

Chillicothe Metropolitan Housing Authority

Basic Financial Statements

For the Year Ended September 30, 2004



**Auditor of State
Betty Montgomery**

Board of Directors
Chillicothe Metropolitan Housing Authority
178 W. 4th St.
Chillicothe, OH 45601-3219

We have reviewed the *Independent Auditor's Report* of the Chillicothe Metropolitan Housing Authority, Ross County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period October 1, 2003 through September 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 3, 2005

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CHILLCO THE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2004

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Independent Auditors' Report

Board of Directors
Chillicothe Metropolitan Housing
Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying basic financial statements of Chillicothe Metropolitan Housing Authority, Ohio, as of and for the year ended September 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Chillicothe Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Chillicothe Metropolitan Housing Authority, Ohio, as of September 30, 2004, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated May 20, 2005, on my consideration of Chillicothe Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of my audit.

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

My Audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Chillicothe Metropolitan Housing Authority, Ohio. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the basic financial statements. The combining financial data schedule ("FDS") and is presented for purposes additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Salvatore Consiglio". The signature is written in a cursive style and is positioned above a horizontal line.

Salvatore Consiglio, CPA, Inc.

May 20, 2005

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004

UNAUDITED

The Chillicothe Metropolitan Housing Authority's ("the Authority") management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's position, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statement (beginning on page 12).

FINANCIAL HIGHLIGHTS

- The Authority's net assets decreased by \$492,003 (or 4 %) during 2004, including Results from Operations of \$488,292. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$11,481,213 and \$10,989,210 for 2003 and 2004 respectively.
- Revenues increased by \$283,570 (or 7.0%) during 2004, and were \$4,207,496 and \$3,923,926 for 2003 and 2004 respectively.
- The total expenses of all Authority programs increased by \$242,549 (or 6%). Total expenses were \$4,169,669 and \$4,412,218 for 2003 and 2004 respectively.

USING THIS ANNUAL REPORT

This Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary information":

MD&A

~Management's Discussion
and Analysis – pgs 3-11~

Basic Financial Statement

~Authority Financial Statements – pgs 12-15~

Other Required Supplementary Information

~Required Supplementary Information - pgs 26-32~
(other than the MD&A)

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004

UNAUDITED

Authority Financial Statements

The Authority financial statements (see pgs 12-15) are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire Authority.

These Statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The Statement is presented in the format where assets, minus liabilities, equals "Net Assets", formerly know as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Assets (formerly equity) are reported in three broad categories:

Net Assets, Invested in Capital Assets, net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets: This component of Net Assets consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Assets: Consists of Net Assets that do not meet the definition of "Net Assets Invested in Capital Assets, Net of Related or Debt", or "Restricted Net Assets".

The Authority financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenue, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as capital grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004

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Fund Financial Statements

The Authority consists of exclusively Enterprise Funds. Enterprise funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

Many of the programs maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

The Authority's Programs

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Funds Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under and Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Economic Development and Supportive Services Program – a grant program funded by the Department of Housing and Urban Development that encourages economic self-sufficiency among the Authority's resident population.

Drug Elimination Program – a grant program funded by the Department of Housing and Urban Development that is intended to reduce the use of illegal drugs within the Authority's properties.

Resident Opportunity and Self Sufficiency – a grant funded by the Department of Housing and Urban Development that is intended to enable public housing residents to obtain self sufficiency and economic independence and move from welfare to work.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004

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AUTHORITY STATEMENTS

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to prior year. The Authority is engaged only in Business-Type Activities.

TABLE 1
STATEMENT OF NET ASSETS

	<u>2004</u>	RESTATED <u>2003</u>
Current and Other Assets	\$ 794,003	\$ 818,773
Capital Assets	<u>10,534,567</u>	<u>11,010,975</u>
Total Assets	<u>\$ 11,328,570</u>	<u>\$ 11,829,748</u>
Current Liabilities	\$ 199,586	\$ 302,926
Noncurrent Liabilities	<u>139,774</u>	<u>45,609</u>
Total Liabilities	<u>339,360</u>	<u>348,535</u>
Net Assets:		
Investment in Capital Assets, net of Related Debt	10,534,567	11,010,975
Restricted Net Assets	-	-
Unrestricted Net Assets	<u>454,643</u>	<u>470,238</u>
Total Net Assets	<u>10,989,210</u>	<u>11,481,213</u>
Total Liabilities and Net Assets	<u>\$ 11,328,570</u>	<u>\$ 11,829,748</u>

For more detailed information see page 12 for the Statement of Net Assets.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004

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Major Factors Affecting the Statement of Net Assets

During 2004, current and other assets were decreased by \$24,770, and current liabilities were decreased by \$103,340. The current and other assets, primarily cash and investments, decreased because of the decrease in the current liabilities.

Capital assets also changed, decreasing from \$11,010,975 to \$10,534,567. The \$476,408 decrease may be contributed primarily to a combination of net acquisitions (\$388,580), less current year depreciation and amortization (\$860,700). For more detail see "Capital Assets" below.

TABLE 2

CHANGE OF UNRESTRICTED NET ASSETS

Table 2 presents details on the change in Unrestricted Net Assets

Beginning Balance - September 30, 2003	\$	470,238
Results of Operation		(488,292)
Prior period Adjustment		(3,711)
Adjustments:		
Current year Depreciation Expense (1)		860,700
Capital Expenditure (2)		(388,580)
Loss on Disposal of Assets (1)		4,288
		4,288
Ending Balance - September 30, 2004	\$	454,643

(1) Depreciation and loss on disposal of assets are treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets

(2) Capital expenditures represent an outflow of unrestricted net assets, but are not treated as an expense against Results of Operations, and therefore must be deducted

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Assets provides a clearer change in financial well-being.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004

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TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only Business-Type Activities.

	<u>2004</u>	<u>2003</u>
<u>Revenues</u>		
Total Tenant Revenues	\$ 545,931	\$ 558,419
Operating Subsidies	2,979,097	3,010,225
Capital Grants	388,580	629,333
Investment Income	4,599	4,077
Other Revenues	<u>5,719</u>	<u>5,442</u>
Total Revenues	<u>3,923,926</u>	<u>4,207,496</u>
<u>Expenses</u>		
Administrative	764,505	544,984
Tenant Services	125,460	114,524
Utilities	310,864	337,081
Maintenance	560,098	576,074
Protective Services	39,159	45,379
General and Interest Expenses	104,562	150,624
Housing Assistance Payments	1,646,870	1,581,171
Depreciation	<u>860,700</u>	<u>819,832</u>
Total Expenses	<u>4,412,218</u>	<u>4,169,669</u>
Net Increases (Decreases)	\$ <u>(488,292)</u>	\$ <u>37,827</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004

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**MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET ASSETS**

Tenant revenue decreased during 2004 in comparison to 2003 due to lower tenant income. Operating Subsidies, Grant decreased as well as Capital Grants. The decrease in Operating Income was due to lower tenant rents, and lower level of funding from HUD. The decrease in Capital Grants was due to the completion of several capital grant.

Most expenses increased moderately due to inflation, except for Administrative. Tenant Services and Housing Assistance Payments. Administrative costs increased due to a significant change in accrued Compensated Absences. Tenant Services increased significantly because of the discontinuation of the Drug Elimination Program. Housing Assistance Payments increased due to a higher level of leasing activities within the Authority's Housing Choice Voucher Program. The Authority rented units to more low income households, which increased Housing Assistance Payments as well as the associated HUD revenue.

CAPITAL ASSETS

Capital Assets

As of year end, the Authority had \$10,534,567 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$476,408 or 4% from the end of last year.

TABLE 4

**CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATON)**

	<u>2004</u>	<u>2003</u>
Land and Land Rights	\$ 1,295,748	\$ 1,295,748
Buildings	10,615,836	10,615,836
Equipment	742,293	709,951
Leasehold Improvements	8,507,978	8,161,586
Construction in Progress	-	-
Accumulated Depreciation	<u>(10,627,288)</u>	<u>(9,772,146)</u>
 Total	 <u><u>\$ 10,534,567</u></u>	 <u><u>\$ 11,010,975</u></u>

The following reconciliation summarizes the change in Capital Assets, which presented in detail on page 22 of the notes.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004

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TABLE 5

**CHANGE IN CAPITAL ASSETS
(IN MILLIONS)**

Beginning Balance - September 30, 2003	\$	11,010,975
Current year Additions		388,580
Current year Delition - Net of Depreciation		(4,288)
Current year Depreciation Expense		<u>(860,700)</u>
 Ending Balance - September 30, 2004	 \$	 <u><u>10,534,567</u></u>
 Current year Additions are summarized as follows:		
Building Improvement	\$	346,392
Purchase of Computers Equipment		<u>42,188</u>
 Total 2004 Additions	 \$	 <u><u>388,580</u></u>

DEBIT

Debt Outstanding

As of year-end, the Authority had no debt outstanding.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates

CHILlicothe METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2004

UNAUDITED

- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

FINANCIAL CONTACT

The individual to be contacted regarding this report is Carleena Beverly, Deputy Director of the Chillicothe Metropolitan Housing Authority, at (740) 775-7881, Ext. 103. Specific requests may be submitted to the Chillicothe Metropolitan Housing Authority at 178 W. Fourth Street, Chillicothe, OH 45601.

Chillicothe Metropolitan Housing Authority
Statement of Net Assets
Proprietary Funds
September 30, 2004

ASSETS

Current assets

Cash and cash equivalents	\$ 522,574
Receivables, net	181,202
Inventories, net	43,066
Prepaid expenses and other assets	47,161
Total current assets	<u>794,003</u>

Noncurrent assets

Capital assets:	
Land	1,295,748
Building and equipment	19,866,107
Less accumulated depreciation	<u>(10,627,288)</u>
Total noncurrent assets	<u>10,534,567</u>
Total assets	<u><u>\$ 11,328,570</u></u>

LIABILITIES

Current liabilities

Accounts payable	\$ 39,620
Accrued liabilities	90,585
Intergovernmental payables	26,243
Tenant security deposits	43,138
Other current liabilities	0
Total current liabilities	<u>199,586</u>

Noncurrent liabilities

Accrued compensated absences non-current	48,121
Noncurrent liabilities - Other	91,653
Total noncurrent liabilities	<u>139,774</u>
Total liabilities	<u><u>\$ 339,360</u></u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 10,534,567
Unrestricted net assets	454,643
Total net assets	<u><u>\$ 10,989,210</u></u>

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

Chillicothe Metropolitan Housing Authority
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2004

OPERATING REVENUES

Tenant Revenue	\$ 545,931
Government operating grants	2,979,097
Other revenue	10,007
Total operating revenues	<u>3,535,035</u>

OPERATING EXPENSES

Administrative	764,505
Tenant services	125,460
Utilities	310,864
Maintenance	560,098
Protective services	39,159
General	104,562
Housing assistance payment	1,646,870
Depreciation	860,700
Total operating expenses	<u>4,412,218</u>
Operating income (loss)	<u>(877,183)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	4,599
Loss from sale of assets	(4,288)
Total nonoperating revenues (expenses)	<u>311</u>
Income (loss) before contributions and transfers	(876,872)
Capital grants	388,580
Change in net assets	(488,292)
Total net assets - beginning	11,481,213
Prior period adjustment	(3,711)
Total net assets - ending	<u><u>\$ 10,989,210</u></u>

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

Chillicothe Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Fund Type
For the Year Ended September 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Operating grants received	\$2,990,819
Tenant revenue received	539,587
Other revenue received	8,682
General and administrative expenses paid	(1,919,001)
Housing assistance payments	<u>(1,646,870)</u>

Net cash provided (used) by operating activities	<u>(26,783)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned	<u>4,599</u>
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Net cash provided (used) by investing activities	<u>4,599</u>
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CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES

Capital grant funds received	388,580
Property and equipment purchased	<u>(388,580)</u>

Net cash provided (used) by capital and related activities	<u>0</u>
--	----------

Net increase (decrease) in cash	(22,184)
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Cash and cash equivalents - Beginning of year	<u>544,758</u>
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Cash and cash equivalents - End of year	<u><u>\$522,574</u></u>
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Chillicothe Metropolitan Housing Authority
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended September 30, 2004

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Operating Income (Loss)	(\$877,183)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	860,700
- (Increases) Decreases in Accounts Receivable	3,514
- (Increases) Decreases in Prepaid Assets	(3,318)
- (Increases) Decreases in Inventory	(1,321)
- Increases (Decreases) in Accounts Payable	(16,984)
- Increases (Decreases) in Accounts Payable - Intergovernmental	(15,865)
- Increases (Decreases) in Accrued Expenses Payable	16,819
- Increases (Decreases) in Other Current Liabilities	(85,417)
- Increases (Decreases) in Other Noncurrent Liabilities	91,653
- Increases (Decreases) in Tenant Security Deposits	619
Net cash provided by operating activities	(\$26,783)

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

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Chillicothe Metropolitan Housing Authority (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. The more significant of the Authority's accounting policies are described below.

Reporting Entity

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

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

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

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Basis of Presentation

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

Fund Accounting

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

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

Proprietary Fund Types

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

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

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting

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

Description of programs

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

A. **Public Housing Program**

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

B. **Capital Fund Program**

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

C. **Housing Choice Voucher Program**

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

D. **Public Housing Drug Elimination Program**

The Authority administers the Public Housing Drug Elimination Program to provide its communities with services such as community policing, drug education intervention, and drug prevention programs for youths. Funding for the services is provided by grants from HUD and the services from local youth organizations.

E. **Economic Development and Supportive Services Program**

A grant program funded by the Department of Housing and Urban Development

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

that encourages economic self-sufficiency among the Authority's resident population.

F. Resident Opportunity and Self Sufficiency

A grant funded by the Department of Housing and Urban Development that is intended to enable public housing residents to obtain self sufficiency and economic independence and move from welfare to work.

G. Development

Grant money received from the Department of Housing and Urban Development for further purchases or development of low income housing.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending September 30, 2004 totaled \$4,599.

Fixed Assets

Fixed assets are stated at cost and depreciation is computed using the straight-line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized.

Net Assets

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

Operating Revenues and Expenses

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

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Contributions

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

Cash and Cash Equivalents

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

Compensated Absences

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

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

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

Budgetary Accounting

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

Estimates

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

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
(CONTINUED)

NOTE 2: CASH AND INVESTMENTS

Deposits – The PHA deposits are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the PHA or by its agent in the PHA’s name.

Category 2 – Collateralized with securities held by the pledging financial institution’s trust department or agent in the PHA’s name.

Category 3 – Uncollateralized

Deposits, categorized by level of risk, are:

DESCRIPTION	BANK BALANCE	CATEGORY 1	2	3	CARRYING AMOUNT
Cash and Cash					
Equivalents	\$425,176	\$425,176	\$-0-	\$-0-	\$369,438
Restricted Cash and					
Cash Equivalents	153,741	153,741	-0-	-0-	153,136
Total Deposits	<u>\$578,917</u>	<u>\$578,917</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$522,574</u>

The carrying amount above includes \$100 petty cash.

Investments - HUD Handbook 7475.1 Chapter 4, Section 1 authorizes the PHA to make investments in:

- Direct Obligations of the Federal Government;
- Obligations of Federal Government Agencies;
- Securities of Government-Sponsored Agencies; and
- Demand and Savings Deposits and Certificates of Deposit.

The PHA investments are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

Category 1 – Insured, registered, or securities held by the PHA or its agent in the PHA’s name.

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2004
 (CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

Category 2 – Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the PHA’s name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the PHA’s name.

The PHA’s had no investment for the fiscal year ended September 30, 2004.

NOTE 3: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending September 30, 2004 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

NOTE 4: FIXED ASSETS

The following is a summary:

Land	\$1,295,748
Buildings	10,615,836
Furniture, Machinery and Equipment	742,293
Leasehold Improvement	<u>8,507,978</u>
Total Fixed Assets	21,161,855
Accumulated Depreciation	<u>(10,627,288)</u>
Net Fixed Assets	<u>\$10,534,567</u>

CHILLCO THE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
(CONTINUED)

NOTE 4: FIXED ASSETS (Continued)

The following is a summary of changes:

	Balance 10/01/03	Additions	Deletion	Balance 09/30/04
Land	\$1,295,748	\$-0-	\$-0-	\$1,295,748
Buildings	10,615,836	-0-	-0-	10,615,836
Furnt, Mach. and Equip.	709,951	42,188	9,846	742,293
Leasehold Improvement	8,161,586	346,392	-0-	8,507,978
Total Fixed Assets	<u>\$20,783,121</u>	<u>\$388,580</u>	<u>\$9,846</u>	<u>21,161,855</u>

The depreciation expense for the year ended September 30, 2004 was \$860,700.

**NOTE 5: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

All full-time employees of Authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2003 employer pension contribution rate for AUTHORITY was 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority required contributions to PERS for the years ended September 30, 2004, 2003, and 2002 \$83,053, \$76,967 and \$73,264 respectively. Ninety-Two percent has been contributed for 2004. All required contributions for the two previous years have been paid.

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
(CONTINUED)

**NOTE 6: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2004 employer contribution rate (identified above) that was used to fund health care for the year ended September 30, 2004 was 5.0 percent of covered payroll, which amounted to \$30,647. The significant actuarial assumptions and calculations relating to post-employment health care benefits were based on the OPERS' latest actuarial review performed as of December 31, 2002. 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 2002 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 364,881. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2002 was \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 billion, respectively.

NOTE 7: PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$3,711 represent HUD adjustment to the Housing Choice Voucher Program annual contribution earned for the for the fiscal year ended September 30, 2003.

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004
(CONTINUED)

NOTE 8: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

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

Chillicothe Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
September 30, 2004

Line Item No.	Account Description	Low Rent Public Housing	Development	Public and Indian Housing Drug Elimination Program	Economic Development and Supportive Services Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash – Unrestricted	\$383,911	\$0	\$0	\$0	\$0	\$395	\$0	\$384,306
113	Cash - Other Restricted	\$15,379	\$0	\$0	\$0	\$0	\$76,274	\$0	\$91,653
114	Cash - Tenant Security Deposits	\$46,615	\$0	\$0	\$0	\$0	\$0	\$0	\$46,615
100	Total Cash	\$445,905	\$0	\$0	\$0	\$0	\$76,669	\$0	\$522,574
122	Accounts Receivable - HUD Other Projects	\$0	\$41,635	\$0	\$0	\$842	\$130,459	\$882	\$173,818
125	Accounts Receivable - Miscellaneous	\$1,400	\$0	\$0	\$0	\$0	\$0	\$0	\$1,400
126	Accounts Receivable - Tenants - Dwelling Rents	\$11,194	\$0	\$0	\$0	\$0	\$0	\$0	\$11,194
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(\$5,597)	\$0	\$0	\$0	\$0	\$0	\$0	(\$5,597)
126.2	Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
128	Fraud Recovery	\$0	\$0	\$0	\$0	\$0	\$487	\$0	\$487
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	\$0	\$0	(\$100)	\$0	(\$100)
120	Total Receivables, net of allowances for doubtful accounts	\$6,997	\$41,635	\$0	\$0	\$842	\$130,846	\$882	\$181,202
142	Prepaid Expenses and Other Assets	\$47,161	\$0	\$0	\$0	\$0	\$0	\$0	\$47,161
143	Inventories	\$43,566	\$0	\$0	\$0	\$0	\$0	\$0	\$43,566
143.1	Allowance for Obsolete Inventories	(\$500)	\$0	\$0	\$0	\$0	\$0	\$0	(\$500)
144	Interprogram Due From	\$147,126	\$0	\$0	\$0	\$0	\$0	\$1,774	\$148,900
150	Total Current Assets	\$690,255	\$41,635	\$0	\$0	\$842	\$207,515	\$2,656	\$942,903
161	Land	\$735,937	\$226,067	\$0	\$0	\$0	\$162,143	\$171,601	\$1,295,748
162	Buildings	\$9,506,130	\$1,109,706	\$0	\$0	\$0	\$0	\$0	\$10,615,836

Chillicothe Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
September 30, 2004

Line Item No.	Account Description	Low Rent Public Housing	Development	Public and Indian Housing Drug Elimination Program	Economic Development and Supportive Services Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
163	Furniture, Equipment & Machinery - Dwellings	\$188,849	\$8,707	\$0	\$0	\$0	\$0	\$24,992	\$222,548
164	Furniture, Equipment & Machinery - Administration	\$434,015	\$0	\$0	\$10,892	\$0	\$11,797	\$63,041	\$519,745
165	Leasehold Improvements	\$7,364,660	\$402,665	\$0	\$0	\$50,519	\$0	\$690,134	\$8,507,978
166	Accumulated Depreciation	(\$10,333,756)	(\$193,159)	\$0	(\$10,594)	(\$5,052)	(\$11,797)	(\$72,930)	(\$10,627,288)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$7,895,835	\$1,553,986	\$0	\$298	\$45,467	\$162,143	\$876,838	\$10,534,567
180	Total Non-Current Assets	\$7,895,835	\$1,553,986	\$0	\$298	\$45,467	\$162,143	\$876,838	\$10,534,567
190	Total Assets	\$8,586,090	\$1,595,621	\$0	\$298	\$46,309	\$369,658	\$879,494	\$11,477,470
312	Accounts Payable <= 90 Days	\$39,620	\$0	\$0	\$0	\$0	\$0	\$0	\$39,620
321	Accrued Wage/Payroll Taxes Payable	\$23,997	\$0	\$0	\$0	\$0	\$0	\$0	\$23,997
322	Accrued Compensated Absences - Current Portion	\$58,608	\$0	\$0	\$0	\$0	\$7,980	\$0	\$66,588
331	Accounts Payable - HUD PHA Programs	\$0	\$0	\$0	\$0	\$0	\$244	\$1,774	\$2,018
333	Accounts Payable - Other Government	\$24,225	\$0	\$0	\$0	\$0	\$0	\$0	\$24,225
341	Tenant Security Deposits	\$43,138	\$0	\$0	\$0	\$0	\$0	\$0	\$43,138
345	Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
347	Interprogram Due To	\$1,774	\$41,635	\$0	\$0	\$842	\$103,767	\$882	\$148,900
310	Total Current Liabilities	\$191,362	\$41,635	\$0	\$0	\$842	\$111,991	\$2,656	\$348,486
353	Noncurrent Liabilities - Other	\$15,379	\$0	\$0	\$0	\$0	\$76,274	\$0	\$91,653
354	Accrued Compensated Absences - Non Current	\$41,809	\$0	\$0	\$0	\$0	\$6,312	\$0	\$48,121
350	Total Noncurrent Liabilities	\$57,188	\$0	\$0	\$0	\$0	\$82,586	\$0	\$139,774

Chillicothe Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change in Retained Earnings
FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
September 30, 2004

Line Item No.	Account Description	Low Rent Public Housing	Development	Public and Indian Housing Drug Elimination Program	Economic Development and Supportive Services Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$535,228	\$0	\$0	\$0	\$0	\$0	\$0	\$535,228
704	Tenant Revenue - Other	\$10,703	\$0	\$0	\$0	\$0	\$0	\$0	\$10,703
705	Total Tenant Revenue	\$545,931	\$0	\$0	\$0	\$0	\$0	\$0	\$545,931
706	HUD PHA Operating Grants	\$909,677	\$216	\$64	\$0	\$98,990	\$1,891,312	\$78,838	\$2,979,097
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$388,580	\$388,580
711	Investment Income - Unrestricted	\$3,767	\$0	\$0	\$0	\$0	\$832	\$0	\$4,599
714	Fraud Recovery	\$0	\$0	\$0	\$0	\$0	\$529	\$0	\$529
715	Other Revenue	\$9,478	\$0	\$0	\$0	\$0	\$0	\$0	\$9,478
716	Gain/Loss on Sale of Fixed Assets	(\$4,288)	\$0	\$0	\$0	\$0	\$0	\$0	(\$4,288)
720	Investment Income - Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
700	Total Revenue	\$1,464,565	\$216	\$64	\$0	\$98,990	\$1,892,673	\$467,418	\$3,923,926
911	Administrative Salaries	\$231,749	\$0	\$0	\$0	\$0	\$92,458	\$0	\$324,207
912	Auditing Fees	\$4,881	\$0	\$0	\$0	\$0	\$4,328	\$0	\$9,209
913	Outside Management Fees	\$0	\$0	\$0	\$0	\$0	\$1,469	\$38,000	\$39,469
914	Compensated Absences	\$75,512	\$0	\$0	\$0	\$0	\$15,325	\$0	\$90,837
915	Employee Benefit Contributions - Administrative	\$121,054	\$0	\$0	\$0	\$0	\$48,686	\$0	\$169,740
916	Other Operating - Administrative	\$68,645	\$216	\$0	\$0	\$15,081	\$46,628	\$473	\$131,043
921	Tenant Services - Salaries	\$15,985	\$0	\$0	\$0	\$0	\$0	\$0	\$15,985
923	Employee Benefit Contributions - Tenant Services	\$8,110	\$0	\$0	\$0	\$0	\$0	\$0	\$8,110
924	Tenant Services - Other	\$23,030	\$0	\$0	\$0	\$78,335	\$0	\$0	\$101,365
931	Water	\$151,673	\$0	\$0	\$0	\$0	\$0	\$0	\$151,673
932	Electricity	\$144,601	\$0	\$0	\$0	\$0	\$0	\$0	\$144,601
933	Gas	\$14,590	\$0	\$0	\$0	\$0	\$0	\$0	\$14,590

Chillicothe Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change in Retained Earnings
FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
September 30, 2004

Line Item No.	Account Description	Low Rent Public Housing	Development	Public and Indian Housing Drug Elimination Program	Economic Development and Supportive Services Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
941	Ordinary Maintenance and Operations - Labor	\$182,451	\$0	\$0	\$0	\$0	\$0	\$0	\$182,451
942	Ordinary Maintenance and Operations - Materials and Other	\$76,758	\$0	\$0	\$0	\$0	\$0	\$0	\$76,758
943	Ordinary Maintenance and Operations - Contract Costs	\$197,021	\$0	\$0	\$0	\$5,574	\$0	\$1,270	\$203,865
945	Employee Benefit Contributions - Ordinary Maintenance	\$97,024	\$0	\$0	\$0	\$0	\$0	\$0	\$97,024
952	Protective Services - Other Contract Costs	\$0	\$0	\$64	\$0	\$0	\$0	\$39,095	\$39,159
961	Insurance Premiums	\$72,491	\$0	\$0	\$0	\$0	\$0	\$0	\$72,491
963	Payments in Lieu of Taxes	\$21,686	\$0	\$0	\$0	\$0	\$0	\$0	\$21,686
964	Bad Debt - Tenant Rents	\$10,385	\$0	\$0	\$0	\$0	\$0	\$0	\$10,385
969	Total Operating Expenses	\$1,517,646	\$216	\$64	\$0	\$98,990	\$208,894	\$78,838	\$1,904,648
970	Excess Operating Revenue over Operating Expenses	(\$53,081)	\$0	\$0	\$0	\$0	\$1,683,779	\$388,580	\$2,019,278
973	Housing Assistance Payments	\$0	\$0	\$0	\$0	\$0	\$1,646,870	\$0	\$1,646,870
974	Depreciation Expense	\$747,844	\$55,832	\$0	\$1,801	\$3,368	\$241	\$51,614	\$860,700
900	Total Expenses	\$2,265,490	\$56,048	\$64	\$1,801	\$102,358	\$1,856,005	\$130,452	\$4,412,218
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(\$800,925)	(\$55,832)	\$0	(\$1,801)	(\$3,368)	\$36,668	\$336,966	(\$488,292)
1103	Beginning Equity	\$9,138,465	\$1,609,818	\$0	\$2,099	\$48,835	\$142,124	\$539,872	\$11,481,213
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0	\$0	\$0	(\$3,711)	\$0	(\$3,711)
	Ending Equity	\$8,337,540	\$1,553,986	\$0	\$298	\$45,467	\$175,081	\$876,838	\$10,989,210

Chillicothe Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change in Retained Earnings
FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
September 30, 2004

Line Item No.	Account Description	Low Rent Public Housing	Development	Public and Indian Housing Drug Elimination Program	Economic Development and Supportive Services Program	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$0	\$0	\$1,766,379	\$0	\$1,766,379
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$130,372	\$0	\$130,372
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$0	\$0	\$152,577	\$0	\$152,577
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$0	\$0	\$2,049,328	\$0	\$2,049,328
1120	Unit Months Available	4,620	0	0	0	0	4,660	0	9,280
1121	Number of Unit Months Leased	4,546	0	0	0	0	4,570	0	9,116

Chillicothe Metropolitan Housing Authority
 Schedule of Federal Award Expenditures
 For the Year Ended September 30, 2004

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850a	\$909,677
Development Program	14.850b	216
Drug Elimination Program	14.854	64
Resident Opportunity and Supportive Services	14.870	98,990
Housing Choice Voucher	14.871	1,891,312
Public Housing Capital Fund Program	14.872	<u>467,418</u>
Total Expenditure of Federal Award		<u><u>\$3,367,677</u></u>



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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
Chillicothe Metropolitan Housing
Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the basic financial statements of the Chillicothe Metropolitan Housing Authority, Ohio, as of and for the year ended September 30, 2004, and have issued my report thereon dated May 20, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Chillicothe Metropolitan Housing Authority, Ohio's basic financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance that I have reported to management of Chillicothe Metropolitan Housing Authority, Ohio, in a separate letter dated May 20, 2005.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Chillicothe Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. My 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 component 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to management of the Chillicothe Metropolitan Housing

Authority, Ohio, in a separate letter dated May 20, 2005.

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Salvatore Consiglio". The signature is written in a cursive style and is positioned above a horizontal line. A vertical line is drawn to the left of the signature, extending from the top of the signature down to the horizontal line.

Salvatore Consiglio, CPA, Inc.

May 20, 2005



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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
Chillicothe Metropolitan Housing
Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

I have audited the compliance of the Chillicothe Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2004. Chillicothe Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Chillicothe Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Chillicothe Metropolitan Housing Authority, Ohio's compliance based on my audit.

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

In my opinion, Chillicothe 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 September 30, 2004.

Internal Control Over Compliance

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

My 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. I noted no matters involving the Internal control over compliance and its operation that I considered to be material weaknesses.

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

A handwritten signature in black ink that reads "Salvatore Consiglio". The signature is written in a cursive style and is positioned above a horizontal line.

Salvatore Consiglio, CPA, Inc.

May 20, 2005

Chillicothe Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 September 30, 2004

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Was there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Was there any material internal control weakness conditions reported for major federal programs?	No
Was there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA # 14.850 Low Rent Public Housing; 14.871 Housing Choice Voucher
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Audit?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There are no findings or questioned costs for the year ended September 30, 2004.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended September 30, 2004.

Chillicothe Metropolitan Housing Authority
 Schedule of Prior Audit Findings
 September 30, 2004

The following is the status of the September 30, 2003 audit finding:

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
FED-2003-1	5 Families were over housed. Resulting in overpayment of HAP of \$20,572. This amount was questioned cost.	No	The PHA did take corrective action for the 5 families in questioned. During the current audit period the 5 families moved to another unit or opted to stay and pay the additional rent out of there pocket. However, the finding is still considered open because the PHA is still waiting for a final conclusion from HUD regarding if the \$20,572 amount reported as a questioned is to be repaid back.



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CHILLICOTHE METROPOLITAN HOUSING AUTHORITY

ROSS 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
JUNE 14, 2005**