

Clinton Metropolitan Housing Authority

Basic Financial Statements

For the Year Ended December 31, 2004



**Auditor of State
Betty Montgomery**

Board of Directors
Clinton Metropolitan Housing Authority
478 Thorne Avenue
Wilmington, Ohio 45177

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Clinton 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

November 3, 2005

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CLINTON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2004

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Independent Auditors' Report

Board of Directors
Clinton Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying basic financial statements of Clinton Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Clinton 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 Clinton Metropolitan Housing Authority, Ohio, as of December 31, 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 State of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated September 2, 2005, on my consideration of Clinton 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 Clinton 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 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
Certified Public Accountant

September 2, 2005

**CLINTON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2004**

Unaudited

Clinton 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 financial 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 statements (beginning on page 12).

FINANCIAL HIGHLIGHTS

- The Authority's net assets decreased by \$1,016 thousand (or 68 %) during 2004. This decrease was the result of the sale of the Public Housing property in 2004, resulting in a loss from the sale of \$874 and current year activities. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net Assets were \$1,494 thousand and \$478 thousand for 2003 and 2004 respectively.
- Revenues decreased by \$951 thousand (or 66%) during 2004, and were \$1,444 thousand and \$493 thousand for 2003 and 2004 respectively.
- The total expenses of all Authority programs decreased by \$49 thousand (or 3%). Total expenses were \$1,558 thousand and \$1,509 thousand for 2003 and 2004 respectively.

**CLINTON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2004**

Unaudited

USING THIS ANNUAL REPORT

The 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** ~

Basic Financial Statements
~ **Authority-wide Financial Statements** ~

Other Required Supplementary Information
~ **Required Supplementary Information** ~
(other than the MD&A)

The primary focus of the Authority’s financial statements is on both the Authority as a whole (Authority-wide) and the major individual funds. Both perspectives (authority-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority’s accountability.

**CLINTON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2004**

Unaudited

Authority-Wide Financial Statements

The Authority-wide 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 known 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 Debt", or "Restricted Net Assets".

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Assets (similar to an Income Statement). This Statement includes Operating Revenues, 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.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

**CLINTON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2004**

Unaudited

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 Funds

Business Type Fund

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 Fund 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 an 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.

**CLINTON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2004**

Unaudited

AUTHORITY-WIDE 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

	2004 (in thousands of dollars)	2003 (in thousands of dollars)
Current and Other Assets	\$ 367	\$ 165
Capital Assets	158	1,466
Total Assets	\$ 525	\$1,631
Current Liabilities	\$ 47	\$ 137
Long-Term Liabilities	0	0
Total Liabilities	\$ 47	\$ 137
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 158	\$1,466
Restricted	352	- 0 -
Unrestricted	(32)	28
Total Net Assets	\$478	\$1,494

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

Major Factors Affecting the Statement of Net Assets

During 2004, current and other assets increased by \$202. Current liabilities decreased by \$90 thousand. The current and other assets, primarily cash and receivables, increased due to the sale of the Public Housing property.

**CLINTON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2004**

Unaudited

Capital assets also changed significantly, decreasing from \$1,466 thousand to \$158 thousand. The \$1,308 thousand decrease is due to the sale of the property. For more detail see "Capital Assets and Debt Administration" below.

Table 2 presents details on the change in Unrestricted Net Assets

**TABLE 2
CHANGE OF UNRESTRICTED NET ASSETS**

	Thousands of Dollars
Unrestricted Net Assets 12/31/03	\$ 28
Results of Operations	(1,017)
Adjustments:	
Depreciation (1)	84
Loss from Sale of Capital Assets	874
Rounding Adjustment	(1)
	(1)
Unrestricted Net Assets 12/31/04	(\$ 32)

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

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.

**CLINTON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2004**

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 in Business-Type Activities.

	2004 (thousands of dollars)	2003 (thousands of dollars)
Revenues		
Tenant Revenue – Rents and Other	\$9	\$ 41
Operating Subsidies and Grants	1,347	1,344
Capital Grants	0	58
Investment Income	10	0
Other Revenues	1	1
Loss from Sale of Assets	(874)	0
Total Revenue	493	1,444
Expenses		
Administrative	206	219
Utilities	11	30
Maintenance	25	101
General	14	17
Housing Assistance Payments	1,169	1,042
Depreciation	84	149
Total Expenses	1,509	1,558
Net Increase	\$ (1,017)	\$ (114)

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

Tenant revenue was down during 2004 in comparison to 2003 because of the sale of all public housing units in April, 2004. Operating Subsidies decreased for public housing because of the sale of public housing. Operating subsidies increased for Section 8 because of the increase in occupancy and the addition of 30 vouchers to cover the public housing units sold.

**CLINTON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2004**

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had \$158 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$1,308 million or 89% from the end of last year.

Most expenses decreased due to the sale of public housing. Housing Assistance Payments increased because of additional vouchers.

TABLE 4

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

	Business-type Activities	
	2004 (thousands of dollars)	2003 (thousands of dollars)
Land and land rights	\$ 0	\$ 0
Buildings	334	2,982
Equipment – Administrative	36	91
Equipment – Dwelling	0	19
Accumulated Depreciation	(212)	(1,626)
Total	\$158	\$1,466

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 20 of the notes.

**CLINTON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2004**

Unaudited

TABLE 5

**CHANGE IN CAPITAL ASSETS
(IN THOUSANDS)**

	Business Type Activities
Beginning Balance	\$1,466
Loss from Sale of Assets	(874)
Proceeds from Sale of Assets	(350)
Depreciation and Amortization	<u>(84)</u>
Ending Balance	<u><u>\$158</u></u>

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding provide 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

FINANCIAL CONTACT

The individual to be contacted regarding this report is Kathy Collins, Executive Director of the Clinton Metropolitan Housing Authority, at (937) 382-5749. Specific requests may be submitted to the Clinton Metropolitan Housing Authority at 478 Thorne Avenue, Wilmington, OH 45177.

CLINTON METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets
Proprietary Funds
December 31, 2004

ASSETS

Current assets

Cash and cash equivalents	\$61,437
Receivables, net	301,879
Prepaid expenses and other assets	3,951
Total current assets	<u><u>367,267</u></u>

Noncurrent assets

Capital assets:	
Building and equipment	369,622
Less accumulated depreciation	<u>(211,792)</u>
Total noncurrent assets	<u><u>157,830</u></u>
Total assets	<u><u><u>\$525,097</u></u></u>

LIABILITIES

Current liabilities

Accounts payable	\$22,743
Accrued liabilities	10,935
Intergovernmental payables	13,563
Total liabilities	<u><u>\$47,241</u></u>

NET ASSETS

Invested in capital assets, net of related debt	\$157,830
Restricted net assets	351,502
Unrestricted net assets	<u>(31,476)</u>
Total net assets	<u><u>\$477,856</u></u>

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

CLINTON METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004

OPERATING REVENUES

Tenant Revenue	\$8,811
Government operating grants	1,347,199
Other revenue	640
Total operating revenues	<u>1,356,650</u>

OPERATING EXPENSES

Administrative	205,693
Utilities	11,151
Maintenance	24,489
General	13,677
Housing assistance payment	1,169,296
Depreciation	84,424
Total operating expenses	<u>1,508,730</u>
Operating income (loss)	<u>(152,080)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	9,634
Loss from sale of capital assets	(874,298)
Total nonoperating revenues (expenses)	<u>(864,664)</u>
Change in net assets	(1,016,744)
Total net assets - beginning	1,494,600
Total net assets - ending	<u><u>\$477,856</u></u>

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

CLINTON METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows
Proprietary Fund Type
For the Year Ended December 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Operating grants received	\$1,430,721
Tenant revenue received	10,784
Other revenue received	640
General and administrative expenses paid	(283,257)
Housing assistance payments	(1,169,296)
	<u>(10,408)</u>

Net cash provided (used) by operating activities **(10,408)**

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned	436
Mortgage interest received	9,198
	<u>9,634</u>

Net cash provided (used) by investing activities **9,634**

CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES

Proceeds from sale of capital assets	50,000
	<u>50,000</u>

Net cash provided (used) by capital and related activities **50,000**

Net increase (decrease) in cash	49,226
Cash and cash equivalents - Beginning of year	12,211
	<u>61,437</u>

Cash and cash equivalents - End of year **\$61,437**

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

CLINTON METROPOLITAN HOUSING AUTHORITY
Statement of Cash Flows - Continued
Proprietary Fund Type
For the Year Ended December 31, 2004

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Net Operating Income (Loss)	(\$152,080)
Activities	
- Depreciation	84,424
- (Increases) Decreases in Accounts Receivable	72,941
- (Increases) Decreases in Prepaid Assets	(177)
- Increases (Decreases) in Accounts Payable	(22,447)
- Increases (Decreases) in Accounts Payable - Intergovernmental	9,914
- Increases (Decreases) in Accrued Expenses Payable	(1,243)
- Increases (Decreases) in Accrued Compensated Absences	2,676
- Increases (Decreases) in Tenant Security Deposits	<u>(4,416)</u>
Net cash provided by operating activities	<u><u>(\$10,408)</u></u>

The accompanying notes to the Basic Financial Statements are an integral part of these statements.

CLINTON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Clinton Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (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 Clinton 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.

CLINTON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 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.

CLINTON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 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 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 Clinton 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.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending December 31, 2004 from bank account totaled \$436 and interest from note receivable was \$9,198.

Capital Assets

Capital 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.

CLINTON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CLINTON METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2004
 (CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

<u>DESCRIPTION</u>	<u>BANK BALANCE</u>	<u>CATEGORY</u>			<u>CARRYING AMOUNT</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Cash and Cash Equivalents	\$78,298	\$78,298	\$0	\$0	\$61,437

CLINTON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

The Authority did not have investments at December 31, 2004. The carrying amount of \$61,437 includes a petty cash amount of \$100.

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 December 31, 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: CAPITAL ASSETS

The following is a summary:

Land	\$-0-
Buildings	333,581
Furniture, Machinery and Equipment	36,041
 Total Capital Assets	 369,622
Accumulated Depreciation	(211,792)
 Net Capital Assets	 \$157,830

The following is a summary of changes:

	Balance			Balance
	12/31/03	Additions	Deletions	12/31/04
Buildings	\$1,430,344	\$0	(\$1,096,763)	\$333,581
Furnt, Mach. and Equip.	109,522	0	(73,481)	36,041
Leasehold Improvement	1,552,100	0	(1,552,100)	0
 Total Capital Assets	 \$3,091,966	 \$ 0	 (\$2,722,344)	 \$369,622

The depreciation expense for the year ended December 31, 2004 was \$84,424.

CLINTON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

NOTE 5: RESTRICTED NET ASSETS

The restricted net assets of \$351,502 represent the assets from the sale of the public housing units. This asset is restricted by HUD and can only be used for future public housing development. The Authority has asked HUD for exception to use the proceeds from the sale for the continuing operation of the Housing Choice Voucher Program. If this request is denied, the future existence of the agency is in jeopardy.

**NOTE 6: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

All employees participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple employer public employee retirement system administered by the Public Employee Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code establishes benefits. PERS issues a stand-alone financial report, which may be obtained by writing to the Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer contribution rate was 13.55 percent of covered payroll. The Authority's required contributions to PERS for the years ended December 31, 2004, 2003 and 2002 were \$12,534, \$17,915, and \$19,506, respectively. The full amount has been contributed for 2004, 2003 and 2002.

**NOTE 7: 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 June 30, 2004 was 5.0 percent of covered payroll,

CLINTON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(CONTINUED)

**NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM** (Continued)

which amounted to \$5,096. 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 8: SCHEDULE OF EXPENDITURE OF FEDERAL AWARD

The accompanying schedule of expenditure of federal award is a summary of the activity of the Authority's federal programs. This schedule has been prepared on the accrual basis of accounting.

NOTE 9: SALE OF PUBLIC HOUSING UNITS

On April 2004, the Clinton Metropolitan Housing Authority Board executed a real estate sale contract with Wilmington Housing Partners, LTD, whereas the housing authority sold its 30 unit of residential rental project (HUD Project OHIO-PO53). The sale price was \$350,000 with the following payment schedule:

- \$8,198 due on December 1, 2004.
- \$4,000 due on April 1, 2005
- \$3,000 per quarter (July 1, 2005 through January 1, 2009)
- \$300,000 final payment on April 2009

However, Wilmington Housing Partners, LTD opted to payoff the entire balance off in 2005.

Clinton Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2004

Capital Fund Program Grant Number OH10P053501-01

1. The Actual Modernization Costs are as follows:

Funds Approved	\$60,743
Funds Expended	<u>60,743</u>
Excess (Deficiency) of Funds Approved	<u><u>\$-0-</u></u>
Funds Advanced	\$60,743
Funds Expended	<u>60,743</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 actual modernization cost certification was signed and filed on February 11, 2004.
4. The final costs on the certification agree to the Authority's records.

Clinton Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2004

Capital Fund Program Grant Number OH10P053501-02

1. The Actual Modernization Costs are as follows:

Funds Approved	\$45,372
Funds Expended	<u>43,372</u>
Excess (Deficiency) of Funds Approved	<u>\$-0-</u>
Funds Advanced	\$45,372
Funds Expended	<u>43,372</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$-0-</u></u>

5. All costs have been paid and there are no outstanding obligations.
6. The actual modernization cost certification was signed and filed on April 14, 2004.
7. The final costs on the certification agree to the Authority's records.

Clinton Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2004

Capital Fund Program Grant Number OH10P053501-03

1. The Actual Modernization Costs are as follows:

Funds Approved	\$44,577
Funds Expended	<u>44,577</u>
Excess (Deficiency) of Funds Approved	<u>\$-0-</u>
Funds Advanced	\$44,577
Funds Expended	<u>44,577</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$-0-</u></u>

8. All costs have been paid and there are no outstanding obligations.
9. The actual modernization cost certification was signed and filed on February 11, 2004.
10. The final costs on the certification agree to the Authority's records.

Clinton Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2004

Capital Fund Program Grant Number OH10P053502-03

1. The Actual Modernization Costs are as follows:

Funds Approved	\$9,415
Funds Expended	<u>9,415</u>
Excess (Deficiency) of Funds Approved	<u><u>\$-0-</u></u>
Funds Advanced	\$9,415
Funds Expended	<u>9,415</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$-0-</u></u>

11. All costs have been paid and there are no outstanding obligations.
12. The actual modernization cost certification was signed and filed on May 28, 2004.
13. The final costs on the certification agree to the Authority's records.

Clinton Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash - Unrestricted	\$9,200	\$0	\$52,237	\$0	\$61,437
100	Total Cash	\$9,200	\$0	\$52,237	\$0	\$61,437
126	Accounts Receivable - Tenants - Dwelling Rents	\$79	\$0	\$0	\$0	\$79
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	\$0	\$0	\$0	\$0
127	Notes, Loans, & Mortgages Receivable - Current	\$300,000	\$0	\$0	\$0	\$300,000
128	Fraud Recovery	\$0	\$0	\$1,000	\$0	\$1,000
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	(\$200)	\$0	(\$200)
129	Accrued Interest Receivable	\$1,000	\$0	\$0	\$0	\$1,000
120	Total Receivables, net of allowances for doubtful accounts	\$301,079	\$0	\$800	\$0	\$301,879
142	Prepaid Expenses and Other Assets	\$0	\$0	\$3,951	\$0	\$3,951
144	Interprogram Due From	\$66,739	\$0	\$0	\$0	\$66,739
150	Total Current Assets	\$377,018	\$0	\$56,988	\$0	\$434,006
162	Buildings	\$0	\$0	\$333,581	\$0	\$333,581
164	Furniture, Equipment & Machinery - Administration	\$0	\$0	\$36,041	\$0	\$36,041
165	Leasehold Improvements	\$0	\$0	\$0	\$0	\$0
166	Accumulated Depreciation	\$0	\$0	(\$211,792)	\$0	(\$211,792)
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$0	\$157,830	\$0	\$157,830
180	Total Non-Current Assets	\$0	\$0	\$157,830	\$0	\$157,830
190	Total Assets	\$377,018	\$0	\$214,818	\$0	\$591,836
312	Accounts Payable <= 90 Days	\$21,000	\$0	\$1,743	\$0	\$22,743
321	Accrued Wage/Payroll Taxes Payable	\$2,225	\$0	\$2,337	\$0	\$4,562
322	Accrued Compensated Absences - Current Portion	\$0	\$0	\$6,373	\$0	\$6,373
331	Accounts Payable - HUD PHA Programs	\$0	\$0	\$11,272	\$0	\$11,272
333	Accounts Payable - Other Government	\$2,291	\$0	\$0	\$0	\$2,291
347	Interprogram Due To	\$0	\$0	\$66,739	\$0	\$66,739
310	Total Current Liabilities	\$25,516	\$0	\$88,464	\$0	\$113,980
350	Total Noncurrent Liabilities	\$0	\$0	\$0	\$0	\$0
300	Total Liabilities	\$25,516	\$0	\$88,464	\$0	\$113,980
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$0	\$157,830	\$0	\$157,830
511.1	Restricted Net Assets	\$351,502	\$0	\$0	\$0	\$351,502
512.1	Unrestricted Net Assets	\$0	\$0	(\$31,476)	\$0	(\$31,476)
513	Total Equity/Net Assets	\$351,502	\$0	\$126,354	\$0	\$477,856
600	Total Liabilities and Equity/Net Assets	\$377,018	\$0	\$214,818	\$0	\$591,836

Clinton Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$8,086	\$0	\$0	\$0	\$8,086
704	Tenant Revenue - Other	\$725	\$0	\$0	\$0	\$725
705	Total Tenant Revenue	\$8,811	\$0	\$0	\$0	\$8,811
706	HUD PHA Operating Grants	\$31,291	\$0	\$1,306,493	\$9,415	\$1,347,199
711	Investment Income - Unrestricted	\$87	\$0	\$349	\$0	\$436
712	Mortgage Interest Income	\$9,198	\$0	\$0	\$0	\$9,198
713	Proceeds from Disposition of Assets Held for Sale	\$0	\$0	\$0	\$0	\$0
713.1	Cost of Sale of Assets	\$0	\$0	\$0	\$0	\$0
715	Other Revenue	\$640	\$0	\$0	\$0	\$640
716	Gain/Loss on Sale of Fixed Assets	(\$874,298)	\$0	\$0	\$0	(\$874,298)
700	Total Revenue	(\$824,271)	\$0	\$1,306,842	\$9,415	\$491,986
911	Administrative Salaries	\$13,336	\$0	\$75,435	\$0	\$88,771
912	Auditing Fees	\$0	\$0	\$4,245	\$0	\$4,245
914	Compensated Absences	\$1,457	\$0	\$7,682	\$0	\$9,139
915	Employee Benefit Contributions - Administrative	\$3,694	\$0	\$26,897	\$0	\$30,591
916	Other Operating - Administrative	\$28,392	\$0	\$44,555	\$0	\$72,947
931	Water	\$5,541	\$0	\$222	\$0	\$5,763
932	Electricity	\$2,545	\$0	\$1,201	\$0	\$3,746
933	Gas	\$1,266	\$0	\$376	\$0	\$1,642
941	Ordinary Maintenance and Operations - Labor	\$5,435	\$0	\$0	\$3,543	\$8,978
942	Ordinary Maintenance and Operations - Materials and Other	\$4	\$0	\$403	\$1,978	\$2,385
943	Ordinary Maintenance and Operations - Contract Costs	\$2,643	\$0	\$4,126	\$3,894	\$10,663
945	Employee Benefit Contributions - Ordinary Maintenance	\$2,463	\$0	\$0	\$0	\$2,463
961	Insurance Premiums	\$3,324	\$0	\$9,859	\$0	\$13,183
962	Other General Expenses	\$0	\$0	\$1,182	\$0	\$1,182
964	Bad Debt - Tenant Rents	(\$688)	\$0	\$0	\$0	(\$688)
969	Total Operating Expenses	\$69,412	\$0	\$176,183	\$9,415	\$255,010
970	Excess Operating Revenue over Operating Expenses	(\$893,683)	\$0	\$1,130,659	\$0	\$236,976
973	Housing Assistance Payments	\$0	\$0	\$1,169,296	\$0	\$1,169,296
974	Depreciation Expense	\$75,382	\$0	\$9,042	\$0	\$84,424
900	Total Expenses	\$144,794	\$0	\$1,354,521	\$9,415	\$1,508,730
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(\$969,065)	\$0	(\$47,679)	\$0	(\$1,016,744)
1103	Beginning Equity	\$1,233,908	\$139,214	\$7,161	\$114,317	\$1,494,600

Clinton Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2004

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$86,659	(\$139,214)	\$166,872	(\$114,317)	\$0
	Ending Equity	\$351,502	\$0	\$126,354	\$0	\$477,856
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$1,313,920	\$0	\$1,313,920
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$99,145	\$0	\$99,145
1116	Total Annual Contributions Available	\$0	\$0	\$1,413,065	\$0	\$1,413,065
1120	Unit Months Available	87	0	3,426	0	3,513
1121	Number of Unit Months Leased	77	0	3,313	0	3,390

Clinton Metropolitan Housing Authority
 Schedule of Expenditure of Federal Award
 For the Year Ended December 31, 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	\$31,291
Housing Choice Voucher Program	14.871	1,306,493
Public Housing Capital Fund Program	14.872	<u>9,415</u>
Total Expenditure of Federal Award		<u>\$1,347,199</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
Clinton Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the basic financial statements of the Clinton Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2004, and have issued my report thereon dated September 2, 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 Clinton 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 Governmental Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Clinton 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. However, I noted certain matters involving the internal control over financial reporting and its operation that I have consider being reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Butler Metropolitan Housing Authority ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items GAS-2004-1 and GAS-2004-2.

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 auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. I considered the reportable conditions described above to be material weaknesses. I have noted other matters involving the internal control over financial reporting that I have reported to management of the Clinton Metropolitan Housing Authority, Ohio, in a separate letter dated September 2, 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.

Salvatore Consiglio
Certified Public Accountant

September 2, 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
Clinton Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

I have audited the compliance of the Clinton 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 December 31, 2004. Clinton 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 Clinton Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Clinton 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 Clinton 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 Clinton Metropolitan Housing Authority, Ohio's compliance with those requirements.

As described in item FED-2004-1 and FED-2004-3 in the accompanying schedule of findings and questioned costs, Clinton Metropolitan Housing Authority, Ohio, did not comply with requirements regarding Special Test and Provisions that are applicable to its Housing Choice Voucher Program. Compliance with such requirements is necessary, in my opinion, for Clinton Metropolitan Housing Authority, Ohio, to comply with requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, Clinton Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of Clinton 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 Clinton 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.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect Clinton Metropolitan Housing Authority, Ohio's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items GAS-2004-1 and GAS-2004-2.

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. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. I believe the reportable conditions described above are a material weakness.

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
Certified Public Accountant

September 2, 2005

Clinton Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 December 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS
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Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Were 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?	Yes
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Qualified
Are there any reportable findings under § .510?	Yes
Major Programs (list):	CFDA # 14.871 Housing choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
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FINDING NUMBER	GAS-2004 -1
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HOUSING ASSISTANCE PAYMENTS

Audit procedures over the housing assistance payment process revealed several concerns. Staff needed to over write the software system to change the dollar amount so that the

Clinton Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
December 31, 2004

amount printed on the check agrees with the amount calculated in the form HUD-50058. No explanation was provided as to why the amount calculated on the form HUD-50058 did not carry to the check payable side of the system. It is believed that this error is due to the software system been old and obsolete. The software program is no longer supported by the software company. Staff had to manual review every housing assistance payment on a monthly basis and make necessary correction.

This can result in error in processing tenant housing assistance payments. Also, it leaves the PHA vulnerable for possible abuse.

Recommendation:

The PHA must upgrade its software system to resolve this problem.

PHA Response:

The PHA has recently purchase a new software system to replace its tenant accounting program. The new software program will be in place and working by the end of October 2005. The Executive Director is responsible to over see this implementation.

FINDING NUMBER	GAS-2004 -2
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SEGREGATION OF DUETIES OVER HAP

A review of the system in place for processing the Housing Choice Voucher Program housing assistance payments (HAP) and utility allowance (URP) payments, revealed that the same individual that process the HAP and URP checks also process the Tenant initial admission into the program. This person also, is responsible to calculate the HAP and URP calculation, determines the participant eligibility, verifies income, prints the checks and also has access to over write the software system to make any corrections to the check amounts to be issued.

This leaves the PHA vulnerable for possible abuse.

Recommendation:

Since the PHA can not afford to hire another staff to segregate these duties. It is strongly recommendation that the Executive Director performs more quality review of the tenant files. In addition, the Executive Director should obtain copy of the form HUD-50058 and copy of any changes. Before, signing the HAP and URP checks, the amount should be compared to the change in HAP report. On a regular basis, a sample of the change in HAP should be traced to the tenant files to ascertain that amount on check agrees with supporting documentation in tenant file.

Clinton Metropolitan Housing Authority
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PHA Response:

The Auditor recommendation will be implemented. Also, it is believed that once the new software system is in place, the Staff will no longer have access to over write the software system to change any dollar amounts. These procedures will be implemented once the new software is in place. The Executive Director is responsible to over see this corrective action.

3. FINDINGS REALTED TO FEDERAL AWARDS

FINDING NUMBER

FED-2004-1

UTILITY ALLOWANCE

**U.S. Department of HUD
Housing Choice Voucher Program (CFDA # 14.871)**

Section 24 CFR 982.517 requires that The PHA must maintain a utility allowance schedule for all tenant-paid utilities for cost of tenant-supplied refrigerators and ranges, and for other tenant-paid housing services. In addition, PHA must review its schedule of utility allowances each year, and must revise its allowance for a utility category if there is a change of 10 percent or more in the utility rate since the last time the utility allowance schedule was revised.

Audit procedures revealed that the PHA did not updating the utility allowance schedule. It is believed that the study was not performed because the PHA did not have the staff or the money to contract to have someone perform the utility allowance study and update its schedule if necessary. Therefore, I could not determine if the utility allowances were properly calculated. This can result in tenant housing assistance payment amounts to be understated.

Recommendation:

The PHA must comply with the above regulation. A utility allowance study must be performed and the utility allowance schedule be updated.

PHA Response:

The PHA will comply with the above regulation. A utility allowance study will be performed and new schedules be implemented by the end of the fiscal year of December 31, 2005. The Executive Director is responsible to oversee the implementation of this corrective action.

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FINDING NUMBER	FED-2004-2
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FSS PROGRAM IMPLEMENTATION

**U.S. Department of HUD
Housing Choice Voucher Program (CFDA # 14.871)**

24 CFR 984 requires that each PHA that received new vouchers must operate a FSS program.

The Authority requirement is to have 30 participants in the FSS program, as of December 31, 2004 the PHA did not have any participants in the program.

The PHA is working on complying with the above requirement. However, the PHA is having difficulties recruiting participants from enrolling in the program. Also, the PHA does not have the funds to cover the salary of an FSS Coordinator since it was not funded by HUD.

Recommendation:

The PHA must continue to try to comply with the above requirement.

PHA Response:

The Authority will apply for the FSS Coordinator grant. If the Authority is not funded, it will be very difficult to comply with the above regulations. Current staff will make every effort to recruit participants for the program. The Executive Director will be responsible to apply for the grant. It is not certain when the PHA will meet the 30 participant requirement for the program.

FINDING NUMBER	FED-2004-3
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Rent Reasonableness

**U.S. Department of HUD
Housing Choice Voucher Program (CFDA # 14.871)**

24 CFR 982.507 requires that the PHA must determine whether the rent to owner is a reasonable rent in comparison to rent for other comparable unassisted units.

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Per inquiry of staff it was revealed that Authority has not updated its rent reasonable data base. A survey was performed in 2004, however the result of the survey was not summarized and the data base updated.

Therefore, I could not determine if the rent charged by the land lords is reasonable.

Recommendation:

The PHA must update it data base to be able to properly document that the rent charged by landlords is reasonable.

PHA Response:

The PHA believes that the new tenant accounting software that it has purchased has a feature to perform rent reasonable comparison. The Executive Director will contact the software company to obtain a price to purchase this service. It is anticipated that this feature in the new software will be in place by December 31, 2005.

Clinton Metropolitan Housing Authority
Schedule of Prior Audit Findings
December 31, 2004

The following are the status of the December 31, 2003 audit findings. Those findings not fully corrected are repeated in the 2004 audit report.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
GAS-2003-1	Payroll taxes not paid timely	Yes	Payroll taxes were paid.
GAS-2003-2	Negative Cash balance for the Public Housing Program	Yes	Audit finding no longer valid. The PHA sold its Public Housing Units, therefore it no longer has a public housing program.
FED-2003-1	Participant files did not document requirement information	Yes	No error noted in current audit files reviewed (25 files reviewed). However, error were noted regarding rent reasonableness and utility allowance. These errors were reported as finding FED-2004-1 and FED-2004-3.
FED-2003-2	FSS Program	No	The PHA did not meet the required number (30) of participants participating in the program. Finding was repeated as FED-2004-2.



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CLINTON METROPOLITAN HOUSING AUTHORITY

CLINTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 15, 2005**