

Chillicothe Metropolitan Housing Authority

Financial Statements

For the Year Ended September 30, 2006



Mary Taylor, CPA
Auditor of State

Board of Directors
Chillicothe Metropolitan Housing Authority
178 W Fourth Street
Chillicothe, Ohio 45601

We have reviewed the *Independent Auditors' Report* of the Chillicothe Metropolitan Housing Authority, Ross County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period October 1, 2005 through September 30, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 18, 2007

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CHILLCO THE METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2006

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
Financial statements:	
Statement of Net Assets	12
Statement of Revenue, Expenses and Change in Net Assets	13
Statement of Cash Flows	14-15
Notes to the Financial statements	16-25
Supplemental Data:	
Financial Data Schedules	26-29
PHA's Statement and Certification of Actual Modernization Cost:	
- Grant Number OH16P02450101	30
- Grant Number OH16P02450102	31
- Grant Number OH16P02450203	32
- Grant Number OH16P02450103	33
Schedule of Expenditures of Federal Awards	34
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	35-36
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	37-38
Schedule of Findings and Questioned Costs	39
Schedule of Prior Audit Findings	40

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Independent Auditors' Report

Board of Directors
Chillicothe Metropolitan Housing
Authority

I have audited the accompanying financial statements of the business-type activities of Chillicothe Metropolitan Housing Authority, Ohio, as of and for the year ended September 30, 2006, which collectively comprise the Authority basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Chillicothe Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these 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 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Chillicothe Metropolitan Housing Authority, Ohio, as of September 30, 2006, and the respective changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated May 17, 2007, 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 grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of my audit.

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

My Audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Chillicothe Metropolitan Housing Authority basic financial statements. The accompanying Schedule of Expenditure of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. The combining financial data schedule ("FDS") and the PHA's statement and certification of actual modernization cost are 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.



Salvatore Consiglio, CPA, Inc.

May 17, 2007

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2006

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 \$589,489 (or 5 %) during 2006. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net assets. Net Assets were \$11,182,580 and \$10,593,091 for 2005 and 2006 respectively.
- Revenues decreased by \$606,422 (or 13%) during 2006, and were \$4,822,845 and \$4,216,423 for 2005 and 2006 respectively.
- The total expenses of all Authority programs increased by \$158,871 (or 3%). Total expenses were \$4,647,041 and \$4,805,912 for 2005 and 2006 respectively.

USING THIS ANNUAL REPORT

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

<p style="text-align: center;">MD&A ~Management's Discussion and Analysis ~</p>
<p style="text-align: center;">Basic Financial Statement ~Authority Financial Statements ~</p>
<p style="text-align: center;">Other Required Supplementary Information ~Required Supplementary Information ~ (other than the MD&A)</p>

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2006

UNAUDITED

Authority Financial Statements

The Authority financial statements 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, 2006

UNAUDITED

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.

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, 2006

UNAUDITED

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>2006</u>	<u>2005</u>
Current and Other Assets	\$ 1,090,320	\$ 1,246,877
Capital Assets	<u>9,850,887</u>	<u>10,415,909</u>
Total Assets	<u>\$ 10,941,207</u>	<u>\$ 11,662,786</u>
Current Liabilities	\$ 292,994	\$ 395,488
Noncurrent Liabilities	<u>55,122</u>	<u>84,718</u>
Total Liabilities	<u>348,116</u>	<u>480,206</u>
Net Assets:		
Investment in Capital Assets, net of Related Debt	9,850,887	10,415,909
Unrestricted Net Assets	<u>742,204</u>	<u>766,671</u>
Total Net Assets	<u>10,593,091</u>	<u>11,182,580</u>
Total Liabilities and Net Assets	<u>\$ 10,941,207</u>	<u>\$ 11,662,786</u>

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

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2006

UNAUDITED

Major Factors Affecting the Statement of Net Assets

During 2006, current and other assets decreased by \$156,557, and current liabilities decreased by \$102,494. The current and other assets, primarily cash, decreased because of the results from operation and also due to decrease in the current liabilities.

Capital assets also changed, decreasing from \$10,415,909 to \$9,850,887. The \$565,022 decrease may be contributed primarily to a combination of acquisitions (\$343,954), less current year depreciation and amortization (\$908,218). For more detail see "Capital Assets" below.

TABLE 2
CHANGE OF NET ASSETS

Table 2 presents details on the change in Net Assets

	<u>Unrestricted Net Assets</u>	<u>Investment in Capital Assets</u>
Beginning Balance - September 30, 2005	\$ 766,671	\$ 10,415,909
Results of Operation	(589,489)	0
Adjustments:		
Current year Depreciation Expense (1)	908,218	(908,218)
Capital Expenditure (2)	(343,954)	343,954
Loss on Disposal of Assets (1)	<u>758</u>	<u>(758)</u>
Ending Balance - September 30, 2006	<u>\$ 742,204</u>	<u>\$ 9,850,887</u>

(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, 2006

UNAUDITED

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>2006</u>	<u>2005</u>
<u>Revenues</u>		
Total Tenant Revenues	\$ 494,586	\$ 529,738
Operating Subsidies	3,362,982	3,506,874
Capital Grants	343,954	770,456
Investment Income	9,262	8,291
Other Revenues	<u>5,639</u>	<u>7,486</u>
Total Revenues	<u>4,216,423</u>	<u>4,822,845</u>
<u>Expenses</u>		
Administrative	738,622	834,441
Tenant Services	82,312	92,573
Utilities	323,379	306,139
Maintenance	716,192	482,913
Protective Services	40,843	37,736
General and Interest Expenses	100,004	108,308
Housing Assistance Payments	1,896,342	1,895,817
Depreciation	<u>908,218</u>	<u>889,114</u>
Total Expenses	<u>4,805,912</u>	<u>4,647,041</u>
Net Increases (Decreases)	\$ <u>(589,489)</u>	\$ <u>175,804</u>

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2006

UNAUDITED

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

Tenant revenue decreased during 2006 in comparison to 2005 due to lower tenant income. Operating Grant Subsidies as well as Capital Grants decreased. The decrease in operating grant subsidies was due to lower level of funding from. The decrease in Capital Grants was due to fewer activities funded with capital improvement projects.

Expenses increased moderately due to inflation, except for Maintenance Expenses. Maintenance expenses increased due to change in maintenance personnel. The Housing Authority had several turnovers in personnel due to retirement. It was management decision not to replace those individuals and to contract more of the services out. Also, during the fiscal year most of the work performed was route maintenance and repairs that did not qualify for capital improvement.

CAPITAL ASSETS

Capital Assets

As of year end, the Authority had \$9,850,887 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$565,022 or 5% from the end of last year.

TABLE 4

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

	<u>2006</u>	<u>2005</u>
Land and Land Rights	\$ 1,301,487	\$ 1,301,487
Buildings	10,615,836	10,615,836
Equipment	659,649	746,356
Leasehold Improvements	9,613,893	9,268,216
Accumulated Depreciation	<u>(12,339,978)</u>	<u>(11,515,986)</u>
 Total	 <u><u>\$ 9,850,887</u></u>	 <u><u>\$ 10,415,909</u></u>

The following reconciliation summarizes the change in Capital Assets, which presented in detail on page 23 of the notes.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2006

UNAUDITED

TABLE 5

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

Beginning Balance - September 30, 2005	\$	10,415,909
Current year Additions		343,954
Current year Deletion - Net of Depreciation		(758)
Current year Depreciation Expense		<u>(908,218)</u>
 Ending Balance - September 30, 2006	 \$	 <u><u>9,850,887</u></u>
 Current year Additions are summarized as follows:		
Installed Security Cameras	\$	135,215
Replaced Kitchen Faucets		18,800
Upgrade Site Lightings		13,454
Drain Replacements		109,130
Various Other Improvements		<u>67,355</u>
 Total 2006 Additions	 \$	 <u><u>343,954</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
- 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

CHILlicothe METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2006

UNAUDITED

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, 2006

ASSETS

Current assets

Cash and cash equivalents	\$943,405
Receivables, net	72,493
Inventories, net	39,878
Prepaid expenses and other assets	34,544
<i>Total current assets</i>	<u>1,090,320</u>

Noncurrent assets

Capital assets:	
Land	1,301,487
Building and equipment	20,889,378
Less accumulated depreciation	<u>(12,339,978)</u>
<i>Total noncurrent assets</i>	<u>9,850,887</u>
Total assets	<u><u>\$10,941,207</u></u>

LIABILITIES

Current liabilities

Accounts payable	\$119,771
Accrued liabilities	74,958
Intergovernmental payables	54,712
Tenant security deposits	43,553
<i>Total current liabilities</i>	<u>292,994</u>

Noncurrent liabilities

Accrued compensated absences non-current	34,751
Noncurrent Liabilities - Other	<u>20,371</u>
<i>Total noncurrent liabilities</i>	<u>55,122</u>
Total liabilities	<u><u>\$348,116</u></u>

NET ASSETS

Invested in capital assets, net of related debt	\$9,850,887
Unrestricted net assets	<u>742,204</u>
Total net assets	<u><u>\$10,593,091</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, 2006

OPERATING REVENUES

Tenant Revenue	\$494,586
Government operating grants	3,362,982
Other revenue	5,639
Total operating revenues	<u>3,863,207</u>

OPERATING EXPENSES

Administrative	738,622
Tenant services	82,312
Utilities	323,379
Maintenance	716,192
Protective services	40,843
General	99,246
Housing assistance payment	1,896,342
Depreciation	908,218
Total operating expenses	<u>4,805,154</u>
Operating income (loss)	<u>(941,947)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	9,262
Loss on sale of assets	(758)
Total nonoperating revenues (expenses)	<u>8,504</u>
Income (loss) before contributions and transfers	(933,443)

Capital grants	343,954
Change in net assets	(589,489)
Total net assets - beginning	11,182,580
Total net assets - ending	<u><u>\$10,593,091</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, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Operating grants received	\$3,346,122
Tenant revenue received	486,140
Other revenue received	5,807
General and administrative expenses paid	(2,113,875)
Housing assistance payments	(1,896,342)
	<u>(1,896,342)</u>

Net cash provided (used) by operating activities	<u>(172,148)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned	9,262
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Net cash provided (used) by investing activities	9,262
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CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES

Capital grant funds received	343,954
Property and equipment purchased	(343,954)
	<u>0</u>

Net cash provided (used) by capital and related activities	0
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Net increase (decrease) in cash	(162,886)
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Cash and cash equivalents - Beginning of year	1,106,291
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Cash and cash equivalents - End of year	<u>\$943,405</u>
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The notes to the financial statements are an integral part of these statements.

Chillicothe Metropolitan Housing Authority
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended September 30, 2006

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Net Operating Income (Loss)	(\$941,947)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	908,218
- (Increases) Decreases in Accounts Receivable	(15,838)
- (Increases) Decreases in Prepaid Assets	(3,774)
- (Increases) Decreases in Inventory	13,283
- Increases (Decreases) in Accounts Payable	(115,828)
- Increases (Decreases) in Accounts Payable - Intergovernmental	13,482
- Increases (Decreases) in Accrued Expenses Payable	(2,894)
- Increases (Decreases) in Accrued Compensated Liabilities	(4,293)
- Increases (Decreases) in Other Current Liabilities	0
- Increases (Decreases) in Other Noncurrent Liabilities	(23,127)
- Increases (Decreases) in Tenant Security Deposits	570
	570
Net cash provided by operating activities	(\$172,148)

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

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

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 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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(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 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 FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(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 after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Description of programs

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

A. **Public Housing Program**

The 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. **Resident Opportunity and Supportive Services**

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.

E. **Development**

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

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending September 30, 2006 totaled \$9,262.

Capital Assets

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

Buildings	40 year
Buildings Improvements	15 years
Furniture, equipment and machinery	3-7 years
Leasehold improvements	15 years

Net Assets

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

Operating Revenues and Expenses

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

Capital Contributions

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

Cash and Cash Equivalents

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

CHILLCO THE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 is required by contractual agreements to adopt annual operating budgets for all its HUD funded programs. The budget for its programs is prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end. The Board of Commissioners adopts the budget through passage of a budget resolution.

Accounting and Reporting for Non-exchange Transactions

The Authority accounts for non-exchange transactions in accordance with Governmental Accounting Standards Board (GASB) Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions. Non-exchange transactions occur when the Authority receives (or gives) value without directly giving (or receiving) equal value in return.

In conformity with the requirements of GASB 33, the Authority has recognized grant funds expended for capitalizable capital assets acquired after September 30, 2000 as revenues and the related depreciation thereon, as expenses in the accompanying Combined Statement of Revenue and Expenses.

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

NOTE 2: DEPOSITS AND INVESTMENTS

Deposits

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 withdrawal 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 period of designation of depositories. Inactive deposits must either be evidenced by certificate of deposits maturing not later than the end of the current period of designation of the 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 end of the current period of designation of depositories. Interim deposits must be evidenced by time certificate of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(CONTINUED)

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

At fiscal year end September 30, 2006, the carrying amount of the Authority's deposits totaled \$943,405 and its bank balance was \$963,697. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of September 30, 2006, \$618,709 was exposed to custodial risk as discussed below, while \$344,988 was covered by the Federal Depository Insurance Corporation.

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

Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

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, 2006 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.

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(CONTINUED)

NOTE 4: CAPITAL ASSETS

The following is a summary of changes:

	Balance 09/30/05	Additions	Adjust / Deletion	Balance 09/30/06
Capital Assets Not Being Depreciated:				
Land	\$1,301,487	\$0	\$0	\$1,301,487
Total Capital Assets Not Being Depreciated	1,301,487	0	0	1,301,487
Capital Assets Being Depreciated:				
Buildings	10,615,836	0	0	10,615,836
Furnt, Mach. and Equip.	746,356	0	(86,708)	659,648
Leasehold Improvement	9,268,216	343,954	1,724	9,613,894
Total Capital Assets Being Depreciated	20,630,408	343,954	(84,984)	20,889,378
Accumulated Depreciation:				
Buildings	(5,987,986)	(265,399)	0	(6,253,385)
Furnt, Mach. and Equip.	(387,469)	(149,200)	84,226	(452,443)
Leasehold Improvement	(5,140,531)	(493,619)	0	(5,634,150)
Total Accumulated Depreciation	(11,515,986)	(908,218)	84,226	(12,339,978)
Total Capital Assets Being Depreciated, Net	9,114,422	(564,264)	(758)	8,549,400
Total Capital Assets, Net	\$10,415,909	(\$564,264)	(\$758)	\$9,850,887

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

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(CONTINUED)

NOTE 5: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

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

1. The Traditional Pension Plan – A cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Direct Plan – A defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Direct Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.
3. The Combined Plan – A cost sharing, multiple-employer defined pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefits similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

Plan members were required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the employer pension contribution rate was 13.55 percent. Effective January 1, 2006 the rates increase to 9 percent for members and 13.7 for employers. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Authority's contribution for the years ended September 30, 2006, 2005, and 2004 amounted to \$82,930, \$86,369 and \$83,053 respectively. Ninety percent has been contributed for 2006. All required contributions for the two previous years have been paid.

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

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006
(CONTINUED)

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

through their contributions to the OPERS. The portion of the 2005 employer contribution rate (identified above) that was used to fund health care for the year ended September 30, 2006 was 4.0 percent of covered payroll, which amounted to \$24,271. 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, 2005. 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 2005 was 6.5 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range from 0.50 percent to 6.3 percent. Health care costs were assumed to increase at a project wage inflation rate plus an additional factor ranging from .5% to 6% for the next 9 years. In subsequent years (10 and beyond), health care costs were assumed to increase at 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 369,214. The actuarial value of the OPERS' net assets available for OPEB at December 31, 2005 was \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

OPERS Retirement Board Implemented its Health Care Preservation Plan (HCPP). HCPP was adopted on September 9, 2004, and is effective on January 1, 2007. In addition, OPERS created a separate investment pool for health care assets. Members and employers contribution rates increases in January 1, 2006 and in 2007 will allow additional funds to be allocated to the health care plan.

NOTE 7: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

The accompanying Schedule of expenditure of Federal Awards 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 FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
September 30, 2006

Line Item No.	Account Description	Low Rent Public Housing	Development	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$412,817	\$0	\$0	\$462,432	\$0	\$875,249
113	Cash - Other Restricted	\$17,342	\$0	\$0	\$3,029	\$0	\$20,371
114	Cash - Tenant Security Deposits	\$47,785	\$0	\$0	\$0	\$0	\$47,785
100	Total Cash	\$477,944	\$0	\$0	\$465,461	\$0	\$943,405
122	Accounts Receivable - HUD Other Projects	\$0	\$41,635	\$20,106	\$0	\$4,820	\$66,561
126	Accounts Receivable - Tenants - Dwelling Rents	\$15,480	\$0	\$0	\$0	\$0	\$15,480
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(\$10,000)	\$0	\$0	\$0	\$0	(\$10,000)
128	Fraud Recovery	\$0	\$0	\$0	\$552	\$0	\$552
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	(\$100)	\$0	(\$100)
120	Total Receivables, net of allowances for doubtful accounts	\$5,480	\$41,635	\$20,106	\$452	\$4,820	\$72,493
142	Prepaid Expenses and Other Assets	\$34,544	\$0	\$0	\$0	\$0	\$34,544
143	Inventories	\$40,378	\$0	\$0	\$0	\$0	\$40,378
143.1	Allowance for Obsolete Inventories	(\$500)	\$0	\$0	\$0	\$0	(\$500)
144	Interprogram Due From	\$131,075	\$0	\$0	\$0	\$0	\$131,075
150	Total Current Assets	\$688,921	\$41,635	\$20,106	\$465,913	\$4,820	\$1,221,395
161	Land	\$905,938	\$226,067	\$0	\$162,143	\$7,339	\$1,301,487
162	Buildings	\$9,506,130	\$1,109,706	\$0	\$0	\$0	\$10,615,836
163	Furniture, Equipment & Machinery - Dwellings	\$212,907	\$8,707	\$0	\$0	\$0	\$221,614
164	Furniture, Equipment & Machinery - Administration	\$373,385	\$0	\$0	\$8,716	\$55,934	\$438,035
165	Leasehold Improvements	\$7,759,301	\$402,665	\$50,519	\$0	\$1,401,408	\$9,613,893
166	Accumulated Depreciation	(\$11,837,366)	(\$304,823)	(\$11,788)	(\$8,716)	(\$177,285)	(\$12,339,978)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$6,920,295	\$1,442,322	\$38,731	\$162,143	\$1,287,396	\$9,850,887
190	Total Assets	\$7,609,216	\$1,483,957	\$58,837	\$628,056	\$1,292,216	\$11,072,282

Chillicothe Metropolitan Housing Authority
Combining FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
September 30, 2006

Line Item No.	Account Description	Low Rent Public Housing	Development	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
312	Accounts Payable <= 90 Days	\$119,771	\$0	\$0	\$0	\$0	\$119,771
321	Accrued Wage/Payroll Taxes Payable	\$21,698	\$0	\$0	\$0	\$0	\$21,698
322	Accrued Compensated Absences - Current Portion	\$45,589	\$0	\$0	\$7,671	\$0	\$53,260
333	Accounts Payable - Other Government	\$54,712	\$0	\$0	\$0	\$0	\$54,712
341	Tenant Security Deposits	\$43,553	\$0	\$0	\$0	\$0	\$43,553
345	Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0
347	Interprogram Due To	\$0	\$41,635	\$20,106	\$64,514	\$4,820	\$131,075
310	Total Current Liabilities	\$285,323	\$41,635	\$20,106	\$72,185	\$4,820	\$424,069
354	Accrued Compensated Absences - Non Current	\$27,418	\$0	\$0	\$7,333	\$0	\$34,751
353	Noncurrent Liabilities - Other	\$17,342	\$0	\$0	\$3,029	\$0	\$20,371
350	Total Noncurrent Liabilities	\$44,760	\$0	\$0	\$10,362	\$0	\$55,122
300	Total Liabilities	\$330,083	\$41,635	\$20,106	\$82,547	\$4,820	\$479,191
508.1	Invested in Capital Assets, Net of Related Debt	\$6,920,295	\$1,442,322	\$38,731	\$162,143	\$1,287,396	\$9,850,887
512.1	Unrestricted Net Assets	\$358,838	\$0	\$0	\$383,366	\$0	\$742,204
513	Total Equity/Net Assets	\$7,279,133	\$1,442,322	\$38,731	\$545,509	\$1,287,396	\$10,593,091
600	Total Liabilities and Equity/Net Assets	\$7,609,216	\$1,483,957	\$58,837	\$628,056	\$1,292,216	\$11,072,282
703	Net Tenant Rental Revenue	\$494,586	\$0	\$0	\$0	\$0	\$494,586
705	Total Tenant Revenue	\$494,586	\$0	\$0	\$0	\$0	\$494,586
706	HUD PHA Operating Grants	\$938,086	\$0	\$37,179	\$2,267,610	\$120,107	\$3,362,982
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$343,954	\$343,954
711	Investment Income - Unrestricted	\$5,810	\$0	\$0	\$3,452	\$0	\$9,262
714	Fraud Recovery	\$0	\$0	\$0	\$2,194	\$0	\$2,194
715	Other Revenue	\$3,445	\$0	\$0	\$0	\$0	\$3,445

Chillicothe Metropolitan Housing Authority
Combining FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
September 30, 2006

Line Item No.	Account Description	Low Rent Public Housing	Development	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
716	Gain/Loss on Sale of Fixed Assets	(\$758)	\$0	\$0	\$0	\$0	(\$758)
700	Total Revenue	\$1,441,169	\$0	\$37,179	\$2,273,256	\$464,061	\$4,215,665
911	Administrative Salaries	\$259,788	\$0	\$0	\$78,403	\$0	\$338,191
912	Auditing Fees	\$7,380	\$0	\$0	\$2,485	\$0	\$9,865
914	Compensated Absences	\$10,822	\$0	\$0	\$14,594	\$0	\$25,416
915	Employee Benefit Contributions - Administrative	\$123,610	\$0	\$0	\$59,334	\$0	\$182,944
916	Other Operating - Administrative	\$89,260	\$0	\$5,126	\$76,689	\$11,131	\$182,206
921	Tenant Services - Salaries	\$16,909	\$0	\$18,488	\$0	\$0	\$35,397
923	Employee Benefit Contributions - Tenant Services	\$9,329	\$0	\$11,728	\$0	\$0	\$21,057
924	Tenant Services - Other	\$24,304	\$0	\$1,554	\$0	\$0	\$25,858
931	Water	\$163,481	\$0	\$0	\$0	\$0	\$163,481
932	Electricity	\$136,185	\$0	\$0	\$0	\$0	\$136,185
933	Gas	\$23,713	\$0	\$0	\$0	\$0	\$23,713
941	Ordinary Maintenance and Operations - Labor	\$204,599	\$0	\$0	\$0	\$0	\$204,599
942	Ordinary Maintenance and Operations - Materials and Other	\$114,977	\$0	\$0	\$0	\$0	\$114,977
943	Ordinary Maintenance and Operations - Contract Costs	\$283,796	\$0	\$0	\$0	\$12,533	\$296,329
945	Employee Benefit Contributions - Ordinary Maintenance	\$100,287	\$0	\$0	\$0	\$0	\$100,287
952	Protective Services - Other Contract Costs	\$0	\$0	\$0	\$0	\$40,843	\$40,843
961	Insurance Premiums	\$64,032	\$0	\$283	\$0	\$0	\$64,315
963	Payments in Lieu of Taxes	\$19,817	\$0	\$0	\$0	\$0	\$19,817
964	Bad Debt - Tenant Rents	\$15,114	\$0	\$0	\$0	\$0	\$15,114
969	Total Operating Expenses	\$1,667,403	\$0	\$37,179	\$231,505	\$64,507	\$2,000,594
970	Excess Operating Revenue over Operating Expenses	(\$226,234)	\$0	\$0	\$2,041,751	\$399,554	\$2,215,071
973	Housing Assistance Payments	\$0	\$0	\$0	\$1,896,342	\$0	\$1,896,342

Chillicothe Metropolitan Housing Authority
Combining FDS Schedule Submitted To REAC
Propriety Fund Type- Enterprise Fund
September 30, 2006

Line Item No.	Account Description	Low Rent Public Housing	Development	Resident Opportunity and Supportive Services	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
974	Depreciation Expense	\$754,691	\$55,832	\$3,368	\$0	\$94,327	\$908,218
900	Total Expenses	\$2,422,094	\$55,832	\$40,547	\$2,127,847	\$158,834	\$4,805,154
1001	Operating Transfers In	\$55,600	\$0	\$0	\$0	\$0	\$55,600
1002	Operating Transfers Out	\$0	\$0	\$0	\$0	(\$55,600)	(\$55,600)
1010	Total Other Financing Sources (Uses)	\$55,600	\$0	\$0	\$0	(\$55,600)	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(\$925,325)	(\$55,832)	(\$3,368)	\$145,409	\$249,627	(\$589,489)
1103	Beginning Equity	\$7,690,407	\$1,498,154	\$42,099	\$400,100	\$1,551,820	\$11,182,580
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$514,051	\$0	\$0	\$0	(\$514,051)	\$0
	Ending Equity	\$7,279,133	\$1,442,322	\$38,731	\$545,509	\$1,287,396	\$10,593,091
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$2,267,610	\$0	\$2,267,610
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$297,500	\$0	\$297,500
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$2,565,110	\$0	\$2,565,110
1120	Unit Months Available	4,608	0	0	5,460	0	10,068
1121	Number of Unit Months Leased	4,491	0	0	5,320	0	9,811
1117	Administrative Fee Equity	\$0	\$0	\$0	\$85,866	\$0	\$85,866
1118	Housing Assistance Payments Equity	\$0	\$0	\$0	\$297,500	\$0	\$297,500

Chillicothe Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
September 30, 2006

Capital Fund Program Number OH16P02450101

1. The Program Costs are as follows:

Funds Approved	\$711,308
Funds Expended	<u>711,308</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -0-</u></u>
Funds Advanced	\$711,308
Funds Expended	<u>711,308</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on January 31, 2007.
4. The final costs on the certification agree to the Authority's records.

Chillicothe Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
September 30, 2006

Capital Fund Program Number OH16P02450102

1. The Program Costs are as follows:

Funds Approved	\$660,018
Funds Expended	<u>660,018</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -0-</u></u>
Funds Advanced	\$660,018
Funds Expended	<u>660,018</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on January 31, 2007.
4. The final costs on the certification agree to the Authority's records.

Chillicothe Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
September 30, 2006

Capital Fund Program Number OH16P02450203

1. The Program Costs are as follows:

Funds Approved	\$114,090
Funds Expended	<u>114,090</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -0-</u></u>
Funds Advanced	\$114,090
Funds Expended	<u>114,090</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

- 2. All costs have been paid and there are no outstanding obligations.
- 3. The Final Financial Status Report was signed and filed on January 31, 2007.
- 4. The final costs on the certification agree to the Authority's records.

Chillicothe Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
September 30, 2006

Capital Fund Program Number OH16P02450103

1. The Program Costs are as follows:

Funds Approved	\$572,464
Funds Expended	<u>572,464</u>
Excess (Deficiency) of Funds Approved	<u><u>\$ -0-</u></u>
Funds Advanced	\$572,464
Funds Expended	<u>572,464</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -0-</u></u>

- 2. All costs have been paid and there are no outstanding obligations.
- 3. The Final Financial Status Report was signed and filed on January 31, 2007.
- 4. The final costs on the certification agree to the Authority's records.

Chillicothe Metropolitan Housing Authority
 Schedule of Federal Award Expenditures
 For the Year Ended September 30, 2006

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	\$938,086
Resident Opportunity and Supportive Services	14.870	37,179
Housing Choice Voucher	14.871	2,267,610
Public Housing Capital Fund Program	14.872	<u>464,061</u>
Total Expenditure of Federal Award		<u>\$3,706,936</u>



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

Board of Directors
Chillicothe Metropolitan Housing
Authority

I have audited the financial statements of the business-type activities of the Chillicothe Metropolitan Housing Authority, Ohio, as of and for the year ended September 30, 2006, which collectively comprise the Chillicothe Metropolitan Housing Authority basic financial statements and have issued my report thereon dated May 17, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered 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 financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud in amounts that would be material in relation the financial statements being auditing 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 17, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chillicothe Metropolitan Housing Authority, Ohio's 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*.

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. A vertical line is positioned to the left of the signature, and a horizontal line is positioned below it, forming a partial signature box.

Salvatore Consiglio, CPA, Inc.

May 17, 2007



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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

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, 2006. 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.

I noted certain matters that I reported to management of Chillicothe Metropolitan Housing Authority, Ohio, in a separate letter dated May 17, 2007.

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, 2006.

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.



Salvatore Consiglio, CPA, Inc.

May 17, 2007

Chillicothe Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 September 30, 2006

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 Program
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
 REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

There are no Findings or questioned costs for the year ended September 30, 2006.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There are no Findings or questioned costs for the year ended September 30, 2006.

Chillicothe Metropolitan Housing Authority
 Schedule of Prior Audit Findings
 September 30, 2006

The following is the status of the September 30, 2005 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	This finding was noted in the September 30, 2003 audit. The PHA had taken corrective action in prior years for the 5 families in questioned. 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.



Mary Taylor, CPA
Auditor of State

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 28, 2007**