ASHTABULA METROPOLITAN HOUSING AUTHORITY

BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2002

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, 2002 through December 31, 2002. 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

September 25, 2003

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ASHTABULA METROPOLITAN HOUSING AUTHORITY
BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2002

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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, 2002, 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, 2002, 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.

As described in Note 1 to the basic general financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, as of January 1, 2002. This results in a change to the Authority's format and content of the basic financial statements. As described in Note 9 to the basic financial statements, the Authority adjusted the beginning net assets due to the changes applicable to compliance with GASB Statement No. 34.

In accordance with Government Auditing Standards, we have also issued a report dated July 30, 2003 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 performed for the purpose of forming an opinion on the basic financial statements of the Authority taken a whole. The supplementary Financial Data Schedule is presented for purposes of additional analysis and are 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. The accompanying Statement of Actual Modernization Cost Certification is presented for purposes of additional analysis and are 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
Certified Public Accountant

July 30, 2003

Throughout this document, references to "we", "our", "Authority" or "us" refer to the Ashtabula Metropolitan Housing Authority.

Management's Discussion and Analysis

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, 2002. 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, 2002 by $14,485,356 (net assets.
- The Authority's cash balance at December 31, 2002 was $1,177,821, representing an increase of $144,324.
- The Authority had intergovernmental revenue of $5,410,755 in HUD operating grants and $669,430 of HUD capital grants for the year ended December 31, 2002.
- The Authority's net capital outlays for the year were $860,381 for new equipment and construction in progress.

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 about how the Authority finances and meets the cash flow needs of its enterprise activity.

Overview of the Financial Statements (Continued)

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.

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.

Future Events (New Business)

The Authority adopted a Low Income Public Housing operating budget for the fiscal year ended December 31, 2003. This budget reflects total revenue of $972,620 and additional subsidy of $1,407,276. Total operating and capital expenditures accumulate to $2,384,120.

The Authority adopted a Rural Development operating budget for fiscal year ending December 31, 2003. This budget reflects total revenue of $272,666 and total expenditures of $244,196.

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

Total Assets for fiscal year 2001 (restated) was $16,736,220 and at fiscal year 2002 the amount was $16,123,062. This represents a net decrease of $613,158.

Cash increased by $144,324. The increase was due to the agency wide profit and excellent management of the capital fund grant.

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

Current Assets decreased by $696,409 largely due to grant management. In fiscal year 2001 the Authority did not requisition funds from HUD on a timely basis. In fiscal year 2002 the Authority did requisition funds timely, thus greatly reducing this receivable at year end.

Capital Assets decreased by $61,073. This decrease is due to more depreciation expense than assets purchased.

Current Liabilities decreased from $1,017,843 in fiscal year 2001 to $683,382 in fiscal year 2002. This decrease of $334,461 was the result of effective grant management. The Authority requisitioned funding from HUD timely and did not requisition funding that was not required.

Non-Current Liabilities decreased by $81,813. This decrease represents an adjustment to properly record compensated absences. Compensated absences fluctuate from year to year based on retirements and authorized leave taken by the employees during the year. Also, this category was reduced by the amount of long-term debt that was retired.

The table below (Table 1) illustrates our analysis.

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

Assets	12/31/02	12/31/01 Restated	Amount of Change	Percent of Change
Cash and Cash Equivalents	$ 1,177,821	$ 1,033,497	$ 144,324	13.96 %
Current Assets	156,037	852,446	(696,409)	(81.70)%
Capital Assets, Net	14,789,204	14,850,277	(61,073)	(0.41)%
Total Assets	$ 16,123,062	$16,736,220	$ (613,158)	(3.66)%
Liabilities				
Current Liabilities	683,382	1,017,843	(334,461)	(32.86)%
Non-Current Liabilities	954,324	1,036,137	(81,813)	(7.90)%
Total Liabilities	1,637,706	2,053,980	(416,274)	(20.27)%
Net Assets				
Invested in Capital Assets, Net of Related Debt	13,963,628	13,985,816	(22,188)	(0.16)%
Unrestricted Net Assets	430,961	608,116	(177,155)	(29.13)%
Restricted Net Assets	90,767	88,308	2,459	2.78 %
Total Net Assets	14,485,356	14,682,240	(196,884)	(1.34)%
Total Liabilities and Net Assets	$ 16,123,062	$ 16,736,220	$ (613,158)	(3.66)%

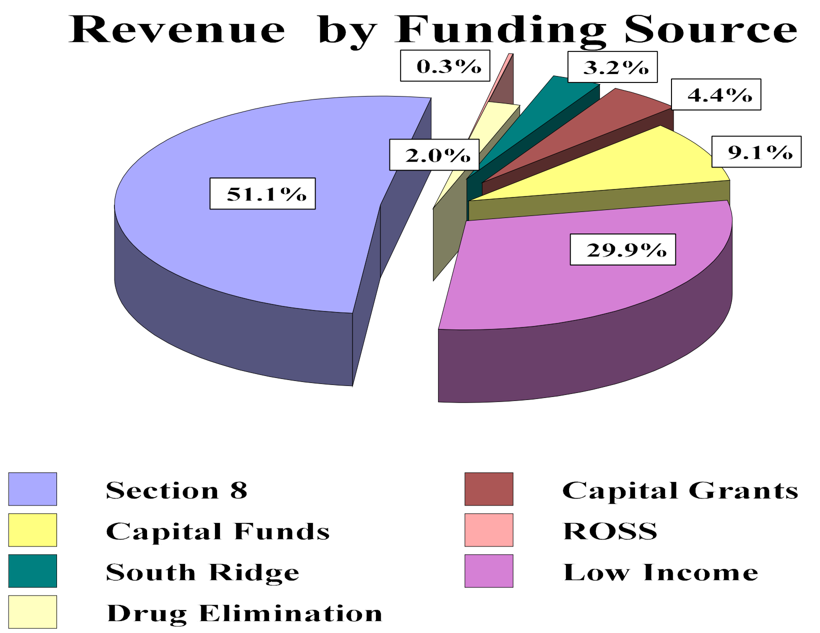
Analysis of Entity Wide Revenue (Statement of Changes in Net Assets)

The Authority administers several programs. The revenue generated from these programs during fiscal year 2002 were as follows:

Revenues		
Low Income Public Housing		$ 2,133,095
Section 8		
Vouchers	$ 2,616,430	
Highlands	732,380	
Conneaut	308,758	
Subtotal Section 8		3,657,568
Capital Grant		313,744
Capital Fund		
2002	193,200	
2001	252,687	
2000	206,950	
Subtotal Capital Fund		652,837
Drug Elimination		
2001	104,813	
2000	35,426	
Subtotal Drug Elimination		140,239
ROSS		21,018
South Ridge Village		225,860
Total Revenue		$ 7,144,361

The following diagram illustrates the percentage of revenue generated from these programs by the Authority during fiscal year 2002.

Analysis of Entity Wide Revenue (Statement of Changes in Net Assets) (Continued)



In fiscal year 2001 and fiscal year 2002, total revenues were $7,811,571 and $7,144,361, respectively. Comparatively, fiscal year 2002 revenue was less than fiscal year 2001 revenue by $667,210. The primary reason for the decrease was the lower amount of expenditures from grant funding in 2002.

Total Operating Expenses (excluding HAP and depreciation) increased by .39% in fiscal year 2002 as compared to fiscal year 2001. The following is provided to assist the reader with understanding the underlying circumstances contributing to this increase.

Administrative expenditures decreased by $163,554 or 10.6% as compared to fiscal year 2001. The primary reason for this decrease is increased monitoring of expenses including postage, telephone, office, and miscellaneous computer purchases.

Tenant Services increased by $6,608 or 1600% as compared to fiscal year 2001. This increase is a classification issue. In prior years some of the tenant services' expenses were classified with administrative expenses. The Authority provides constant training to enhance the knowledge of their employees, thus providing a better classification of expenditures when incurred.

Analysis of Entity Wide Revenue (Statement of Changes in Net Assets) (Continued)

Utilities decreased by $60,454 or 9.9% as compared to fiscal year 2001. Utilities will fluctuate, depending on several issues such as weather, rates, and units occupied.

Maintenance expenditures increased by $202,676 or 30.1% as compared to fiscal year 2001. The explanation for this is the increase in salaries for the maintenance staff.

The table below (Table 2) illustrates the changes in net assets.

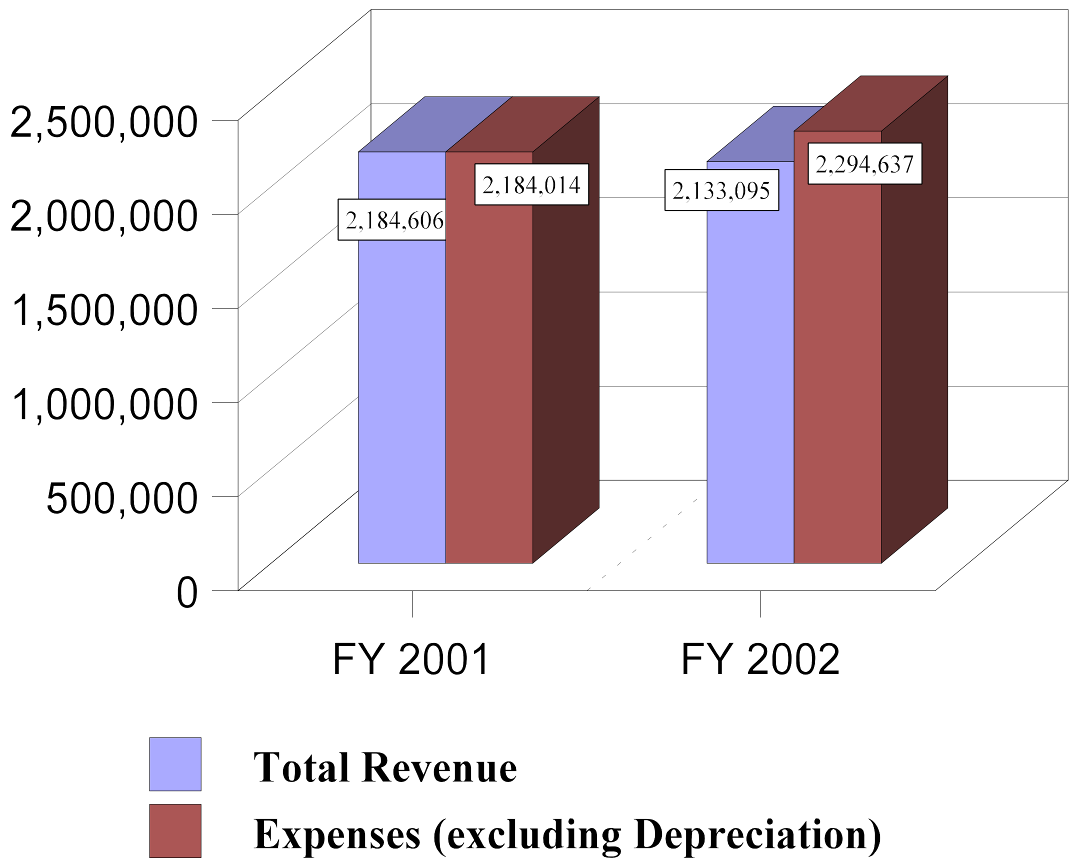
Table 2 - Analysis of Entity Wide Statement - Changes in Net Assets

	2002	2001	Amount of Change	Percent of Change
Operating Revenue	$ 6,462,004	$ 6,408,730	$ 53,274	0.71 %
Total Operating Expenses before HAP and Depreciation	(3,063,626)	(3,051,808)	(11,818)	0.39 %
Operating Profit Before HAP and Depreciation	3,398,378	3,356,922	41,456	1.23 %
Housing Assistance Payments	(3,303,441)	(3,007,993)	(295,448)	(9.82)%
Depreciation	(921,454)	(822,464)	(98,990)	(12.04)%
Operating Loss	(826,517)	(473,535)	(352,982)	(74.54)%
Non-Operating Revenues (Expenses)	(39,797)	(58,379)	18,582	31.83 %
Loss Before Contributions and Transfers	(866,314)	(531,914)	(334,400)	(62.87)%
Capital Grants	669,430	1,403,299	(733,869)	(52.30%
Total Change in Net Assets	$ (196,884)	$ 871,385	$(1,068,269)	(122.59)%

Analysis of Entity Wide Revenue (Continued)

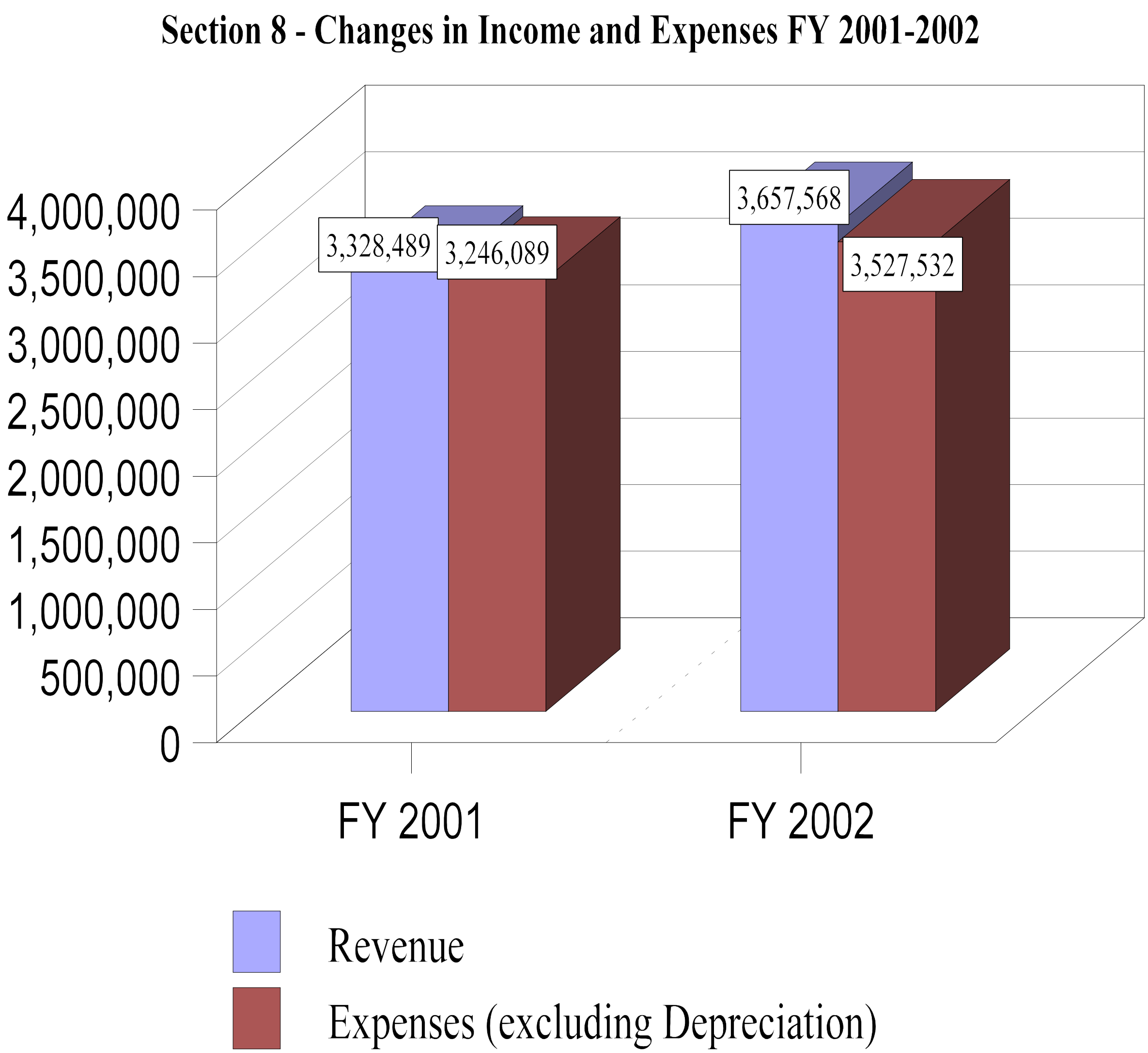
The following chart illustrates the changes in revenues and expenses from fiscal year 2001 to fiscal year 2002 for the Low Income Public Housing Program.

Low Rent Public Housing - Changes in Revenue and Expenses FY 2001-2002



Analysis of Entity Wide Revenue (Statement of Changes in Net Assets) (Continued)

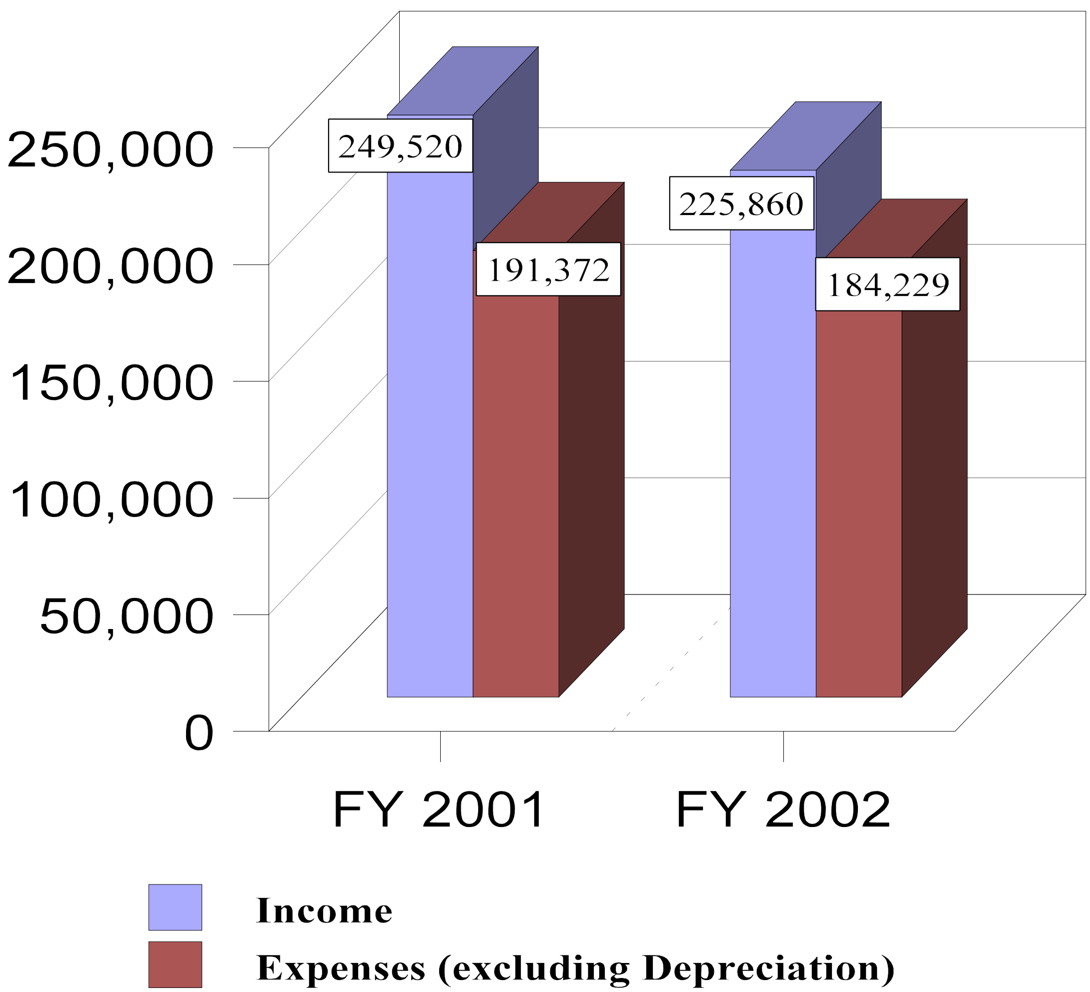
The results of the Section 8 fiscal year 2002 revealed that revenue and expenses increased by approximately $300,000 each as compared to fiscal year 2001. The increases in Housing Assistance Payments (HAP) and lease up account for the majority of the increase. In addition, the fiscal year 2002 increase in revenue and expenses is proportionate to the fiscal year 2001 revenue and expenses. The graph below illustrates the changes in revenue and expenses for fiscal year 2001 and fiscal year 2002 and is provided to assist with understanding these changes.



Analysis of Entity Wide Revenue (Statement of Activities) (Continued)

The results of the South Ridge Village for fiscal year 2002 revealed that revenue decreased by over $20,000 as compared to fiscal year 2001; however, expenses remained flat. The graph below is provided to assist with understanding the changes in revenue and expenses for fiscal year 2001 and fiscal year 2002.

South Ridge Village - Changes in Revenue and Expenses FY 2001-2002



Overview of Budgets

The Authority adopts a consolidated annual operating budget for all programs. The budget for Low Income Public Housing is adopted on the basis of accounting prescribed by the U.S. Department of Housing and Urban Development, which differs in some respects from generally accepted accounting principles. Program budgets for the Section 8 Programs are approved by the U.S. Department of Housing and Urban Development.

Low Income Public Housing Budgetary Highlights

Results of Operations

Management prepared a budget that anticipated a profit before depreciation of $99,299. The actual results of operations reflect a loss of $161,542 before depreciation.

Tenant Rental Revenue was well budgeted and no material variances existed.

Other Revenue exceeded the budget by $15,363.

Operating Expenditures were higher than budget due to increased salary costs.

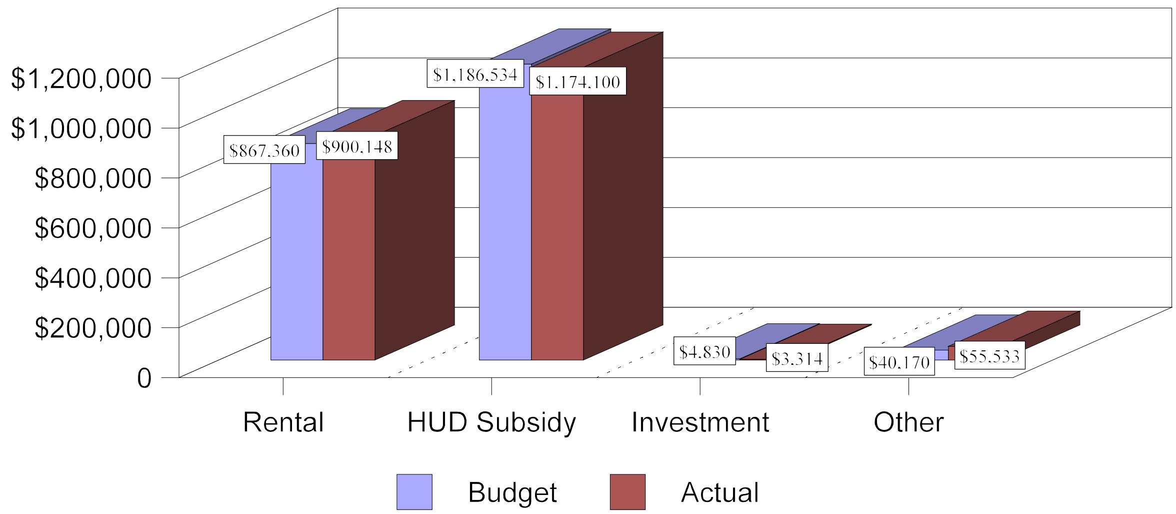
The following table (Table 3) and graphs illustrate the Authority's effectiveness at estimating revenue and spending within budgeted parameters.

Table 3 - Low Income Public Housing (excluding Depreciation)

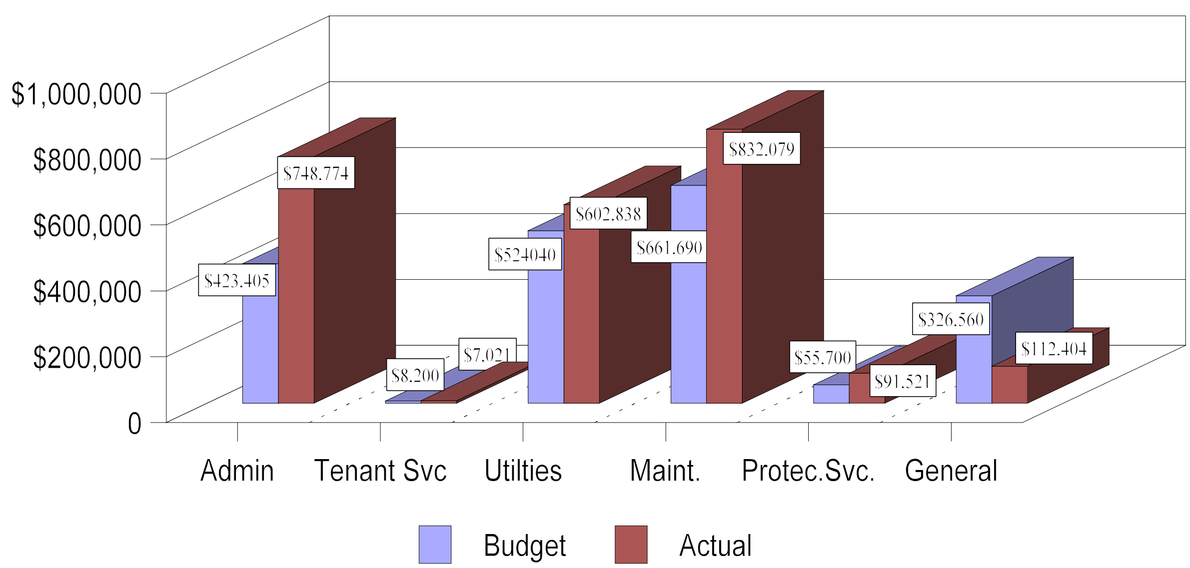
Operating Revenues	Budget	Actual	Amount of Variance	Percentage of Variance
Tenant Rental Revenue	$ 867,360	$ 900,148	$ 32,788	3.78 %
Investment Income	4,830	3,314	(1,516)	(31.39)%
Other Income	40,170	55,533	15,363	38.24 %
Total Operating Revenues	912,360	958,995	46,635	5.11 %
Operating Expenses				
Administrative	423,405	748,774	325,369	76.85 %
Tenant Services	8,200	7,021	(1,179)	(14.38)%
Utilities	524,040	502,838	(21,202)	(4.05)%
Maintenance	661,690	832,079	170,389	25.75 %
Protective Services	55,700	91,521	35,821	64.31 %
General Expense	326,560	112,404	(214,156)	(65.58)%
Total Operating Expenses	1,999,595	2,294,637	295,042	14.76 %
Residual Receipts/(Deficit)	(1,087,235)	(1,335,642)	(248,407)	(22.85)%
Operating Subsidy	1,186,534	1,174,100	(12,434)	(1.05)%
Residual Receipts/(Deficit)	$ 99,299	$ (161,542)	$ (260,841)	(262.68)%

Low Income Public Housing Budgetary Highlights (Continued)

Low Rent Housing - Budget vs. Actual Revenue



Low Rent Housing - Budget vs. Actual Expenses



Section 8 Program Budgetary Background

The Section 8 administrative budget is determined by estimating the total dollars required (Annual Contributions Required) to administer the program for a fiscal year. Annual contributions consist of estimates made by the Authority for HAP payments, audit costs, hard-to-house fees, and administrative fees.

HAP payments and audit costs are reimbursed to the Authority dollar for dollar. A $75.00 fee is earned for the initial month and an eligible Hard-to-House family is leased up. An administrative fee is earned for every voucher leased as of the 1st day of each month.

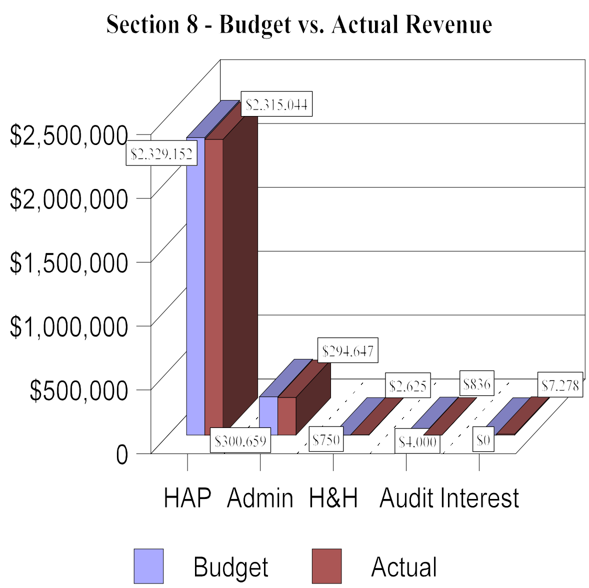
Section 8 Budgetary Highlights

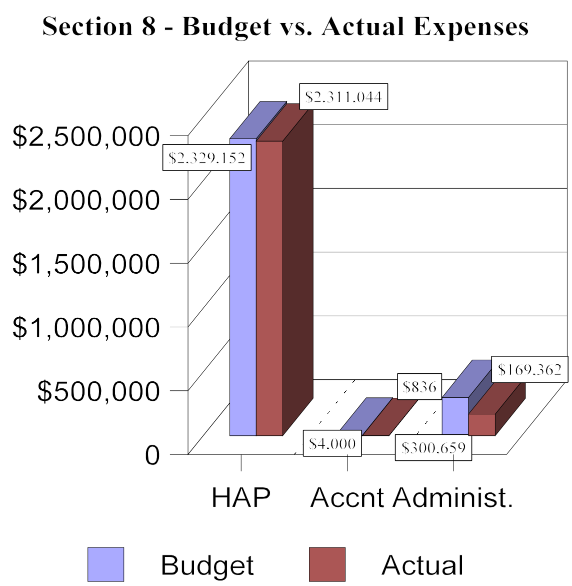
The Authority planned on a profit of $750 for the Section 8 Voucher Program. As illustrated in the table below (Table 4), the Authority experienced a profit of $137,611. This was a result of effective indirect costing measures used to enhance the reserve of the Section 8 program.

Table 4 - Section 8
Budget vs. Actual Revenue/Budget vs. Actual Expenses (excluding Depreciation)

Revenue	Budget	Actual	Amount of Variance	Percentage of Variance
Housing Assistance Payments	$ 2,329,152	$ 2,311,044	$ (18,108)	(0.78)%
Administrative Fees	300,659	294,647	(6,012)	(2.00)%
Hard-to-House Fees	750	2,625	1,875	250.00 %
Audit Costs	4,000	836	(3,164)	(79.10)%
Interest Income	0	7,278	7,278	N/A
Total Revenue	2,634,561	2,616,430	(18,131)	(0.69)%
Operating Expenses				
Housing Assistance Payments	2,329,152	2,311,044	(18,108)	(0.78)%
Audit Costs	4,000	836	(3,164)	(79.10)%
Ongoing Administrative	300,659	166,939	(133,720)	(44.48)%
Total Operating Expenses	2,633,811	2,478,819	(154,992)	(5.79)%
Profit/(Loss)	$ 750	$ 137,611	$ 136,861	18,248.27%

Section 8 Budgetary Highlights (Continued)





South Ridge Village Budgetary Background

South Ridge Village (SRV) is a subsidized program financed through the Department of Rural Development. The SRV program has the same characteristics of the Low Income Public Housing Program.

South Ridge Village Highlights

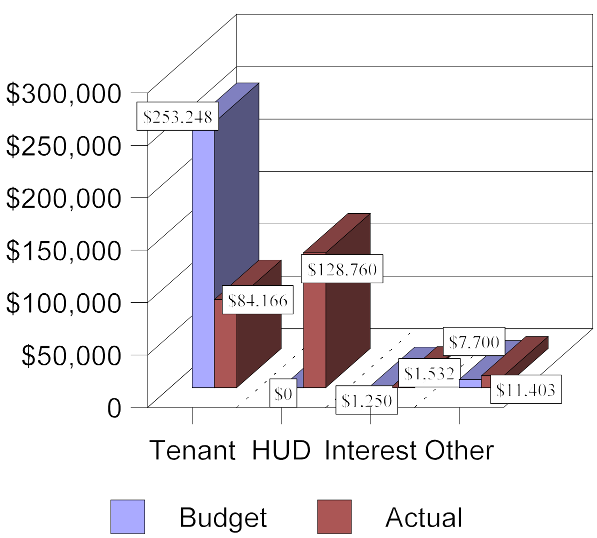
The Authority planned on a profit before depreciation of $83,226 for South Ridge Village. As illustrated in the following table (Table 5), the Authority experienced a profit before depreicaiton of $41,631.

South Ridge Village Highlights (Continued)

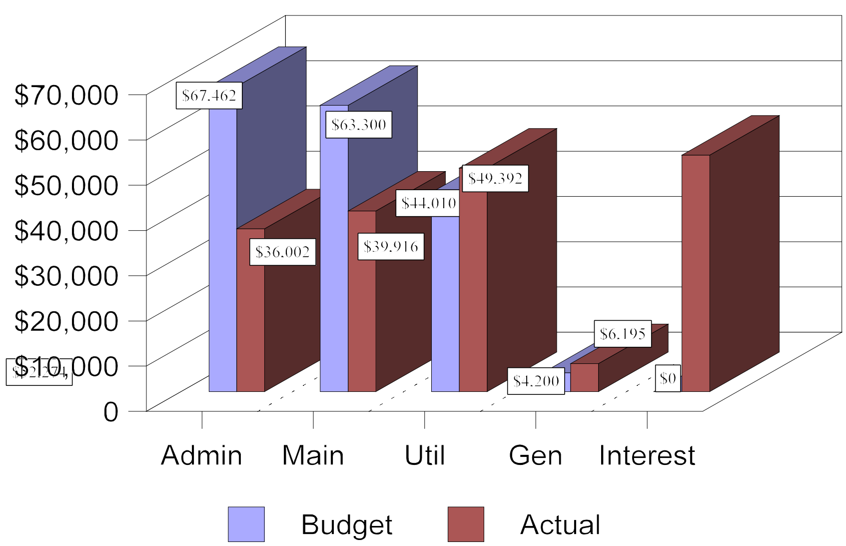
Table 5 - South Ridge Village - Revenues vs. Expenses

Operating Revenues	Budget	Actual	Amount of Variance	Percentage of Variance
Tenant Rental Revenues	$ 253,248	$ 84,165	$ (169,083)	(66.77)%
HUD PHA Grants	0	128,760	128,760	100.00 %
Interest Income	1,250	1,532	282	22.56 %
Other Revenue	7,700	11,403	3,703	48.09 %
Total Operating Revenues	262,198	225,860	(36,338)	(13.86)%
Operating Expenses				
Administrative	67,462	36,002	(31,460)	(46.63)%
Maintenance	63,300	39,916	(23,384)	
Utilities	44,010	49,392	5,382	12.23 %
General	4,200	6,195	1,995	47.50 %
Interest	0	52,724	52,724	N/A
Total Operating Expenses	178,972	184,229	5,257	2.94 %
Profit/(Loss)	$ 83,226	$ 41,631	$ (41,595)	(49.98)%

South Ridge Village - Budget vs. Actual Revenue



South Ridge Village - Budget vs. Actual Expenses



Capital Asset and Debt Administration

Capital Assets
The following table (Table 6) summarizes the changes in capital assets between December 31, 2002 and 2001:

Table 6 - Summary of Changes in Capital Assets

Capital Assets	2002	2001	Net Change	Percentage of Change
Land	$ 1,102,998	$ 1,102,998	$ 0	0.00 %
Buildings and Improvements	22,068,884	21,977,350	91,534	0.42 %
Equipment - Dwellings	358,713	319,051	39,662	12.43 %
Equipment - Administration	578,885	579,040	(155)	(0.03)%
Accumulated Depreciation	(10,862,170)	(10,002,019)	(860,151)	7.92 %
Construction in Progress	1,541,894	873,857	668,037	43.33 %
Net Capital Assets	$14,789,204	$14,850,277	$ (61,073)	(0.41)%

The following reconciliation summarizes the change in capital assets:

Beginning Balance	$ 14,885,907
Adjustments - Prior Period	(35,630)
Additions	860,381
Depreciation	(921,454)
Ending Balance	$14,789,204

This year's major additions are:

Capital Improvements (CGP & CFP) completed on a variety of the Authority's Public Housing complexes	$ 675,277

Debt
As of December 31, 2002, the Authority had $825,576 in outstanding debt related to the South Ridge Village Project. The current portion of the debt is $38,884 and the remaining balance of $786,692 is included in long-term liabilities.

Financial Contact
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.

Respectfully submitted,

James Noyes
Executive Director

Basic Financial Statements

ASHTABULA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2002

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 990,939
Accounts Receivable - HUD	32,126
Tenant Accounts Receivable, Net	23,854
Accounts Receivable - Miscellaneous	487
Prepaid Expenses	31,133
Inventories	68,437
Total Current Assets	1,146,976
Noncurrent Assets	
Cash and Cash Equivalents - Restricted:	
Tenant Security Deposits	96,115
South Ridge Village Reserve	90,767
Capital Assets, Net	14,789,204
Total Noncurrent Assets	14,976,086
TOTAL ASSETS	$ 16,123,062
LIABILITIES AND EQUITY	
Current Liabilities	
Accounts Payable	$ 92,842
Accounts Payable - HUD	295,380
Accrued Compensated Absences - Current	18,627
Tenant Security Deposits	96,115
Accrued Wages and Payroll Taxes	54,977
Accrued Liabilities - Other	74,672
Deferred Revenues	11,885
Current Portion of Long-Term Debt	38,884
Total Current Liabilities	683,382
Noncurrent Liabilities	
Long-Term Debt	786,692
Accrued Compensated Absences - Net of Current Portion	167,632
Total Noncurrent Liabilities	954,324
Total Liabilities	1,637,706
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	13,963,628
Unrestricted Net Assets	430,961
Restricted Net Assets	90,767
Total Net Assets	14,485,356
TOTAL LIABILITIES AND NET ASSETS	$ 16,123,062

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, 2002

Operating Revenues	
HUD Grants	$ 5,410,755
Rental Income	984,313
Other Revenue	66,936
Total Operating Revenues	6,462,004
Operating Expenses	
Housing Assistance Payments	3,303,441
Administrative	1,380,735
Utilities	552,230
Tenant Services	7,021
Maintenance	875,593
Protective Services	91,521
General	156,526
Total Operating Expenses Before Depreciation	6,367,067
Income Before Depreciation	94,937
Depreciation	921,454
Operating Loss	(826,517)
Non-Operating Revenues (Expenses)	
Interest and Investment Revenue	12,927
Interest Expense	(52,724)
Total Non-Operating Revenues (Expenses)	(39,797)
Loss Before Contributions and Transfers	(866,314)
Capital Grants	669,430
Change in Net Assets	(196,884)
Total Net Assets, Beginning of Year - Restated	14,682,240
Total Net Assets, End of Year	$ 14,485,356

See accompanying notes to the basic financial statements.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002

Cash Flows from Operating Activities	
Cash Received from HUD	$ 6,111,628
Cash Received From Tenants	1,052,909
Cash Payments for Housing Assistance	(3,303,441)
Cash Payments for Administrative Expenses	(1,487,398)
Cash Payments for Other Operating Expenses	(1,524,538)
Cash Payments to HUD and Other Governments	(435,203)
Net Cash (Used) by Operating Activities	413,957
Cash Flows from Capital and Related Financing Activities	
Principal Payments on Debt	(38,885)
Interest on Debt	(52,724)
Acquisition of Capital Assets	(860,381)
Capital Grants Received	669,430
Net Cash Provided by Capital and Other Related Financing Activities	(282,560)
Cash Flows from Investing Activities	
Interest and Investment Income Received	12,927
Net Cash Provided by Investing Activities	12,927
Net Increase (Decrease) in Cash and Cash Equivalents	144,324
Cash and Cash Equivalents, Beginning	1,033,497
Cash and Cash Equivalents, Ending	$ 1,177,821
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Net Operating (Loss)	$ (826,517)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities	
Depreciation	921,454
(Increase) Decrease in:	
Accounts Receivable - HUD	700,873
Accounts Receivable - Miscellaneous	232
Tenant Accounts Receivable	(5,658)
Prepaid Expenses	(633)
Inventories	1,595
Increase (Decrease) in:	
Accounts Payable	55,777
Accounts Payable - HUD	(435,203)
Accrued Compensated Absences - Current	(5,037)
Tenants' Security Deposits	7,316
Accrued Wages and Payroll Taxes	5,390
Accrued Liabilities - Other	39,731
Deferred Revenue (Prepaid Rent)	2
Accrued Compensated Absences - Long-Term	(45,365)
Net Cash Used by Operating Activities	$ 413,957

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.

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.

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

Basis of Presentation (Continued)
The Authority's basic financial statements consist of a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

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

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

Measurement Focus and Basis of Accounting
The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the Authority are included on the statement of net 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.

Changes in Accounting Principles
Effective January 1, 2002, the Authority adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local*

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

Changes in Accounting Principles (Continued)
Governments: Omnibus, and GASB Statement No. 38, *Certain Financial Statement Disclosures*. GASB Statement No. 34 establishes financial reporting standards for all state and local governments and related entities. GASB Statement No. 34 primarily relates to presentation and disclosure requirements. The impact of this accounting change was related to the format of the financial statements, presentation of net assets, the inclusion of management's discussion and analysis, additional disclosures for capital assets, and the preparation of the statements of cash flows on the direct method.

GASB Statement No. 38 requires certain disclosures to be made in the notes to the financial statements concurrent with the implementation of GASB Statement No. 34. GASB Statement No. 38 had an impact on the presentation of the notes to the financial statements and resulted in a net decrease in beginning net assets of $22,975.

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

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

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

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

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

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).

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

Deposits (Continued)
The carrying amount of the Authority's deposits was $1,177,821 at December 31, 2002. The corresponding bank balances were $1,193,162.

The amount of $290,766 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.

Book balances by program at December 31, 2002 were as follows:

	Cash	Tenant Security Deposits	Restricted Reserves	Total
Public Housing	$ 218,723	$ 87,818	$ 0	$ 306,541
Section 8 Vouchers	735,390	0	0	735,390
Rural Rental Housing	36,826	8,297	90,767	135,890
Total	$ 990,939	$ 96,115	$ 90,767	$ 1,177,821

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.

NOTE 3: CAPITAL ASSETS

A summary of capital assets at December 31, 2002 by class is as follows:

	12/31/2001	Increases	Decreases	12/31/2002
Capital Assets Not Being Depreciated				
Land	$ 1,102,998	$ 0	$ 0	$ 1,102,998
Construction in Progress	866,617	675,277	0	1,541,894
Total Capital Assets Not Being Depreciated	1,969,615	675,277	0	2,644,892
Capital Assets Being Depreciated				
Buildings and Improvements	21,977,350	91,534	0	22,068,884
Furniture, Equipment, and Machinery - Dwellings	319,051	39,662	0	358,713
Furniture, Equipment, and Machinery - Administrative	579,040	53,907	(54,062)	578,885
Subtotal Capital Assets Being Depreciated	22,875,441	185,103	(54,062)	23,006,482
Accumulated Depreciation	(9,994,778)	(921,454)	54,062	(10,862,170)
Depreciable Assets, Net	12,880,663	(736,351)	0	12,144,312
Total Capital Assets, Net	*$ 14,850,278	$ (61,074)	$ 0	$14,789,204

* Includes GASB 34 adjustments to increase beginning accumulated depreciation of $22,975 and prior period adjustments, resulting in a net decrease in net capital assets of $12,655.

NOTE 4: RESTRICTED ASSETS

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

Cash Held for Tenant Security Deposits	$ 96,115
South Ridge Village Reserve	90,767
Total Restricted Assets	$ 186,882

NOTE 5: **DEFINED BENEFIT PENSION PLANS**

Ohio Public Employees Retirement System

The following information was provided by the OPERS to assist the Authority in complying with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers.*

The Authority contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. 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. That report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5 percent. The 2002 and 2001 employer contribution rates were 13.55 percent of covered payroll of which 5 percent and 4.3 percent were the portions used to fund health care for the years 2002 and 2001, respectively. The Authority's contributions to OPERS for the years ended December 31, 2002, 2001, and 2000 were $198,632, $124,090, and $90,796, respectively, which were equal to the required contributions for each year.

OPERS provides postretirement 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. The health care coverage provided by OPERS is considered an Other Postemployment 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 postretirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The portions of the 2002 and 2001 employer contributions used to fund health care were $73,296 and $39,380, respectively.

NOTE 5: **DEFINED BENEFIT PENSION PLANS** (Continued)

Ohio Public Employees Retirement System (Continued)
The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the System's latest actuarial review performed as of December 31, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of OPERS' net assets available for OPEB at December 31, 2001 was $11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $16.4 billion and $4.8 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of health care. The Choices plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

NOTE 6: **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 4.6 hours sick leave per eighty (80) hours 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, 2002, based on the vesting method, $186,259 was accrued by the Authority for unused vacation and sick time. The current portion is $18,627 and the long term portion is $167,632.

NOTE 7: **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-five (35) Ohio housing authorities, of which Ashtabula is one. Deductibles and coverage limits are summarized below:

	Deductible	Coverage Limits
Property	$ 2,500	$ 45,000,000 (per location)
Boiler and Machinery	2,500	10,000,000
General Liability	2,500	6,000,000
Automobile	500	6,000,000
Law Enforcement	500	6,000,000
Public Officials	2,500	6,000,000

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 Medical Mutual of Ohio for employee health care benefits. Settled claims have not exceeded the Authority's insurance in any of the past three years.

NOTE 8: 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 9: CHANGES IN ACCOUNTING PRINCIPLES, RECLASSIFICATIONS, AND RESTATEMENT OF PRIOR YEAR'S FUND EQUITY

Changes in Accounting Principles

For fiscal year 2002, the Authority implemented GASB Statement No. 34. The implementation caused a reduction in total enterprise fund equity of $22,975 related to depreciation restatement. It also had an effect on the classification of the equity. See the following for the reclassification and restatement.

	Total	Net HUD/PHA Contributions	Undesignated Retained Earnings	Invested in Capital Assets-Net of Debt	Unrestricted Net Assets
Net Assets, Beginning of Year	$14,922,418	$12,477,548	$ 2,444,870	$ 0	$ 0
Reclassification - GASB 34	0	(12,477,548)	(2,444,870)	14,021,446	900,972
Depreciation Adjustments - GASB 34	(22,975)	0	0	(22,975)	0
Prior Period Adjustments	(217,203)	0	0	(12,655)	(204,548)
Net Assets, Beginning of Year, Restated	$14,682,240	$ 0	$ 0	$13,985,816	$ 696,424

NOTE 10: 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 paid during 2002 was $52,764. 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, 2002 was $825,576, of which $38,884 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.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
Supplemental Financial Data Schedule
Statement of Net Assets by Program
As of December 31, 2002

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	Section 8 Rental Voucher Program	Public Housing Comprehensive Grant Program	Resident Opportunity and Supportive Services	Public Housing Capital Fund Program	Total
LIABILITIES										
Current Liabilities										
312	Accounts Payable <= 90 Days	$0	$0	$92,842	$0	$0	$0	$0	$0	$92,842
321	Accrued Wage/Payroll Taxes Payable	$0	$0	$54,977	$0	$0	$0	$0	$0	$54,977
322	Accrued Compensated Absences - Current Portion	$0	$497	$13,333	$0	$4,797	$0	$0	$0	$18,627
331	Accounts Payable - HUD PHA Programs	$132,589	$0	$0	$0	$162,791	$0	$0	$0	$295,380
341	Tenant Security Deposits	$0	$8,297	$87,818	$0	$0	$0	$0	$0	$96,115
342	Deferred Revenues	$0	$980	$10,905	$0	$0	$0	$0	$0	$11,885
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	$0	$38,884	$0	$0	$0	$0	$0	$0	$38,884
346	Accrued Liabilities - Other	$0	$0	$74,672	$0	$0	$0	$0	$0	$74,672
347	Interprogram Due To	$104,541	$38,609	$114,245	$0	$20,827	$0	$0	$0	$278,222
310	Total Current Liabilities	$237,130	$87,267	$448,792	$0	$188,415	$0	$0	$0	$961,604
Noncurrent Liabilities										
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	$0	$786,692	$0	$0	$0	$0	$0	$0	$786,692
354	Accrued Compensated Absences - Non Current	$0	$4,470	$119,993	$0	$43,169	$0	$0	$0	$167,632
350	Total Noncurrent Liabilities	$0	$791,162	$119,993	$0	$43,169	$0	$0	$0	$954,324
300	Total Liabilities	$237,130	$878,429	$568,785	$0	$231,584	$0	$0	$0	$1,915,928
NET ASSETS										
508.1	Invested in Capital Assets, Net of Related Debt	$0	($157,847)	$12,576,057	$0	$3,524	$1,010,411	$0	$531,483	$13,963,628
511.1	Restricted Net Assets	$0	$90,767	$0	$0	$0	$0	$0	$0	$90,767
512.1	Unrestricted Net Assets	($184,177)	($4,021)	($112,948)	$0	$732,107	$0	$0	$0	$430,961
513	Total Equity/Net Assets	($184,177)	($71,101)	$12,463,109	$0	$735,631	$1,010,411	$0	$531,483	$14,485,356
600	Total Liabilities and Equity/Net Assets	$52,953	$807,328	$13,031,894	$0	$967,215	$1,010,411	$0	$531,483	$16,401,284

NOTE: For the basic financial statement presentation, interprogram balances are eliminated. Reclassifications between cash and investments were made on the basic financial statements.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
Supplemental Financial Data Schedule
Statement of Revenues, Expenses and Changes in Net Assets by Program
For the year ended December 31, 2002

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	Section 8 Rental Voucher Program	Public Housing Comprehensive Grant Program	Resident Opportunity and Supportive Services	Public Housing Capital Fund Program	Total
REVENUE										
703	Net Tenant Rental Revenue	$0	$84,165	$899,853	$0	$0	$0	$0	$0	$984,018
704	Tenant Revenue - Other	$0	$0	$295	$0	$0	$0	$0	$0	$295
705	Total Tenant Revenue	$0	$84,165	$900,148	$0	$0	$0	$0	$0	$984,313
706	HUD PHA Operating Grants	$1,041,138	$128,760	$1,174,100	$140,239	$2,608,349	$41,829	$21,018	$255,322	$5,410,755
706.1	Capital Grants	$0	$0	$0	$0	$0	$271,915	$0	$397,515	$669,430
711	Investment Income - Unrestricted	$0	$1,532	$3,314	$0	$8,081	$0	$0	$0	$12,927
715	Other Revenue	$0	$11,403	$55,533	$0	$0	$0	$0	$0	$66,936
700	Total Revenue	$1,041,138	$225,860	$2,133,095	$140,239	$2,616,430	$313,744	$21,018	$652,837	$7,144,361
EXPENSES										
911	Administrative Salaries	$27,800	$16,227	$463,936	$0	$82,047	$0	$11,539	$0	$601,549
912	Auditing Fees	$283	$4,053	$67,429	$0	$836	$0	$0	$0	$72,601
914	Compensated Absences	$0	($1,409)	($32,553)	$0	($16,439)	$0	$0	$0	($50,401)
915	Employee Benefit Contributions - Administrative	$7,912	$3,137	$145,779	$0	$21,821	$0	$9,349	$0	$187,998
916	Other Operating - Administrative	$10,391	$13,994	$104,183	$140,239	$47,915	$41,829	$130	$210,307	$568,988
924	Tenant Services - Other	$0	$0	$7,021	$0	$0	$0	$0	$0	$7,021
931	Water	$0	$13,508	$255,810	$0	$0	$0	$0	$0	$269,318
932	Electricity	$0	$22,620	$183,437	$0	$0	$0	$0	$0	$206,057
933	Gas	$0	$13,264	$63,304	$0	$0	$0	$0	$0	$76,568
934	Fuel	$0	$0	$287	$0	$0	$0	$0	$0	$287
941	Ordinary Maintenance and Operations - Labor	$0	$19,187	$360,193	$0	$0	$0	$0	$0	$379,380
942	Ordinary Maintenance and Operations - Materials and Other	$0	$5,662	$135,456	$0	$0	$0	$0	$0	$141,118
943	Ordinary Maintenance and Operations - Contract Costs	$523	$11,929	$223,231	$0	$1,543	$0	$0	$0	$237,226
945	Employee Benefit Contributions - Ordinary Maintenance	$0	$3,138	$113,199	$0	$1,532	$0	$0	$0	$117,869
952	Protective Services - Other Contract Costs	$0	$0	$91,521	$0	$0	$0	$0	$0	$91,521
961	Insurance Premiums	$9,407	$6,195	$80,177	$0	$27,763	$0	$0	$0	$123,542
962	Other General Expenses	$0	$0	$0	$0	$757	$0	$0	$0	$757
963	Payments in Lieu of Taxes	$0	$0	$39,731	$0	$0	$0	$0	$0	$39,731
964	Bad Debt - Tenant Rents	$0	$0	($7,504)	$0	$0	$0	$0	$0	($7,504)
967	Interest Expense	$0	$52,724	$0	$0	$0	$0	$0	$0	$52,724
969	Total Operating Expenses	$56,316	$184,229	$2,294,637	$140,239	$167,775	$41,829	$21,018	$210,307	$3,116,350
970	Excess Operating Revenue over Operating Expenses	$984,822	$41,631	($161,542)	$0	$2,448,655	$271,915	$0	$442,530	$4,028,011

ASHTABULA METROPOLITAN HOUSING AUTHORITY

Supplemental Financial Data Schedule

Statement of Revenues, Expenses and Changes in Net Assets by Program

For the year ended December 31, 2002

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	Section 8 Rental Voucher Program	Public Housing Comprehensive Grant Program	Resident Opportunity and Supportive Services	Public Housing Capital Fund Program	Total
973	Housing Assistance Payments	$992,397	$0	$0	$0	$2,311,044	$0	$0	$0	$3,303,441
974	Depreciation Expense	$0	$45,858	$873,174	$0	$2,422	$0	$0	$0	$921,454
900	Total Expenses	$1,048,713	$230,087	$3,167,811	$140,239	$2,481,241	$41,829	$21,018	$210,307	$7,341,245
1001	Operating Transfers In	$0	$0	$45,015	$0	$0	$0	$0	$0	$45,015
1002	Operating Transfers Out	$0	$0	$0	$0	$0	$0	$0	($45,015)	($45,015)
1010	Total Other Financing Sources (Uses)	$0	$0	$45,015	$0	$0	$0	$0	($45,015)	$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	($7,575)	($4,227)	($989,701)	$0	$135,189	$271,915	$0	$397,515	($196,884)
1102	Debt Principal Payments - Enterprise Funds	$0	$38,884	$0	$0	$0	$0	$0	$0	$38,884
1103	Beginning Equity	($116,762)	($61,459)	$12,848,599	$7,240	$597,548	$1,519,131	$0	$128,121	$14,922,418
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	($59,840)	($5,415)	$604,211	($7,240)	$2,894	($780,635)	$0	$5,847	($240,178)
1113	Maximum Annual Contributions Commitment (Per ACC)	$1,101,491	$0	$0	$0	$2,033,702	$0	$0	$0	$3,135,193
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	$0	$0	$0	$0	$0	$0	$0	$0	$0
1115	Contingency Reserve, ACC Program Reserve	$528,001	$0	$0	$0	$176,628	$0	$0	$0	$704,629
1116	Total Annual Contributions Available	$1,629,492	$0	$0	$0	$2,210,330	$0	$0	$0	$3,839,822
1120	Unit Months Available	2,076	480	6,972	0	6,252	0	0	0	15,780
1121	Number of Unit Months Leased	2,076	459	6,897	0	6,127	0	0	0	15,559

ASHTABULA METROPOLITAN HOUSING AUTHORITY
Supplemental Financial Data Schedule
Statement of Net Assets by Program
As of December 31, 2002

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	Section 8 Rental Voucher Program	Public Housing Comprehensive Grant Program	Resident Opportunity and Supportive Services	Public Housing Capital Fund Program	Total
ASSETS										
Current Assets										
111	Cash - Unrestricted	$0	$36,826	$218,723	$0	$735,390	$0	$0	$0	$990,939
114	Cash - Tenant Security Deposits	$0	$8,297	$87,818	$0	$0	$0	$0	$0	$96,115
100	Total Cash	$0	$45,123	$306,541	$0	$735,390	$0	$0	$0	$1,087,054
122	Accounts Receivable - HUD Other Projects	$32,126	$0	$0	$0	$0	$0	$0	$0	$32,126
124	Accounts Receivable - Other Government	$0	$0	$198	$0	$0	$0	$0	$0	$198
126	Accounts Receivable - Tenants - Dwelling Rents	$0	$2,152	$21,702	$0	$0	$0	$0	$0	$23,854
126.1	Allowance for Doubtful Accounts - Dwelling Rents	$0	$0	$0	$0	$0	$0	$0	$0	$0
126.2	Allowance for Doubtful Accounts - Other	$0	$0	$0	$0	$0	$0	$0	$0	$0
129	Accrued Interest Receivable	$0	$0	$114	$0	$175	$0	$0	$0	$289
120	Total Receivables, net of allowances for doubtful accounts	$32,126	$2,152	$22,014	$0	$175	$0	$0	$0	$56,467
132	Investments Restricted	$0	$90,767	$0	$0	$0	$0	$0	$0	$90,767
142	Prepaid Expenses and Other Assets	$0	$1,557	$20,236	$0	$9,340	$0	$0	$0	$31,133
143	Inventories	$0	$0	$68,437	$0	$0	$0	$0	$0	$68,437
144	Interprogram Due From	$20,827	$0	$38,609	$0	$218,786	$0	$0	$0	$278,222
150	Total Current Assets	$52,953	$139,599	$455,837	$0	$963,691	$0	$0	$0	$1,612,080
Capital Assets:										
161	Land	$0	$128,500	$974,498	$0	$0	$0	$0	$0	$1,102,998
162	Buildings	$0	$1,163,752	$20,905,132	$0	$0	$0	$0	$0	$22,068,884
163	Furniture, Equipment & Machinery - Dwellings	$0	$15,765	$342,948	$0	$0	$0	$0	$0	$358,713
164	Furniture, Equipment & Machinery - Administration	$0	$0	$566,775	$0	$12,110	$0	$0	$0	$578,885
166	Accumulated Depreciation	$0	($640,288)	($10,213,296)	$0	($8,586)	$0	$0	$0	($10,862,170)
167	Construction In Progress	$0	$0	$0	$0	$0	$1,010,411	$0	$531,483	$1,541,894
160	Total Fixed Assets, Net of Accumulated Depreciation	$0	$667,729	$12,576,057	$0	$3,524	$1,010,411	$0	$531,483	$14,789,204
180	Total Non-Current Assets	$0	$667,729	$12,576,057	$0	$3,524	$1,010,411	$0	$531,483	$14,789,204
190	Total Assets	$52,953	$807,328	$13,031,894	$0	$967,215	$1,010,411	$0	$531,483	$16,401,284

NOTE: For the basic financial statement presentation, interprogram balances are eliminated. Reclassifications between cash and investments were made on the basic financial statements.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002

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	$ 1,174,100
Comprehensive Grant Program	14.859	313,744
Resident Opportunity and Supportive Services	14.870	21,018
Capital Fund Program	14.872	652,837
Drug Elimination Program	14.854	140,239
Total Public Housing Programs		2,301,938
Section 8 Tenant Based Programs		
Tenant Based Program:		
Section 8 Housing Choice Voucher Program	14.871	2,608,349
Project Based Program:		
New Construction Section 8 Program	14.182	1,041,138
Total Section 8 Tenant and Project Based Programs		3,649,487
Rural Housing and Economic Development	14.250	128,760
Total Federal Assistance		$ 6,080,185

This schedule is prepared on the accrual basis of accounting.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
ACTUAL DRUG ELIMINATION COST CERTIFICATION
AT DECEMBER 31, 2002

1. The actual fiscal year 1999 Public Housing Drug Elimination Grant costs are as follows:

	DE Project OH12DEPOZ90199
Funds Approved	$ 128,665
Funds Expended	128,665
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 128,665
Funds Expended	128,665
Excess (Deficiency) of Funds Advanced	$ 0

Date Submitted - 10/20/01

2. The distribution of costs as shown on the Financial Status Grant Expenditures submitted to HUD for approval are in agreement with the Authority's records.

3. All Grant costs have been paid and all related liabilities have been discharged through payment.

ASHTABULA METROPOLITAN HOUSING AUTHORITY
ACTUAL DRUG ELIMINATION COST CERTIFICATION
AT DECEMBER 31, 2002

1. The actual fiscal year 1999 Public Housing Drug Elimination Grant costs are as follows:

	DE Project OH12DEPOZ90199
Funds Approved	$ 1,248,222
Funds Expended	1,248,222
Excess (Deficiency) of Funds Approved	$ 0
Funds Advanced	$ 1,248,222
Funds Expended	1,248,222
Excess (Deficiency) of Funds Advanced	$ 0

Date Submitted - 10/20/01

2. The distribution of costs as shown on the Financial Status Grant Expenditures submitted to HUD for approval are in agreement with the Authority's records.

3. All Grant costs have been paid and all related liabilities have been discharged through payment.

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

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 of Audit
Department of Housing and Urban
Development

We have audited the basic financial statements of the Ashtabula Metropolitan Housing Authority as of and for the year ended December 31, 2002, and have issued our report thereon dated July 30, 2003. The Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of January 1, 2002. This results in a change to the Authority's method of accounting for certain nonexchange revenues and a change in the format and content of the basic financial statements. 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.

Compliance

As part of obtaining reasonable assurance about whether the Ashtabula Metropolitan Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting
In planning and performing our audit, we considered Ashtabula Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 over financial reporting 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 misstatements 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. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Authority is a separate letter dated July 30, 2003.

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 and should not be used by anyone other than these specified parties.

James G. Zupka
Certified Public Accountant

July 30, 2003

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

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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 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended December 31, 2002. Ashtabula Metropolitan Housing 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 grants, applicable to each of its major federal programs is the responsibility of the Ashtabula Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Ashtabula Metropolitan Housing 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 Ashtabula Metropolitan Housing 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 Ashtabula Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Ashtabula Metropolitan Housing 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, 2002.

Internal Control Over Compliance
The management of the Ashtabula Metropolitan Housing Authority 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 Ashtabula Metropolitan Housing 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 grants 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. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Authority in a separate letter dated July 30, 2003.

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
Certified Public Accountant

July 30, 2003

ASHTABULA METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2002

1. **SUMMARY OF AUDITOR'S RESULTS**

2002(i)	Type of Financial Statement Opinion	Unqualified
2002(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
2002(ii)	Were there any other reportable control weakness conditions reported at the financial statements level (GAGAS)?	No
2002(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
2002(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
2002(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
2002(v)	Type of Major Programs' Compliance Opinion	Unqualified
2002(vi)	Are there any reportable findings under .510?	No
2002(vii)	Major Programs (list):	Section 8 Housing Choice Voucher CFDA #14.871
2002(viii)	Dollar Threshold: Type A\B Programs	Type A: >$300,000 Type B: > all others
2002(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

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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
OCTOBER 14, 2003