll Taxes	(36,539)
Accounts Payable - Other Governments	(6,033)
Deferred Revenue (Prepaid Rent)	(988)
Accrued Compensated Absences - Long-Term	1,177
Net Cash Used by Operating Activities	$ (34,770)

See accompanying notes to the basic financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

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

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

Basis of Presentation

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

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of Statements and Interpretations of the Financial Accounting Standards Board issued 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.

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.

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.

NOTE 2: **DEPOSITS AND INVESTMENTS**

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

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

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

C. 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.

Governmental Accounting Standards Board Statement No. 3 (GASB No. 3) has established custodial credit risk categories for deposits and investments as follows:

Deposits

Category 1	Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.
Category 2	Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.
Category 3	Uncollateralized as defined by the GASB (securities pledged with the pledging financial institution's trust department or agent, but not in the Authority's name).

The carrying amount of the Authority's deposits was $990,975 at December 31, 2004. The corresponding bank balances were $1,098,901. The petty cash balance was $300 at December 31, 2004.

The amount of $268,240 was covered by Federal depository insurance and the remaining deposits were covered by collateralization held by the bank in the Authority's name as required by HUD and are Category 1 deposits.

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

Deposits (Continued)
Book balances by program at December 31, 2004 were as follows:

	Cash	Tenant Security Deposits	Restricted Reserves	Total
Public Housing	$ 360,526	$ 0	$ 0	$ 360,526
Section 8 Vouchers	482,909	0	0	482,909
Rural Rental Housing	71,356	7,944	68,240	147,540
Total	$ 914,791	$ 7,944	$ 68,240	$ 990,975

Investments
HUD, State Statute, and Board resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository funds, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer’s investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. The Authority held no investments at December 31, 2004.

NOTE 3: CAPITAL ASSETS

A summary of capital assets at December 31, 2004 by class is as follows:

	12/31/2003	Increases	Decreases	12/31/2004
Capital Assets Not Being Depreciated				
Land	$ 1,113,241	$ 0	$ 0	$ 1,113,241
Construction in Progress	2,019,861	629,698	861,773	1,787,786
Total Capital Assets Not Being Depreciated	3,133,102	629,698	861,773	2,901,027
Capital Assets Being Depreciated				
Buildings and Improvements	22,920,558	845,342	0	23,765,900
Furniture, Equipment, and Machinery - Dwellings	387,785	51,809	0	439,594
Furniture, Equipment, and Machinery - Administrative	811,595	113,773	23,351	902,017
Subtotal Capital Assets Being Depreciated	24,119,938	1,010,924	23,351	25,107,511
Accumulated Depreciation	(11,841,732)	(1,025,848)	(23,351)	(12,844,229)
Depreciable Assets, Net	12,278,206	(14,924)	0	12,263,282
Total Capital Assets, Net	$ 15,411,308	$ 614,774	$ 861,773	$ 15,164,309

NOTE 4: RESTRICTED ASSETS

The Authority's assets restricted as to purpose are as follows:

Cash Held for South Ridge Village Tenant Security Deposits	$ 7,944
South Ridge Village Reserve	68,240
Total Restricted Assets	$ 76,184

NOTE 5: **PENSION PLAN**

Ohio Public Employees Retirement System

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

- The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan;

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

- The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor, and death benefits and annual cost of living adjustments to members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans (TP, MD, and CO). Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Authority was 13.55 percent of covered payroll. The Authority's required contributions to OPERS for the years ended December 31, 2004, 2003, and 2002 were $183,628, $185,464, and $198,432, respectively. The Authority has contributed 100 percent of these contributions for all three years.

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. Health care coverage for disability recipients and primary survivor recipients is available with both the Traditional and the Combined Plan; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2004 employer contribution rate was 13.55 percent of covered payroll, 4 percent was the portion that was used to fund health care for 2004.

Benefits are advance-funded using the entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8 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 1 percent to 6 percent for the next 8 years. In subsequent years (9 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.

At December 31, 2004, the number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,885. The Authority's annual contributions for 2004 used to fund postemployment benefits were $67,759. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2003 (the latest information available) were $10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $26.9 billion and $16.4 billion, respectively.

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. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

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

NOTE 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, 2004, based on the vesting method, $176,305 was accrued by the Authority for unused vacation and sick time. The current portion is $17,630 and the long term portion is $158,675.

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:

NOTE 8: INSURANCE

Type of Coverage	Deductible	Coverage Limits
Property	$ 2,500	$ 35,000,000 (per occurrence)
Boiler and Machinery	1,000	10,000,000
General Liability	0	5,000,000
Automobile	2,500	5,000,000
Law Enforcement	0	5,000,000
Public Officials	0	5,000,000

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

NOTE 9: CONTINGENCIES

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

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

NOTE 10: CHANGES IN ACCOUNTING PRINCIPLES, RECLASSIFICATIONS, AND RESTATEMENT OF PRIOR YEAR'S FUND EQUITY

Beginning net assets of the Authority were adjusted:

Prior Year ending Net Assets	$ 14,584,790
Adjustments Due to Correction of Prior Year Accounts Balances	(150,032)
Adjusted Net Assets at 1/1/04	$ 14,434,758

NOTE 11: **LONG-TERM DEBT**

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 50 years. Monthly payments are $2,277 and $5,357, respectively. Interest incurred during 2004 was $51,873. 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, 2004 was $705,061, of which $39,735 was the current portion.

No amortization schedule of the mortgage note was made available by the lender. Therefore, amounts due in future periods are not presented.

NOTE 12: **CONSTRUCTION AND OTHER COMMITMENTS**

The Authority had the following construction commitments at December 31, 2004:

Contractor	Contract Amount	Contract Balance at 12/31/04
SM Wood Co.	$ 821,726	$ 342,892
SM Wood Co.	$ 369,668	369,668
Thomas Fence Co.	$ 88,433	29,380
Total		$ 741,940

ASHTABULA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Direct Programs:		
Public Housing Programs		
Low Rent Public Housing Program	14.850	$ 1,517,682
Capital Fund Program	14.872	868,340
Total Public Housing Programs		2,386,022
Section 8 Tenant Based Programs		
Tenant Based Program:		
Section 8 Housing Choice Voucher Program	14.871	2,962,864
Project Based Program:		
New Construction Section 8 Program	14.182	1,072,238
Total Section 8 Tenant and Project Based Programs		4,035,102
Rural Housing and Economic Development	14.250	164,162
Total Federal Assistance		$ 6,585,286

This schedule is prepared on the accrual basis of accounting.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF NET ASSETS
12/31/2004

Line Item No.	Account Description	N/C S/R Section 8 Programs	Rural Housing and Economic Development	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
ASSETS									
Current Assets:									
111	Cash - Unrestricted	$0	$71,356	$360,526	$0	$482,909	$0	$0	$914,791
113	Cash - Other Restricted	$0	$68,240	$0	$0	$0	$0	$0	$68,240
114	Cash - Tenant Security Deposits	$0	$7,944	$0	$0	$0	$0	$0	$7,944
100	Total Cash	$0	$147,540	$360,526	$0	$482,909	$0	$0	$990,975
122	Accounts Receivable - HUD Other Projects	$64,182	$0	$0	$0	$105,490	$9,320	$0	$178,992
124	Accounts Receivable - Other Government	$0	$0	$0	$0	$0	$0	$25,117	$25,117
126	Accounts Receivable - Tenants - Dwelling Rents	$0	$280	$10,444	$0	$0	$0	$0	$10,724
126.1	Allowance for Doubtful Accounts - Dwelling Rents	$0	$0	($5,000)	$0	$0	$0	$0	($5,000)
126.2	Allowance for Doubtful Accounts - Other	$0	$0	$0	$0	$0	$0	$0	$0
129	Accrued Interest Receivable	$0	$0	$0	$0	$156	$0	$0	$156
120	Total Receivables, net of allowances for doubtful accounts	$64,182	$280	$5,444	$0	$105,646	$9,320	$25,117	$209,989
142	Prepaid Expenses and Other Assets	$0	$1,670	$21,712	$0	$10,021	$0	$0	$33,403
143	Inventories	$0	$0	$36,760	$0	$0	$0	$0	$36,760
143.1	Allowance for Obsolete Inventories	$0	$0	$0	$0	$0	$0	$0	$0
144	Interprogram Due From	$0	$0	$27,179	$0	$250,690	$3,629	$0	$281,498
150	Total Current Assets	$64,182	$149,490	$451,621	$0	$849,266	$12,949	$25,117	$1,552,625
Noncurrent Assets:									
161	Land	$0	$128,500	$974,498	$0	$10,243	$0	$0	$1,113,241
162	Buildings	$0	$1,172,263	$22,593,637	$0	$0	$0	$0	$23,765,900
163	Furniture, Equipment & Machinery - Dwellings	$0	$50,457	$389,137	$0	$0	$0	$0	$439,594
164	Furniture, Equipment & Machinery - Administration	$0	$0	$875,607	$0	$26,410	$0	$0	$902,017
166	Accumulated Depreciation	$0	($738,204)	($12,091,611)	$0	($14,414)	$0	$0	($12,844,229)
167	Construction In Progress	$0	$0	$0	$0	$0	$1,787,786	$0	$1,787,786
160	Total Fixed Assets, Net of Accumulated Depreciation	$0	$613,016	$12,741,268	$0	$22,239	$1,787,786	$0	$15,164,309
180	Total Non-Current Assets	$0	$613,016	$12,741,268	$0	$22,239	$1,787,786	$0	$15,164,309
190	Total Assets	$64,182	$762,506	$13,192,889	$0	$871,505	$1,800,735	$25,117	$16,716,934
LIABILITIES									
Current Liabilities:									
312	Accounts Payable <= 90 Days	$0	$879	$39,117	$0	$3,048	$0	$0	$43,044
321	Accrued Wage/Payroll Taxes Payable	$0	$151	$24,655	$0	$335	$0	$0	$25,141
322	Accrued Compensated Absences - Current Portion	$0	$1,323	$14,263	$0	$2,044	$0	$0	$17,630
331	Accounts Payable - HUD PHA Programs	$1,789	$0	$0	$0	$0	$3,629	$0	$5,418
333	Accounts Payable - Other Government	$0	$0	$28,299	$0	$0	$0	$0	$28,299
341	Tenant Security Deposits	$0	$7,944	$79,817	$0	$0	$0	$0	$87,761
342	Deferred Revenues	$0	$817	$8,976	$0	$0	$0	$0	$9,793
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	$0	$39,735	$0	$0	$0	$0	$0	$39,735
347	Interprogram Due To	$136,327	$17,858	$93,828	$0	$0	$9,320	$24,165	$281,498
310	Total Current Liabilities	$138,116	$68,707	$288,955	$0	$5,427	$12,949	$24,165	$538,319
Noncurrent Liabilities:									
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	$0	$705,061	$0	$0	$0	$0	$0	$705,061
354	Accrued Compensated Absences - Non Current	$0	$11,911	$128,368	$0	$18,398	$0	$0	$158,677
350	Total Noncurrent Liabilities	$0	$716,972	$128,368	$0	$18,398	$0	$0	$863,738
300	Total Liabilities	$138,116	$785,679	$417,323	$0	$23,825	$12,949	$24,165	$1,402,057
NET ASSETS									
508	Total Contributed Capital	$0	$0	$0	$0	$0	$0	$0	$0
508.1	Invested in Capital Assets, Net of Related Debt	$0	($131,780)	$12,741,268	$0	$22,239	$1,787,786	$0	$14,419,513
511	Total Reserved Fund Balance	$0	$0	$0	$0	$0	$0	$0	$0
511.1	Restricted Net Assets	$0	$68,240	$0	$0	$0	$0	$0	$68,240
512.1	Unrestricted Net Assets	($73,934)	$40,367	$34,298	$0	$825,441	$0	$952	$827,124
513	Total Net Assets	($73,934)	($23,173)	$12,775,566	$0	$847,680	$1,787,786	$952	$15,314,877

ASHTABULA METROPOLITAN HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
12/31/2004

Line Item No.	Account Description	N/C S/R Section 8 Programs	Rural Housing and Economic Development	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Total
REVENUES									
703	Net Tenant Rental Revenue	$0	$92,966	$827,169	$0	$0	$0	$0	$920,135
704	Tenant Revenue - Other	$0	$11,833	$47,612	$0	$0	$0	$0	$59,445
705	Total Tenant Revenue	$0	$104,799	$874,781	$0	$0	$0	$0	$979,580
706	HUD PHA Operating Grants	$1,072,238	$164,162	$1,517,682	$0	$2,962,864	$238,642	$0	$5,955,588
706.1	Capital Grants	$0	$0	$0	$0	$0	$629,698	$0	$629,698
711	Investment Income - Unrestricted	$0	$311	$3,889	$0	$1,267	$0	$0	$5,467
715	Other Revenue	$0	$0	$0	$0	$2,747	$0	$952	$3,699
720	Investment Income - Restricted	$0	$242	$0	$0	$0	$0	$0	$242
700	Total Revenue	$1,072,238	$269,514	$2,396,352	$0	$2,966,878	$868,340	$952	$7,574,274
EXPENSES									
911	Administrative Salaries	$4,035	$15,220	$327,082	$0	$96,807	$57,280	$0	$500,424
912	Auditing Fees	$78	$392	$10,706	$0	$1,880	$0	$0	$13,056
914	Compensated Absences	$0	($216)	$3,996	$0	($2,475)	$0	$0	$1,305
915	Employee Benefit Contributions - Administrative	$675	$2,968	$100,576	$0	$16,204	$32,220	$0	$152,643
916	Other Operating - Administrative	$1,879	$17,531	$237,370	$0	$45,100	$90,095	$0	$391,975
924	Tenant Services - Other	$0	$0	$10,821	$0	$0	$0	$0	$10,821
931	Water	$0	$14,643	$156,422	$0	$0	$0	$0	$171,065
932	Electricity	$0	$21,636	$183,919	$0	$0	$0	$0	$205,555
933	Gas	$0	$23,069	$87,859	$0	$0	$0	$0	$110,928
938	Other Utilities Expense	$0	$0	$116,435	$0	$0	$0	$0	$116,435
941	Ordinary Maintenance and Operations - Labor	$0	$12,135	$356,843	$0	$0	$0	$0	$368,978
942	Other	$74	$8,418	$137,135	$0	$1,787	$0	$0	$147,414
943	Ordinary Maintenance and Operations - Contract Costs	$0	$29,065	$258,406	$0	$10	$0	$0	$287,481
945	Employee Benefit Contributions - Ordinary Maintenance	$0	$2,374	$109,727	$0	$0	$0	$0	$112,101
952	Protective Services - Other Contract Costs	$0	$0	$97,536	$0	$0	$0	$0	$97,536
961	Insurance Premiums	$1,615	$6,728	$89,774	$0	$38,755	$0	$0	$136,872
962	Other General Expenses	$291	$0	$0	$0	$6,989	$0	$0	$7,280
963	Payments in Lieu of Taxes	$0	$0	$28,299	$0	$0	$0	$0	$28,299
964	Bad Debt - Tenant Rents	$0	$0	$0	$0	$0	$0	$0	$0
967	Interest Expense	$0	$51,873	$0	$0	$0	$0	$0	$51,873
969	Total Operating Expenses	$8,647	$205,836	$2,312,906	$0	$205,057	$179,595	$0	$2,912,041
970	Excess Operating Revenue over Operating Expenses	$1,063,591	$63,678	$83,446	$0	$2,761,821	$688,745	$952	$4,662,233
971	Extraordinary Maintenance	$0	$0	$15,147	$0	$0	$0	$0	$15,147
973	Housing Assistance Payments	$1,019,438	$0	$0	$0	$2,662,649	$0	$0	$3,682,087
974	Depreciation Expense	$0	$50,333	$972,110	$0	$3,405	$0	$0	$1,025,848
900	Total Expenses	$1,028,085	$256,169	$3,300,163	$0	$2,871,111	$179,595	$0	$7,635,123
1001	Operating Transfers In	$0	$0	$59,047	$0	$0	$0	$0	$59,047
1002	Operating Transfers Out	$0	$0	$0	$0	$0	($59,047)	$0	($59,047)
1010	Total Other Financing Sources (Uses)	$0	$0	$59,047	$0	$0	($59,047)	$0	$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	$44,153	$13,345	($844,764)	$0	$95,767	$629,698	$952	($60,849)
1102	Debt Principal Payments - Enterprise Funds	$0	$39,735	$0	$0	$0	$0	$0	$39,735
1103	Beginning Equity	($80,694)	($36,518)	$12,839,914	$40,858	$750,963	$2,011,235	$0	$15,525,758
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	($37,393)	$0	$780,416	($40,858)	$950	($853,147)	$0	($150,032)
1113	Maximum Annual Contributions Commitment (Per ACC)	$1,078,135	$0	$0	$0	$2,857,375	$0	$0	$3,935,510
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	$0	$0	$0	$0	$0	$0	$0	$0
1115	Contingency Reserve, ACC Program Reserve	$395,584	$0	$0	$0	$159,851	$0	$0	$555,435
1116	Total Annual Contributions Available	$1,473,719	$0	$0	$0	$3,017,226	$0	$0	$4,490,945
1120	Unit Months Available	2,076	480	6,996	0	6,252	0	0	15,804
1121	Number of Unit Months Leased	2,076	468	6,886	0	6,238	0	0	15,668

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

Board of Directors
Ashtabula Metropolitan Housing Authority
Ashtabula, Ohio

Regional Inspector General for Audit
Department of Housing and Urban Development

We have audited the basic financial statements of the Ashtabula Metropolitan Housing Authority (the Authority) as of and for the year ended December 31, 2004, and have issued our report thereon dated September 7, 2005. 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 Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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 misstatements caused by error or fraud in amounts that would be material in relation to the financial statements 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 financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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

September 7, 2005

JAMES G. ZUPKA, C.P.A., INC.
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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) 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, 2004. The Authority'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 grant agreements applicable to each of its major Federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority'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 Authority'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 Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements to Federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine 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 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 grant agreements 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 Board of Directors, management, Auditor of State, and Federal awarding agencies and is not intended to be used by anyone other than these specified parties.

James G. Zupka CPA, Inc.
Certified Public Accountants

September 7, 2005

ASHTABULA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS

2004(i)	Type of Financial Statement Opinion	Unqualified
2004(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2004(ii)	Were there any other reportable control weakness conditions reported at the financial statements level (GAGAS)?	No
2004(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2004(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2004(iv)	Were there any other reportable internal control weakness conditions reported for major Federal programs?	No
2004(v)	Type of Major Programs' Compliance Opinion	Unqualified
2004(vi)	Are there any reportable findings under .510?	No
2004(vii)	Major Programs (list): New Construction S/R Section 8 Programs - CFDA #14.182 Low Rent Public Housing - CFDA #14.850	
2004(viii)	Dollar Threshold: Type A\B Programs	Type A: >$300,000 Type B: all others
2004(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.

Auditor of State
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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 10, 2005