ASHTABULA METROPOLITAN HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005

Auditor of State
Betty Montgomery

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

We have reviewed the *Independent Auditor's Report* of the Ashtabula Metropolitan Housing Authority, Ashtabula County, prepared by James G. Zupka, CPA, Inc., for the audit period January 1, 2005 to December 31, 2005. 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

August 29, 2006

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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ASHTABULA METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2005

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

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

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, 2005, 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, 2005, 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 June 8, 2006, 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 on pages 3 through 9 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

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

June 8, 2006

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, 2005. 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, 2005 by $15,423,275 (net assets.

- The Authority's cash balance at December 31, 2005 was $1,523,450, representing an increase of $532,475 from December 31, 2004.

- The Authority had intergovernmental revenue of $5,939,677 in HUD operating grants and $796,684 of capital grants for the year ended December 31, 2005.

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 increased by $186,346. Specifically, cash increased by $532,475, other current assets decreased by $170,037, and Capital Assets decreased by $176,042. The increase in cash is mainly from the results of operations for the year and receipt of prior year accounts receivable.

Current liabilities increased by $128,590 or 50.1 percent. The major cause of this increase was the increase in deferred revenues in the Capital Fund Program for funds requisition in fiscal year 2005 that will be expended in fiscal year ending 2006.

Non-current liabilities decreased by $50,642 or 5.9 percent. The decrease is due to the payment of the annual portion of the long term debt.

The following table summarizes the change in net assets between December 31, 2005 and 2004 for the Authority as a whole:

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

	2005	2004	Net Change	Percent of Change
Assets				
Cash	$ 1,523,450	$ 990,975	$ 532,475	53.75 %
Current Assets	110,115	280,152	(170,037)	(60.69)%
Capital Assets	14,988,217	15,164,309	(176,092)	(1.16)%
Total Assets	$16,621,782	$16,435,436	$ 186,346	1.13 %
Liabilities				
Current Liabilities	$ 385,411	$ 256,821	$ (128,590)	(50.07)%
Non-Current Liabilities	813,096	863,738	50,642	5.86 %
Total Liabilities	1,198,507	1,120,559	(77,948)	(6.96)%
Net Assets				
Invested in Capital Assets, Net of Related Debt	14,287,924	14,419,513	(131,589)	(0.91)%
Restricted Net Assets	75,955	68,240	7,715	11.31 %
Unrestricted Net Assets	1,059,396	827,124	232,272	28.08 %
Total Net Assets	$15,423,275	$15,314,877	$ 108,398	0.71 %

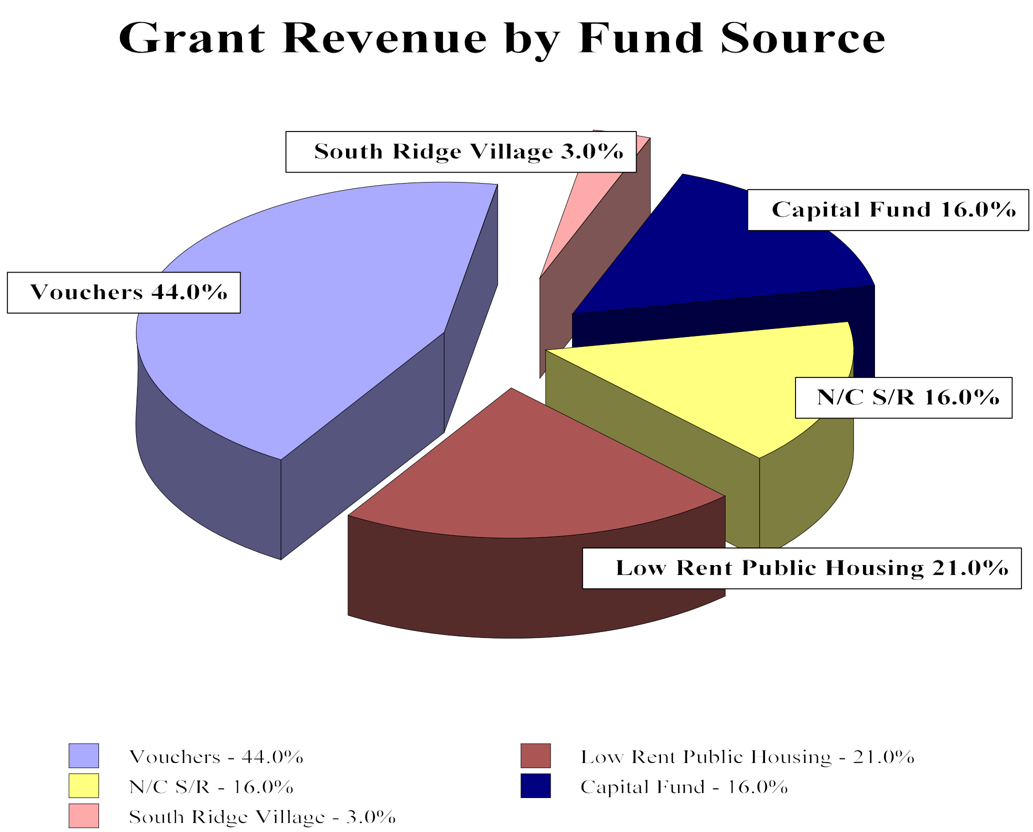
Total revenues for fiscal year 2005 were $7,816,510, as compared to $7,574,274 of total revenues for fiscal year 2004. Comparatively, fiscal year 2005 revenues exceeded fiscal year 2004 revenues by $242,236, or 3.2 percent. The following table summarizes the changes in total revenue including capital grants between fiscal year 2005 and fiscal year 2004 for the Authority as a whole:

Table 2 - Change in Total Revenue

	2005	2004	Net Change	Percent of Change
Total Tenant Revenue	$ 1,002,860	$ 979,580	$ 23,280	2.38 %
HUD Operating Grants	5,939,677	5,955,588	(15,911)	(0.27)%
HUD Capital Grants	796,684	629,698	166,986	26.52 %
Investment Income	20,412	5,709	14,703	257.34 %
Other Income	56,877	3,699	53,178	1437.63 %
Total Revenue	$ 7,816,510	$ 7,574,274	$ 242,236	3.20 %

The chart below illustrates the percentage of revenues generated by the funding sources for fiscal year 2005.

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



Analysis of Entity Wide Expenditures

Total expenditures for fiscal year 2005 were $7,711,680, compared to $7,635,123 of total expenditures for fiscal year 2004.

Administrative expenditures increased by $35,834, or 3.4 percent. The increase in due to standard increases in salaries and benefits from the prior fiscal year.

Utilities increased by $32,189, or 5.3 percent. Utility costs increased because of the increase utility rates.

Maintenance expenditures increased by $159,562, or 17.4 percent. Maintenance, labor, and benefits increased due to standard increases in salaries and benefits from fiscal year 2004. The major cause for this increase was $166,916 of capital fund activity that was expensed.

General expenses decreased by $36,297, or 16.2 percent. The Authority's PILOT expense decreased due to the increase in utility costs. Also, insurance expense decreased because of the proper presentation of a portion of the expense as a prepaid asset.

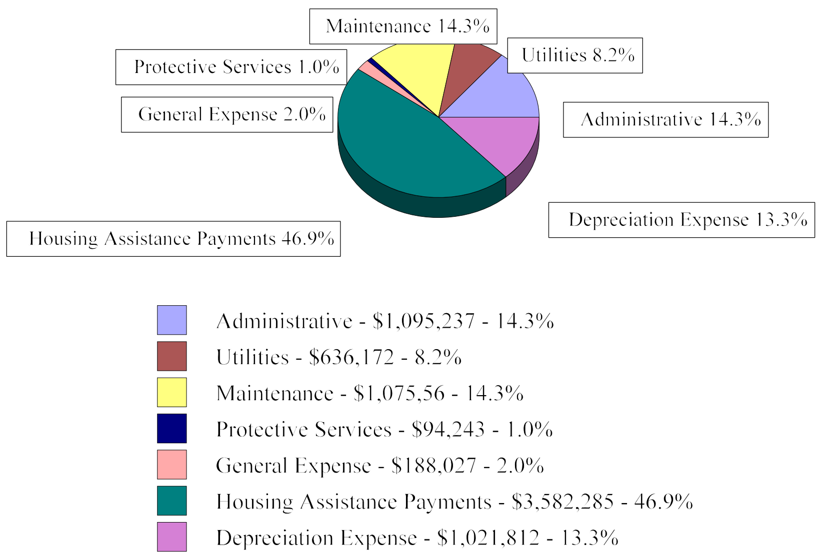
Table 3 illustrates the change in expenditures for the Authority for fiscal year 2005 compared to fiscal year 2004.

Table 3 - Change in Expenditures

	2005	2004	Net Change	Percent of Change
Administrative	$ 1,095,237	$ 1,059,403	$ (35,834)	(3.38)%
Tenant Services	13,969	10,821	(3,148)	(29.09)%
Utilities	636,172	603,983	(32,189)	(5.33)%
Maintenance	1,075,536	915,974	(159,562)	(17.42)%
Protective Services	94,243	97,536	3,293	3.38 %
General Expense	188,027	224,324	36,297	16.18 %
Extraordinary Maintenance	4,399	15,147	10,748	70.96 %
Housing Assistance Payments	3,582,285	3,682,087	99,802	2.71 %
Depreciation Expense	1,021,812	1,025,848	4,036	0.39 %
Total Expenses	$ 7,711,680	$ 7,635,123	$ (76,557)	1.00 %

The chart on the next page illustrates the percentage of Authority expenditures by these categories, excluding depreciation expense, for fiscal year 2005.

Change in Expenditures



<u>Analysis of Capital Asset Activity</u>

Land decreased by $10,243. This decrease is due to reclassification of an asset under the Section 8 HCV program.

Buildings increased by $21,435. This increase is a result of renovations and rehabilitation of buildings through the Low Income Public Housing and Capital Fund programs.

Furniture, Equipment and Machinery - Dwelling increased by $2,364. The Authority purchased ranges and refrigerators.

Furniture, Equipment and Machinery - Administration increased by $40,297. The Authority purchased office and administrative equipment in the Section HCV program.

Accumulated depreciation increased by $1,026,752. Accumulated depreciation increased because the depreciation expense for fiscal year 2005.

Construction in progress increased by $796,807. The increase is due to the utilization of capital fund awards for the improvement of the Authority's existing structures.

The following table summarizes the changes in the Authority's capital assets between fiscal year 2005 and fiscal year 2004.

Table 4 - Summary of Changes in Capital Assets

	2005	2004	Net Change	Percentage of Change
Land	$ 1,102,998	$ 1,113,241	$ (10,243)	(0.92)%
Buildings	23,787,335	23,765,900	21.435	0.09 %
Furniture, Equipment, and Machinery - Dwelling	441,958	439,594	2,364	0.54 %
Furniture, Equipment, and Machinery - Administrative	942,314	902,017	40,297	4.47 %
Construction in Progress	2,584,593	1,787,786	796,807	44.5 %
Total Capital Assets	28,859,198	28,008,538	850,660	3.04 %
Accumulated Depreciation	13,870,981	12,844,229	(1,026,752)	7.99 %
Net Capital Assets	$14,988,217	$15,164,309	$ (176,092)	(1.16)%

Debt

As of December 31, 2005, the Authority had outstanding debt of $700,293 related to the South Ridge Village Project. The current portion of this debt is $47,389. No new debt was issued in 2005.

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, 2005

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 1,523,450
Tenant Accounts Receivable, Net	21,274
Interest Receivable	1,224
Prepaid Expenses	52,630
Inventories, Net	34,987
Total Current Assets	1,633,565
Noncurrent Assets	
Non-depreciable Capital Assets	3,687,591
Depreciable Capital Assets, Net	11,300,626
Total Noncurrent Assets	14,988,217
TOTAL ASSETS	$ 16,621,782
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	$ 35,355
Accrued Interest Payable	3,127
Accrued Compensated Absences - Current	17,799
Tenant Security Deposits	90,594
Accrued Wages and Payroll Taxes	37,010
Accounts Payable - Other Government	26,475
Deferred Revenues	127,662
Current Portion of Long-Term Debt	47,389
Total Current Liabilities	385,411
Noncurrent Liabilities	
Long-Term Debt, Net of Current	652,904
Accrued Compensated Absences - Net of Current Portion	160,192
Total Noncurrent Liabilities	813,096
Total Liabilities	1,198,507
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	14,287,924
Unrestricted Net Assets	1,059,396
Restricted Net Assets	75,955
Total Net Assets	15,423,275
TOTAL LIABILITIES AND NET ASSETS	$ 16,621,782

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, 2005

Operating Revenues	
HUD Grants	$ 5,939,677
Tenant Revenue	1,002,860
Other Revenue	56,877
Total Operating Revenues	6,999,414
Operating Expenses	
Housing Assistance Payments	3,582,285
Administrative	1,095,237
Utilities	636,172
Tenant Services	13,969
Maintenance	1,079,935
Protective Services	94,243
General	145,429
Total Operating Expenses Before Depreciation	6,647,270
Income Before Depreciation	352,144
Depreciation	1,021,812
Operating Loss	(669,668)
Non-Operating Revenues (Expenses)	
Interest and Investment Revenue	20,412
Interest Expense	(42,598)
Total Non-Operating Revenues (Expenses)	(22,186)
Loss Before Contributions and Transfers	(691,854)
Capital Grants	796,684
Change in Net Assets	104,830
Total Net Assets, Beginning of Year	15,314,877
Prior Period Adjustments	3,568
Total Net Assets, Beginning of Year, Restated	15,318,445
Net Assets, End of Year	$ 15,423,275

See accompanying notes to the basic financial statements.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005

Cash Flows from Operating Activities	
Cash Received from HUD	$ 6,236,538
Cash Received From Tenants	987,310
Cash Payments for Housing Assistance	(3,582,285)
Cash Payments for Administrative Expenses	(1,081,684)
Cash Payments for Other Operating Expenses	(1,982,247)
Cash Payments to HUD and Other Governments	(5,418)
Cash Received - Other	81,994
Net Cash (Provided) by Operating Activities	654,208
Cash Flows from Capital and Related Financing Activities	
Principal Payments on Debt	(44,503)
Interest on Debt	(42,598)
Acquisition of Capital Assets	(850,660)
Capital Grants Received	796,684
Net Cash Provided by Capital and Other Related Financing Activities	(141,077)
Cash Flows from Investing Activities	
Interest and Investment Income Received	19,344
Net Cash Provided by Investing Activities	19,344
Net Increase (Decrease) in Cash and Cash Equivalents	532,475
Cash and Cash Equivalents, Beginning	990,975
Cash and Cash Equivalents, Ending	$ 1,523,450
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Net Operating (Loss)	$ (669,668)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	1,012,812
Voided Checks	8,508
(Increase) Decrease in:	
Accounts Receivable - HUD	178,992
Accounts Receivable - Miscellaneous	25,117
Tenant Accounts Receivable	(15,550)
Prepaid Expenses	(19,227)
Inventories	1,773
Increase (Decrease) in:	
Accounts Payable	(7,689)
Accounts Payable - HUD	(5,418)
Accounts Payable - Other	3,127
Accrued Compensated Absences - Current	169
Tenants' Security Deposits	2,833
Accrued Wages and Payroll Taxes	11,869
Accounts Payable - Other Governments	(1,824)
Deferred Revenue (Prepaid Rent)	117,869
Accrued Compensated Absences - Long-Term	1,515
Net Cash Used by Operating Activities	$ 654,208

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

Change in Accounting Principles

For fiscal year 2005, the Authority has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures* and GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.*

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. This statement also clarifies and establishes accounting revenues for insurance recoveries.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the Authority; however, additional note disclosure can be found in Note 2. The implementation of GASB Statement No. 42 did not have an effect on the financial statements of the Authority.

NOTE 2: **DEPOSITS AND INVESTMENTS**

Cash on Hand

At December 31, 2005, the Authority had undeposited cash on hand, including petty cash, of $300.

At December 31, 2005, the carrying amount of the Authority's cash deposits was $1,523,150. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2005, deposits totaling $275,955 were covered by Federal Depository Insurance and deposits totaling $1,401,292 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name.

Custodial credit is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy is to place deposits with major local banks approved by the Board. Multiple financial institution collateral pools that insure public deposits must maintain collateral in excess of 110 percent of deposits. All deposits, except for deposits held by fiscal and escrow agents, are collateralized with eligible securities in amounts equal to at least 110 percent of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution pools at Federal Reserve banks, or at member banks of the Federal

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

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

Investments
The Authority has a formal investment policy. The Authority follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and records all its investments at fair value. At December 31, 2005, the Authority had no investments.

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

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

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

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

Concentration of Credit Risk

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

Cash and investments at year-end were as follows:

Cash and Investment Type	Fair Value	Investment Maturities (in Years) <1
Carrying Amount of Deposits	$ 1,523,150	$ 1,523,150
Petty Cash	300	300
Totals	$ 1,523,450	$ 1,523,450

NOTE 3: CAPITAL ASSETS

A summary of capital assets at December 31, 2005 by class is as follows:

	12/31/2005	Adjustments	Additions	Deletions	12/31/2005
Capital Assets Not Being Depreciated					
Land	$ 1,113,241	$ (10,243)	$ 0	$ 0	$ 1,102,998
Construction in Progress	1,787,786	0	796,807	0	2,584,593
Total Capital Assets Not Being Depreciated	2,901,027	(10,243)	796,807	0	3,687,591
Capital Assets Being Depreciated					
Buildings and Improvements	23,765,900	0	21,435	0	23,787,335
Furniture, Equipment, and Machinery - Dwellings	439,594	0	2,364	0	441,958
Furniture, Equipment, and Machinery - Administrative	902,017	10,243	30,054	0	942,314
Subtotal Capital Assets Being Depreciated	25,107,511	10,243	53,853	0	25,171,607
Accumulated Depreciation					
Buildings and Improvements	(12,018,168)	(4,940)	(875,258)	0	(12,898,366)
Furniture, Equipment, and Machinery - Dwellings	(264,453)	0	(30,730)	0	(295,183)
Furniture, Equipment, and Machinery - Administrative	(561,608)	0	(115,824)	0	(677,432)
Total Accumulated Depreciation	(12,844,229)	(4,940)	(1,021,812)	0	(13,870,981)
Depreciation Assets, Net	12,263,282	5,303	(967,959)	0	11,300,626
Total Capital Assets, Net	$ 15,164,309	$ (4,940)	$ (171,152)	$ 0	$ 14,988,217

NOTE 4: **RESTRICTED NET ASSETS**

The Authority's restricted net assets are as follows:

Cash Held for South Ridge Village Reserve for Replacement	$ 75,955

NOTE 5: **PENSION PLAN**

Ohio Public Employees Retirement System

The Authority participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of both the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Authority's contribution rate for pension benefits for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Authority's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were $118,458, $116,136, and $113,694, respectively; 100 percent has been contributed for 2005, 2004, and 2003. The Authority had no employees participating in the combined or member-directed plans for the years ended December 31, 2005, 2004, and 2003.

NOTE 6: POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local employer contribution rate was 13.55 percent of covered payroll, 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2004, 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, 2005, the number of active contributing participants in the traditional and combined plans was 376,109. The actual contribution and the actuarially required contribution amounts are the same. OPERS' net assets available for payment of benefits at December 31, 2004 (the latest information available) were $10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $26.9 billion and $18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

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

Ohio Public Employees Retirement System (Continued)
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, 2005, based on the vesting method, $177,991 was accrued by the Authority for unused vacation and sick time. The current portion is $17,799 and the long term portion is $160,192.

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:

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

NOTE 8: **INSURANCE** (Continued)

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

NOTE 9: **CONTINGENCIES**

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

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

NOTE 10: **LONG-TERM DEBT**

Changes in the Authority's long-term debt during fiscal year 2005 are as follows:

	Balance at 12/31/2005	Additions	Deletions	Balance at 12/31/2005	Due Within One Year
Loan Payable - Rural Economic and Community Development - 8% Interest, $840,000, dated December 12, 1979	$ 543,353	$ 0	$ (31,369)	$ 511,984	$ 33,601
Loan Payable - Rural Economic and Community Development - 9% Interest, $312,600, dated December 12, 1979	201,443	0	(13,134)	188,309	13,788
Total Loans Payable	744,796	0	(44,503)	700,293	47,389
Compensated Absences	176,307	1,684	0	177,991	17,799
Totals	$ 921,103	$ 1,684	$ (44,503)	$ 878,284	$ 65,188

Long-term debt consists of two term loans payable in the amount of $312,600 at 9 percent and $840,000 at 8 percent, with the Rural Economic and Community Development Services, payable over a period of 40 years. Monthly payments are $2,277 and $5,357, respectively. Interest incurred during 2005 was $47,105. 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, 2005 was $700,293, of which $47,389 was the current portion.

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

The following is a summary of the Authority's future debt service requirements for mortgages payable as of December 31, 2005:

For the Year Ended December 31	Principal	Interest	Total Payments
2006	$ 47,389	$ 44,219	$ 91,608
2007	50,586	41,022	91,608
2008	53,999	37,609	91,608
2009	57,644	33,964	91,608
2010	61,538	30,070	91,608
2011-2015	367,487	82,073	449,560
2016-2020	61,650	2,633	64,283
Total	$ 700,293	$ 271,590	$ 971,883

NOTE 11: **CONSTRUCTION AND OTHER COMMITMENTS**

The Authority had the following construction commitments at December 31, 2005:

Contractor	Contract Amount	Contract Balance at 12/31/2005
SM Wood Co.	$ 621,726	$ 222,617
SM Wood Co.	$ 369,668	139,876
Total		$ 362,493

NOTE 12: **PRIOR PERIOD ADJUSTMENT**

Prior period adjustments consisted of the following:

Voiding of old, outstanding checks	$ 8,508
Adjustment to accumulated depreciation	(4,940)
Net Prior Period Adjustments	$ 3,568

ASHTABULA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005

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	$ 1,430,556
Capital Fund Program	14.872	1,061,893
Total Public Housing Programs		2,492,449
Section 8 Tenant Based Programs		
Tenant Based Program:		
Section 8 Housing Choice Voucher Program	14.871	2,993,145
Project Based Program:		
New Construction Section 8 Program	14.182	1,081,407
Total Section 8 Tenant and Project Based Programs		4,074,552
Rural Housing and Economic Development	14.250	169,360
Total Federal Assistance		$ 6,736,361

This schedule is prepared on the accrual basis of accounting.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2005

PHA: **OH029** *FYED:* **12/31/2005**

Line Item No.	Account Description	N/C S/R Section 8 Programs	Shelter Plus Care	Rural Housing and Economic Development	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
ASSETS								
Current Assets								
111	Cash - Unrestricted	$0	$0	$126,051	$344,752	$893,543	$0	$1,364,346
113	Cash - Other Restricted	$0	$0	$75,955	$0	$0	$0	$75,955
114	Cash - Tenant Security Deposits	$0	$0	$0	$83,149	$0	$0	$83,149
100	Total Cash	$0	$0	$202,006	$427,901	$893,543	$0	$1,523,450
126	Accounts Receivable - Tenants - Dwelling Rents	$0	$0	$417	$25,857	$0	$0	$26,274
126.1	Allowance for Doubtful Accounts - Dwelling Rents	$0	$0	$0	($5,000)	$0	$0	($5,000)
129	Accrued Interest Receivable	$0	$0	$0	$867	$357	$0	$1,224
120	accounts	$0	$0	$417	$21,724	$357	$0	$22,498
142	Prepaid Expenses and Other Assets	$0	$0	$0	$47,530	$5,100	$0	$52,630
143	Inventories	$0	$0	$0	$34,987	$0	$0	$34,987
143.1	Allowance for Obsolete Inventories	$0	$0	$0	$0	$0	$0	$0
144	Interprogram Due From	$27,959	$0	$0	$18,721	$255,820	$91,593	$394,093
150	Total Current Assets	$27,959	$0	$202,423	$550,863	$1,154,820	$91,593	$2,027,658
Assets:								
161	Land	$0	$0	$128,500	$974,498	$0	$0	$1,102,998
162	Buildings	$0	$0	$1,173,461	$22,613,874	$0	$0	$23,787,335
163	Furniture, Equipment & Machinery - Dwellings	$0	$0	$50,457	$391,501	$0	$0	$441,958
164	Furniture, Equipment & Machinery - Administration	$0	$0	$0	$879,795	$62,519	$0	$942,314
166	Accumulated Depreciation	$0	$0	($789,807)	($13,058,812)	($22,362)	$0	($13,870,981)
167	Construction In Progress	$0	$0	$0	$0	$0	$2,584,593	$2,584,593
160	Total Fixed Assets, Net of Accumulated Depreciation	$0	$0	$562,611	$11,800,856	$40,157	$2,584,593	$14,988,217
180	Total Non-Current Assets	$0	$0	$562,611	$11,800,856	$40,157	$2,584,593	$14,988,217
190	Total Assets	$27,959	$0	$765,034	$12,351,719	$1,194,977	$2,676,186	$17,015,875
LIABILITIES								
Liabilities								
312	Accounts Payable <= 90 Days	$0	$0	$6,632	$27,185	$1,538	$0	$35,355
321	Accrued Wage/Payroll Taxes Payable	$0	$0	$99	$36,448	$463	$0	$37,010
322	Accrued Compensated Absences - Current Portion	$0	$0	$534	$15,174	$2,091	$0	$17,799
325	Accrued Interest Payable	$0	$0	$3,127	$0	$0	$0	$3,127
333	Accounts Payable - Other Government	$0	$0	$0	$26,475	$0	$0	$26,475
341	Tenant Security Deposits	$0	$0	$7,445	$83,149	$0	$0	$90,594
342	Deferred Revenues	$0	$0	$794	$7,982	$27,293	$91,593	$127,662
343	Projects/Mortgage Revenue Bonds	$0	$0	$47,389	$0	$0	$0	$47,389
347	Interprogram Due To	$40,931	$0	$18,721	$306,482	$27,959	$0	$394,093
310	Total Current Liabilities	$40,931	$0	$84,741	$502,895	$59,344	$91,593	$779,504
Liabilities:								
351	Projects/Mortgage Revenue Bonds	$0	$0	$652,904	$0	$0	$0	$652,904
354	Accrued Compensated Absences - Non Current	$0	$0	$4,806	$136,567	$18,819	$0	$160,192
350	Total Noncurrent Liabilities	$0	$0	$657,710	$136,567	$18,819	$0	$813,096
300	Total Liabilities	$40,931	$0	$742,451	$639,462	$78,163	$91,593	$1,592,600
NET ASSETS								
508	Total Contributed Capital	$0	$0	$0	$0	$0	$0	$0
508.1	Invested in Capital Assets, Net of Related Debt	$0	$0	($137,682)	$11,800,856	$40,157	$2,584,593	$14,287,924
511	Total Reserved Fund Balance	$0	$0	$0	$0	$0	$0	$0
511.1	Restricted Net Assets	$0	$0	$75,955	$0	$0	$0	$75,955
512.1	Unrestricted Net Assets	($12,972)	$0	$84,310	($88,599)	$1,076,657	$0	$1,059,396
513	Total Equity/Net Assets	($12,972)	$0	$22,583	$11,712,257	$1,116,814	$2,584,593	$15,423,275
600	Total Liabilities and Equity/Net Assets	$27,959	$0	$765,034	$12,351,719	$1,194,977	$2,676,186	$17,015,875

ASHTABULA METROPOLITAN HOUSING AUTHORITY

FINANCIAL DATA SCHEDULES

FOR THE YEAR ENDED DECEMBER 31, 2005

PHA: **OH029** *FYED:* **12/31/2005**

Line Item No.	Account Description	N/C S/R Section 8 Programs	Shelter Plus Care	Rural Housing and Economic Development	Low Rent Public Housing	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
REVENUES								
703	Net Tenant Rental Revenue	$0	$0	$96,958	$831,308	$0	$0	$928,266
704	Tenant Revenue - Other	$0	$0	$12,783	$61,811	$0	$0	$74,594
705	Total Tenant Revenue	$0	$0	$109,741	$893,119	$0	$0	$1,002,860
706	HUD PHA Operating Grants	$1,081,407	$0	$169,360	$1,430,556	$2,993,145	$265,209	$5,939,677
706.1	Capital Grants	$0	$0	$0	$0	$0	$796,684	$796,684
711	Investment Income - Unrestricted	$0	$0	$754	$10,321	$9,337	$0	$20,412
715	Other Revenue	$0	$14,219	$0	$42,658	$0	$0	$56,877
700	Total Revenue	$1,081,407	$14,219	$279,855	$2,376,654	$3,002,482	$1,061,893	$7,816,510

EXPENSES								
911	Administrative Salaries	$4,026	$10,620	$15,773	$399,258	$90,012	$4,579	$524,268
912	Auditing Fees	$70	$0	$360	$10,229	$1,729	$0	$12,388
914	Compensated Absences	$0	$0	($7,893)	$9,109	$469	$0	$1,685
915	Employee Benefit Contributions - Administrative	$574	$4,551	$2,946	$142,953	$11,357	$28,279	$190,660
916	Other Operating - Administrative	$1,871	$0	$14,571	$236,121	$48,361	$65,312	$366,236
924	Tenant Services - Other	$0	$0	$0	$13,969	$0	$0	$13,969
931	Water	$0	$0	$14,413	$158,814	$0	$0	$173,227
932	Electricity	$0	$0	$22,299	$200,213	$0	$0	$222,512
933	Gas	$0	$0	$32,284	$111,141	$0	$0	$143,425
938	Other Utilities Expense	$0	$0	$0	$97,008	$0	$0	$97,008
941	Ordinary Maintenance and Operations - Labor	$0	$0	$10,859	$351,472	$0	$0	$362,331
942	Other	$76	$0	$7,131	$151,205	$0	$15,785	$174,197
943	Ordinary Maintenance and Operations - Contract Costs	$0	$0	$23,306	$236,700	$0	$151,131	$411,137
945	Employee Benefit Contributions - Ordinary Maintenance	$0	$0	$2,028	$125,843	$0	$0	$127,871
952	Protective Services - Other Contract Costs	$0	$0	$151	$94,092	$0	$0	$94,243
961	Insurance Premiums	$0	$0	$1,670	$114,421	$4,921	$0	$121,012
962	Other General Expenses	$94	$0	$0	$0	$0	$0	$94
963	Payments in Lieu of Taxes	$0	$0	$0	$24,323	$0	$0	$24,323
967	Interest Expense	$0	$0	$42,598	$0	$0	$0	$42,598
969	Total Operating Expenses	$6,711	$15,171	$182,496	$2,476,871	$156,849	$265,086	$3,103,184
970	Excess Operating Revenue over Operating Expenses	$1,074,696	($952)	$97,359	($100,217)	$2,845,633	$796,807	$4,713,326
971	Extraordinary Maintenance	$0	$0	$0	$4,399	$0	$0	$4,399
973	Housing Assistance Payments	$1,013,734	$0	$0	$0	$2,568,551	$0	$3,582,285
974	Depreciation Expense	$0	$0	$51,603	$962,261	$7,948	$0	$1,021,812
900	Total Expenses	$1,020,445	$15,171	$234,099	$3,443,531	$2,733,348	$265,086	$7,711,680
1010	Total Other Financing Sources (Uses)	$0	$0	$0	$0	$0	$0	$0
1000	Expenses	$60,962	($952)	$45,756	($1,066,877)	$269,134	$796,807	$104,830

1102	Debt Principal Payments - Enterprise Funds	$0	$0	$0	$0	$0	$0	$0
1103	Beginning Equity	($73,934)	$952	($23,173)	$12,775,566	$847,680	$1,787,786	$15,314,877
1104	Correction of Errors	$0	$0	$0	$3,568	$0	$0	$3,568
1113	ACC)	$1,081,407	$0	$0	$0	$3,160,884	$0	$4,242,291
1114	Period of less than Twelve Months	$0	$0	$0	$0	$0	$0	$0
1115	Contingency Reserve, ACC Program Reserve	$393,902	$0	$0	$0	$0	$0	$393,902
1116	Total Annual Contributions Available	$1,475,309	$0	$0	$0	$3,160,884	$0	$4,636,193
1120	Unit Months Available	2,076	0	480	6,744	6,336	0	15,636
1121	Number of Unit Months Leased	2,076	0	446	6,613	5,876	0	15,011

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

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

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

Board of Directors
Ashtabula Metropolitan Housing Authority
Ashtabula, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

We have audited the accompanying financial statements of the Ashtabula Metropolitan Housing Authority (the Authority), Ohio, as of and for the year ended December 31, 2005, and have issued our report thereon dated June 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Ashtabula Metropolitan Housing Authority, Ohio's internal control over financial reporting 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 Ashtabula Metropolitan Housing Authority, Ohio's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material affect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Ashtabula Metropolitan Housing Authority, Ohio, in a separate letter dated June 8, 2006.

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

June 8, 2006

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

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Ashtabula Metropolitan Housing Authority
Ashtabula, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

We have audited the compliance of the Ashtabula Metropolitan Housing Authority (the Authority), Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The Ashtabula Metropolitan Housing Authority, Ohio's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Ashtabula Metropolitan Housing Authority, Ohio's management. Our responsibility is to express an opinion on the Ashtabula Metropolitan Housing Authority, Ohio's compliance based on our audit.

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

In our opinion, the Ashtabula Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the Ashtabula Metropolitan Housing Authority, Ohio, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Ashtabula Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

We noted other matters involving the internal control over Federal compliance that do not require inclusion in this report that we have reported to the management of the Authority in a separate letter dated June 8, 2006.

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

James G. Zupka CPA, Inc.
Certified Public Accountants

June 8, 2006

ASHTABULA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2005

1. SUMMARY OF AUDITOR'S RESULTS

2005(i)	Type of Financial Statement Opinion	Unqualified
2005(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2005(ii)	Were there any other reportable control weakness conditions reported at the financial statements level (GAGAS)?	No
2005(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2005(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
2005(iv)	Were there any other reportable internal control weakness conditions reported for major Federal programs?	No
2005(v)	Type of Major Programs' Compliance Opinion	Unqualified
2005(vi)	Are there any reportable findings under .510?	No
2005(vii)	Major Programs (list): Housing Choice Voucher Program - CFDA #14.871	
2005(viii)	Dollar Threshold: Type A\B Programs	Type A: >$300,000 Type B: all others
2005(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
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
SEPTEMBER 12, 2006