

Columbiana Metropolitan Housing Authority

Basic financial statements

For the Year Ended June 30, 2004



**Auditor of State
Betty Montgomery**

Board of Directors
Columbiana Metropolitan Housing Authority
325 Moore Street
East Liverpool, Ohio 43920-2572

We have reviewed the Independent Auditor's Report of the Columbiana Metropolitan Housing Authority, Columbiana County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2003 through June 30, 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 Columbiana Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 30, 2005

This Page is Intentionally Left Blank.

COLUMBIANA METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2004

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-11
Basic Financial Statements:	
Statement of Net Assets	12-13
Statement of Revenue, Expenses and Change in Net Assets	14
Statement of Cash Flows	15-16
Notes to the Basic Financial Statements	17-29
Supplemental Data:	
Financial Data Schedules	30-35
Schedule of Expenditures of Federal Awards	36
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	37-38
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	39-40
Schedule of Findings and Questioned Costs	41
Schedule of Prior Audit Findings	42

This Page is Intentionally Left Blank.



6548 Royalton Road, Suite 104
North Royalton, Ohio 44133
Phone (440) 877-9870
Fax (440) 877-9237
sconsiglio@aol.com

Independent Auditors' Report

Board of Directors
Columbiana Metropolitan Housing
Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying basic financial statements of Columbiana Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of the Columbiana 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 Columbiana Metropolitan Housing Authority, Ohio, as of June 30, 2004, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United State of America.

As described in Note 1 of the basic financial statements, the Authority adopted the provisions of Government Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as of July 1, 2003. This results in a change to the Authority’s format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 17, 2004, on my consideration of Columbiana 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 our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 Columbiana 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") is presented for purposes additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.



Salvatore Consiglio, CPA, Inc.

December 17, 2004

COLUMBIANA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004

Unaudited

The Columbiana 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 (its ability to address the next and subsequent year challenges), 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.

FINANCIAL HIGHLIGHTS

- Net assets were \$10,100,082 and \$10,611,177 for fiscal year ending June 30, 2004 and 2003, respectively. The Authority-wide statements reflect a decrease in total net assets of \$511,095, during 2004. This decrease is reflective of the year's activities.
- The business-type activity revenue decreased by \$180,857 during 2004, and was \$4,887,707 and \$4,706,850 for 2003 and 2004, respectively.
- The total expenses of all Authority programs increased by \$636,020. Total expenses were \$4,546,239 and \$5,182,259 for 2003 and 2004, respectively.

USING THIS ANNUAL REPORT

The following graphic outlines the format of this report:

<p>MD&A ~ Management Discussion and Analysis ~</p>
<p>Basic Financial Statements ~ Authority-wide Financial Statements ~ ~ Fund Financial Statement ~ ~ Notes to Financial Statements ~</p>
<p>Other Required Supplementary Information ~ Required Supplementary Information (other than MD&A) ~</p>

COLUMBIANA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004

Unaudited

The focus 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.

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, equal "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". This account resembles the old operating reserves account.

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 grant revenue, investment income and interest expense.

COLUMBIANA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004

Unaudited

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.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. 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.

Business Type Funds:

Conventional Public Housing (PH) – 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 to enable the PHA to provide the housing at a rent that is based upon 30% of adjusted gross household income.

Capital Fund Program (CFP) – This is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on size and age of your units.

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

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.

COLUMBIANA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004

Unaudited

State and Local Program – The State and Local Program represents the Authority contracts with the Columbiana County Department of Job and Family Services, City of Salem, City of East Liverpool and Columbiana Mental Health Board. Under these contracts the Authority administers a voucher program for the Cities of East Liverpool and City of Salem. The Authority contract with the Mental Health Board is to provide housing quality inspections and the contract with the Department of Job and Family Service is to operate an After School Program for disadvantage youths.

Shelter Plus Care Program – Under the Shelter Plus Care Program, the Authority administers contracts with independent landlords that own the property and property owned and managed by Columbiana County Mental Health. 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.

Component Unit – The component unit represent the program operated by the Housing Program Limited Corporation, a not for profit corporation under the Internal Revenue Service ruling section 501 (c) (3). This out of school program is an educational and recreational program for school aged resident. The program is provided on site at the Authority family developments. The program offers a safe, friendly and clean setting that promotes educational programs targeting a healthy lifestyle and reducing risky behaviors. The program also reinforces academics by helping students with homework and providing educational computer software in the Authority computer labs.

AUTHORITY-WIDE STATEMENT

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.

COLUMBIANA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004

Unaudited

Table 1 - Condensed Statement of Net Assets Compared to Prior Year

	<u>2004</u>	RESTATED <u>2003</u>
Current and Other Assets	\$ 1,696,880	\$ 1,128,377
Capital Assets	<u>10,026,822</u>	<u>9,821,154</u>
 Total Assets	 <u>\$ 11,723,702</u>	 <u>\$ 10,949,531</u>
 Current Liabilities	 \$ 421,027	 \$ 228,935
Long-Term Liabilities	<u>1,202,593</u>	<u>109,419</u>
 Total Liabilities	 <u>1,623,620</u>	 <u>338,354</u>
 Net Assets:		
Investment in Capital Assets, net of Related Debt	8,669,957	9,751,193
Restricted Net Assets	777,847	130,000
Unrestricted Net Assets	<u>652,278</u>	<u>729,984</u>
 Total Net Assets	 <u>10,100,082</u>	 <u>10,611,177</u>
 Total Liabilities and Net Assets	 <u>\$ 11,723,702</u>	 <u>\$ 10,949,531</u>

For more detail information see Statement of Net Assets presented elsewhere in this report.

Major Factors Affecting the Statement of Net Assets

During 2004 current assets increased by \$568,503 and liabilities increased by \$1,285,266. The Authority signed an energy performance contract with Honeywell during 2004 year. The increase in the current asset is accounted for in the cash balance on hand of \$777,847 which is restricted for the pay-off of Honeywell contract. The increase in the liability is explained by the note payable with Citibank of \$1,294,815 to finance for the energy savings capital improvement. The loan repayments did not begin until September 15, 2004.

Capital assets net change between 2004 and 2003 was \$205,668. This is reflected by the current year improvements for the energy savings program and the purchase of property at 16688 St. Claire Avenue, less depreciation expense.

COLUMBIANA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004

Unaudited

During 2004 Net Assets decreased by \$511,095. This can be explained by the increase in the Housing Assistance Payments and the increase in depreciation expenses due to the large amount of expenditure from the capital fund program in prior years.

Statement of Revenue, Expenses and Change 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.

Table 2 - Statement of Revenue, Expenses & Changes in Net Assets

	<u>2004</u>	<u>2003</u>
<u>Revenues</u>		
Tenant Revenues - Rents & Other	\$ 572,728	\$ 627,364
Operating Subsidies	3,483,757	3,297,114
Capital Grants	385,789	819,887
Investment Income	13,068	20,240
Other Revenues	251,508	123,102
	<u>4,706,850</u>	<u>4,887,707</u>
<u>Total Revenues</u>		
 <u>Expenses</u>		
Administrative	985,875	909,226
Tenant Services	11,800	30,940
Utilities	402,142	374,482
Maintenance	579,478	564,868
Protective Services	153,248	125,348
General and Interest Expenses	144,834	117,865
Housing Assistance Payments	2,060,414	1,761,444
Depreciation	844,468	662,066
	<u>5,182,259</u>	<u>4,546,239</u>
<u>Total Expenses</u>		
Net Increases (Decreases)	\$ (475,409)	\$ 341,468

COLUMBIANA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004

Unaudited

Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Assets

Tenant revenue declined. This reduction was primarily due to vacancies associated with marketing conditions for the 3, 4, and 5 bedroom units. Especially at LaBelle Terrace where CMHA has 125 family units with no waiting list for 3, 4, and 5 bedroom apartments.

Operating Subsidies, Grants and Capital Grants decreased substantially. This decrease was primarily due to a lower level of activity in the areas of capital grants. This decrease was primarily due to a smaller level of activity in the areas of capital grants. Operating subsidies and grants have decreased.

Most expenses increased moderately due to inflation, except for depreciation which increased by adding the comp grant assets. Assets became fully depreciated during fiscal year 2004. The increase was also due to the high increase in insurance premiums due to 9/11 which increased the health benefits by 14% or \$37,930. Also, the retirement of an administrative employee's payment of accrued vacation and sick leave.

The HAP payments increased by \$298,970. The increase was due to additional lease-ups. Columbiana County Housing Authority's Section Eight lease-up for 2004 was 99%.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had \$10,026,822 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$205,668 from the end of last year.

COLUMBIANA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004

Unaudited

Table 4 - Changes in Capital Assets

Beginning Balance - June 30, 2003	\$	9,821,154
Prior Period Depreciation Adjustment		(35,686)
Current year Additions		1,085,822
Current year Depreciation Expense		<u>(844,468)</u>
 Ending Balance - June 30, 2004	 \$	 <u><u>10,026,822</u></u>
 Current year Additions are summarized as follows:		
Capital Improvement Program	\$	458,822
Energy Savings Program		517,000
Purchase of Land		29,000
Purchase of Building		<u>81,000</u>
 Total 2004 Additions	 \$	 <u><u>1,085,822</u></u>

Debt Outstanding

As of year-end, the Authority had \$1,356,866 in debt (bonds, notes, etc.) outstanding compared to \$69,961 for prior year. The \$1,295,815 debt increase was due to the energy savings program financing from a note at Citibank:

Table 5 - Condensed Statement of Changes in Debt Outstanding

Beginning Balance - June 30, 2003	\$	69,961
Energy Program Note Issued		1,294,815
Current Year Principal Payments		<u>(7,910)</u>
 Ending Balance - June 30, 2004	 \$	 <u><u>1,356,866</u></u>

COLUMBIANA METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004

Unaudited

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of 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

IN CONCLUSION

Columbiana Metropolitan Housing Authority takes great pride in its financial management and is pleased to report on the sound financial condition of the Authority.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Claudia Pilarcik, Deputy Director of the Columbiana Metropolitan Housing Authority. Specific requests may be submitted to Claudia Pilarcik, Deputy Director, Columbiana Metropolitan Housing Authority, 325 Moore Street, East Liverpool, OH 43920.

Columbiana Metropolitan Housing Authority
Statement of Net Assets
Proprietary Funds
June 30, 2004

ASSETS

Current assets

Cash and cash equivalents	\$655,373
Restricted Cash	777,847
Receivables, net	69,630
Inventories, net	30,999
Prepaid expenses and other assets	59,596
Interprogram due from	42,750
Total current assets	1,636,195

Noncurrent assets

Capital assets:	
Land	1,056,540
Building and equipment	22,672,025
Construction in Progress	801,351
Less accumulated depreciation	(14,503,094)
Total capital assets	10,026,822

Other noncurrent assets	60,685
Total noncurrent assets	10,087,507
Total assets	\$11,723,702

LIABILITIES

Current liabilities

Accounts payable	\$60,064
Accrued liabilities	35,320
Intergovernmental payables	46,247
Tenant security deposits	35,752
Deferred revenue	2,193
Bonds, notes, and loans payable	91,923
Interprogram due to	42,750
Total current liabilities	314,249

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

Columbiana Metropolitan Housing Authority
Statement of Net Assets (Continued)
Proprietary Funds
June 30, 2004

Noncurrent liabilities	
Bonds, notes, and loans payable	1,264,942
Accrued compensated absences non-current	44,429
<i>Total noncurrent liabilities</i>	<u>1,309,371</u>
Total liabilities	<u><u>\$1,623,620</u></u>
<i>NET ASSETS</i>	
Invested in capital assets, net of related debt	\$8,669,957
Restricted net assets	777,847
Unrestricted net assets	652,278
Total net assets	<u><u>\$10,100,082</u></u>

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

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

OPERATING REVENUES

Tenant Revenue	\$572,728
Government operating grants	3,703,601
Other revenue	31,664
Total operating revenues	<u>4,307,993</u>

OPERATING EXPENSES

Administrative	985,875
Tenant services	11,800
Utilities	402,142
Maintenance	579,478
Protective services	153,248
General	127,418
Housing assistance payment	2,060,414
Depreciation	844,468
Total operating expenses	<u>5,164,843</u>
Operating income (loss)	<u>(856,850)</u>

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	13,068
Interest expense	(17,416)
Capital grants	385,789
Total nonoperating revenues (expenses)	<u>381,441</u>
Income (loss) before contributions and transfers	(475,409)

Operating Transfer In	12,546
Operating Transfer Out	(12,546)
Change in net assets	(475,409)
Prior period adjustment	(35,686)
Total net assets - beginning	<u>10,611,177</u>
Total net assets - ending	<u><u>\$10,100,082</u></u>

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

Columbiana Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Operating grants received	\$3,676,782
Tenant revenue received	573,585
Other revenue received	101,152
General and administrative expenses paid	(2,331,112)
Housing assistance payments	(2,060,414)
	<u>(2,060,414)</u>

Net cash provided (used) by operating activities (40,007)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest earned received	13,068
Cash received from note receivable	7,399
	<u>7,399</u>

Net cash provided (used) by investing activities 20,467

CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES

Capital grant funds received	385,789
Property and equipment purchased	(1,085,822)
	<u>(1,085,822)</u>

Net cash provided (used) by capital and related activities (700,033)

CASH FLOWS FROM FINANCING ACTIVITIES

Cash proceeds from debt	1,294,814
Interest Payment	(17,416)
Principal Payment	(7,910)
	<u>(7,910)</u>

Net cash provided (used) by financing activities 1,269,488

Net increase (decrease) in cash 549,915

Cash and cash equivalents - Beginning of year 883,305

Cash and cash equivalents - End of year \$1,433,220

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

**Columbiana Metropolitan Housing Authority
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2004**

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

Net Operating Income (Loss)	(\$856,850)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	844,468
- Bad Debt	0
- (Increases) Decreases in Accounts Receivable	41,863
- (Increases) Decreases in Inventory	(17,192)
- (Increases) Decreases in Prepaid Assets	(7,908)
- Increases (Decreases) in Accounts Payable	(55,820)
- Increases (Decreases) in Accounts Payable - PILOT	(6,963)
- Increases (Decreases) in Accrued Expenses Payable	17,737
- Increases (Decreases) in Deferred Revenue	568
- Increases (Decreases) in Tenant Security Deposits	90
Net cash provided by operating activities	(\$40,007)

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

COLUMBIANA METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Columbiana 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.

In June 1999, GASB approved Statement No. 34, Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statements include the following:

- For the first time the financial statements include a Management Discussion and Analysis (MD&A) section providing analysis of the Authority’s overall financial position and results of operation.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The Authority has elected to implement GASB 34 in the current fiscal year.

The more significant of the Authority’s accounting policies are described below.

Reporting Entity

The Columbiana 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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

The accompanying financial statements present the Authority's primary government and the Housing Program Limited Corporation, component unit, which the Authority exercises, significant control.

Component Units

The component unit is reported in the Authority financial statements as shown below:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Blended Presented Component Unit</u>	<u>Brief Description and Relationship</u>
Housing Program Limited Corporation	A not for profit corporation under the IRS ruling 501 (c) (3). The corporation was created by Columbiana Metropolitan Housing Authority to operate it after school program and to be eligible to apply for other funding that the non-profit organization may be eligible for. The board member consist of the Executive Director, Finance Director and another staff of the Authority.

Basis of Presentation

The Authority's basic financial statements consist of a statement of net assets, 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 its 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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting

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

Description of programs

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

A. Public Housing Program

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

B. Capital Fund Program

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

C. Housing Choice Voucher Program

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

D. Public Housing Drug Elimination Program

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Shelter Plus Care

The Shelter Plus Care program is designed to link rental assistance to supportive services for hard to serve homeless persons with disabilities. The Authority administers contracts with independent landlords that own the property and property owned and managed by Columbiana County Mental Health. 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.

F. State and Local Fund

The Authority administered a contract with Columbiana County Department of Job and Family Services, City of Salem, City of East Liverpool and Columbiana Mental Health to provide rental assistance services to their clients. CMHA administers contracts with independent landlords that own the property. This funding enables the Authority to structure a lease that sets the participants' rent at 30% of the household's income.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending June 30, 2004 totaled \$13,068.

Fixed Assets

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

Net Assets

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 services 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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:					
Unrestricted Cash	\$ 675,766	\$ 675,766	\$0	\$0	\$ 655,373
Restricted Cash	777,847	777,847	0	0	777,847
Total Deposits	\$ 1,453,613	\$ 1,453,613	\$0	\$0	\$ 1,433,220

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

NOTE 2: CASH AND INVESTMENTS (Continued)

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

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

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

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

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

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

The PHA’s nonnegotiable certificates of deposit are classified as deposits for GASB 3 purposes. Therefore, the categories described above do not apply.

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 June 30, 2004 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

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

NOTE 4: FIXED ASSETS

The following is a summary:

Land	\$1,056,540
Buildings	19,510,262
Furniture and Equipment	890,331
Leasehold Improvement	2,271,432
Construction in Progress	801,351
Total Fixed Assets	24,529,916
Accumulated Depreciation	(14,503,094)
Net Fixed Assets	\$10,026,822

	Balance 06/30/03	Additions	Adjust. / Disposal	Balance 06/30/04
Land	\$1,027,540	\$29,000	\$0	\$1,056,540
Buildings	19,075,227	435,035	0	19,510,262
Furnt, Mach. and Equip.	981,003	60,666	(151,338)	890,331
Leasehold Improvement	2,188,409	83,023	0	2,271,432
Construction in Progress	489,165	478,098	(165,912)	801,351
Total Fixed Assets	\$23,761,344	\$1,085,822	(\$317,250)	\$24,529,916

The depreciation expense for the year ended June 30, 2004 was \$844,468.

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

All full-time employees of the authority participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement systems administered by the Public Employees Retirement Board.

OPERS provide basic retirement, disability and survivor benefits, based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issue a publicly available financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800) 222-PERS.

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

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The 2003 employer pension contribution rate for the authority was 13.55 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially. The authority required contributions to OPERS for the years ended June 30, 2004, 2003, and 2002 were \$113,185, \$95,342 and \$59,677 respectively. Ninety-Two percent has been contributed for 2003. All required contributions for the two previous years have been paid.

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

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirees with ten or more years of qualifying Ohio Service credit and to primary survivor recipients of such retirees. 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 2002 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, which amounted to \$42,526. 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, 2001. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2001 was 8.0 percent. An annual increase of 4.0 percent compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0 percent base increase, were assumed to range for 0.51 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

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

**NOTE 6: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM** (Continued)

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

NOTE 7: LONG-TERM DEBT

Promissory Note Payable – Home Savings & Loan

Columbiana Metropolitan Housing Authority has an outstanding note payable with Home Savings & Loan (formally Potter Bank) for \$62,051 as of June 30, 2004. The original note was for \$85,000 dated August 2, 2001 to be used for renovation of a building owned by the PHA and leased to the Community Action Agency of Columbiana County. The note contains an interest rate of 7% fixed through March 3, 2002 at which time a Certificate of Deposit securing the note matures. Interest thereafter is calculated at the then current Certificate of Deposit rate plus 2%. A monthly principal payment of \$472.22 plus the current interest rate is due monthly starting on September 2, 2001 through the maturity date of August 2, 2016.

The following is a summary of changes in long-term debt for the year ended June 30, 2004:

DESCRIPTION	BALANCE 06/30/03	ISSUED	RETIRED	BALANCE 06/30/04
Promissory Note	\$69,961	\$-0-	\$7,910	\$62,051
TOTAL	\$69,961	\$-0-	\$7,910	\$62,051

Lease/Purchase Agreement – Citicorp North America, Inc.

Columbiana Metropolitan Housing Authority entered into an energy performance contract with Honeywell International Inc. on February 11, 2004 for \$1,294,815. The scope of work is as follows:

- Lighting Improvements at Fawcett Towers, Shoub Towers, Revierview Towers and Labelle Terrace.
- Refrigerator Replacement at Fawcett Tower and Labelle Terrace.

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

NOTE 7: LONG-TERM DEBT (Continued)

- New Domestic Hot Water Boiler at Shoub Tower.
- Rooftop HVAC Unit at Reverview Tower.
- Replacement of High Efficiency motors at Fawcett and Riverview Towers.
- Replacement of vending machine at Fawcett, Riverview and Shoub Towers.
- Water Conservation at Fawcett Tower, Labelle Terrace, Riverview Tower, Shoub Tower and Independence Square.
- New Doors at Labelle Terrace.

North America, Inc. (CitiCapital) provides the financing source for the above project. The term of the loan is 144 semi-annual payments at 4.35% fixed interest rate.

DESCRIPTION	BALANCE 06/30/03	ISSUED	RETIRED	BALANCE 06/30/04
Energy Performance Loan	\$-0-	\$1,294,815	\$-0-	\$1,294,815
TOTAL	\$-0-	\$1,294,815	\$-0-	\$1,294,815

Debt maturities for the next five years are estimated as follows:

<u>YEAR</u>	<u>AMOUNT</u>
June 30, 2005	\$91,923
2006	96,182
2007	100,645
2008	105,321
2009	110,222
Later Years	<u>852,573</u>
Total	<u>\$1,356,866</u>

NOTE 8: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

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

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

NOTE 9: PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$35,686 was necessary to properly state beginning accumulated depreciation balance.

NOTE 10: CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year beginning July 1, 2003 the Authority Implemented GASB 34. The implementation had no effect on the total enterprise fund equity. However, it did effect the classification of the equity. The table bellow shows the reclassification adjustment necessary.

	Contributed Capital	Retained Earnings	Invested in Capital Assets, Net Of Debt	Restricted Net Assets	Unrestricted Net Assets	Total
Beginning Balance	\$7,481,818	\$3,129,359	\$0	\$0	\$0	\$10,611,177
Reclassification- GASB 34	(7,481,818)	(3,129,359)	9,751,193	190,976	669,008	0
Restated Beginning Balance	0	0	9,751,193	190,976	669,008	10,611,177
Fixed Assets Addition	0	0	1,085,822	0	0	1,085,822
Prior Period Adjustment	0	0	(35,686)	0	0	(35,686)
Depreciation Expense	0	0	(844,468)	0	0	(844,468)
Net Proceeds from Debt	0	0	(1,286,905)	0	0	(1,286,905)
Restricted Cash Proceed from Debt	0	0	0	586,871	0	586,871
Current Year (Loss)	0	0	0	0	(16,730)	(16,730)
Rounding Adjustment	0	0	1	0	0	1
Ending Net Assets	\$0	\$0	\$8,669,957	\$777,847	\$652,278	\$10,100,082

NOTE 11: CONTINGENCIES

Litigations and Claims

In the normal course of operations the PHA may be subject to litigation and claims. At June 30, 2004 the PHA was involved in such matters. While the outcome of these matters cannot presently be determined, management believes that their ultimate resolution will not have a material effect on the financial statements.

Columbiana Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2004

Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
111	Cash - Unrestricted	\$0	\$476,100	\$0	\$53,541	\$0	\$0	\$125,732	\$655,373
113	Cash - Other Restricted	\$0	\$777,847	\$0	\$0	\$0	\$0	\$0	\$777,847
100	Total Cash	\$0	\$1,253,947	\$0	\$53,541	\$0	\$0	\$125,732	\$1,433,220
122	Accounts Receivable - HUD Other Projects	\$0	\$0	\$0	\$9,416	\$7,524	\$0	\$0	\$16,940
124	Accounts Receivable - Other Government	\$0	\$0	\$0	\$0	\$0	\$17,917	\$0	\$17,917
125	Accounts Receivable - Miscellaneous	\$0	\$25,244	\$0	\$0	\$0	\$0	\$0	\$25,244
126	Accounts Receivable - Tenants - Dwelling Rents	\$0	\$18,038	\$0	\$0	\$0	\$0	\$0	\$18,038
126.1	Allowance for Doubtful Accounts - Dwelling Rents	\$0	(\$2,100)	\$0	\$0	\$0	\$0	\$0	(\$2,100)
126.2	Allowance for Doubtful Accounts - Other	\$0	(\$14,825)	\$0	\$0	\$0	\$0	\$0	(\$14,825)
127	Notes, Loans, & Mortgages Receivable - Current	\$0	\$2,823	\$0	\$0	\$0	\$0	\$0	\$2,823
128.1	Allowance for Doubtful Accounts - Fraud	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
129	Accrued Interest Receivable	\$0	\$5,388	\$0	\$205	\$0	\$0	\$0	\$5,593
120	Total Receivables, net of allowances for doubtful accounts	\$0	\$34,568	\$0	\$9,621	\$7,524	\$17,917	\$0	\$69,630
142	Prepaid Expenses and Other Assets	\$0	\$57,066	\$0	\$2,530	\$0	\$0	\$0	\$59,596
143	Inventories	\$0	\$34,443	\$0	\$0	\$0	\$0	\$0	\$34,443
143.1	Allowance for Obsolete Inventories	\$0	(\$3,444)	\$0	\$0	\$0	\$0	\$0	(\$3,444)
144	Interprogram Due From	\$0	\$42,750	\$0	\$0	\$0	\$0	\$0	\$42,750
150	Total Current Assets	\$0	\$1,419,330	\$0	\$65,692	\$7,524	\$17,917	\$125,732	\$1,636,195

Columbiana Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2004

Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
161	Land	\$0	\$1,056,540	\$0	\$0	\$0	\$0	\$0	\$1,056,540
162	Buildings	\$0	\$18,978,742	\$0	\$0	\$531,520	\$0	\$0	\$19,510,262
163	Furniture, Equipment & Machinery - Dwellings	\$0	\$270,724	\$0	\$0	\$0	\$0	\$5,420	\$276,144
164	Furniture, Equipment & Machinery - Administration	\$0	\$430,851	\$0	\$145,930	\$37,406	\$0	\$0	\$614,187
165	Leasehold Improvements	\$0	\$2,192,473	\$0	\$0	\$78,959	\$0	\$0	\$2,271,432
166	Accumulated Depreciation	\$0	(\$14,396,320)	\$0	(\$70,940)	(\$34,780)	\$0	(\$1,054)	(\$14,503,094)
167	Construction In Progress	\$0	\$517,927	\$0	\$0	\$283,424	\$0	\$0	\$801,351
160	Total Fixed Assets, Net of Accumulated Depreciation	\$0	\$9,050,937	\$0	\$74,990	\$896,529	\$0	\$4,366	\$10,026,822
171	Notes, Loans, & Mortgages Receivable - Non Current	\$0	\$60,685	\$0	\$0	\$0	\$0	\$0	\$60,685
180	Total Non-Current Assets	\$0	\$9,111,622	\$0	\$74,990	\$896,529	\$0	\$4,366	\$10,087,507
									\$0
190	Total Assets	\$0	\$10,530,952	\$0	\$140,682	\$904,053	\$17,917	\$130,098	\$11,723,702
312	Accounts Payable <= 90 Days	\$0	\$36,321	\$0	\$5,826	\$0	\$17,917	\$0	\$60,064
321	Accrued Wage/Payroll Taxes Payable	\$0	\$3,819	\$0	\$178	\$0	\$0	\$0	\$3,997
322	Accrued Compensated Absences - Current Portion	\$0	\$11,869	\$0	\$2,941	\$0	\$0	\$0	\$14,810
325	Accrued Interest Payable	\$0	\$16,513	\$0	\$0	\$0	\$0	\$0	\$16,513
333	Accounts Payable - Other Government	\$0	\$46,247	\$0	\$0	\$0	\$0	\$0	\$46,247
341	Tenant Security Deposits	\$0	\$35,752	\$0	\$0	\$0	\$0	\$0	\$35,752
342	Deferred Revenues	\$0	\$2,193	\$0	\$0	\$0	\$0	\$0	\$2,193

Columbiana Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2004

Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	\$0	\$91,923	\$0	\$0	\$0	\$0	\$0	\$91,923
347	Interprogram Due To	\$0	\$0	\$0	\$35,226	\$7,524	\$0	\$0	\$42,750
310	Total Current Liabilities	\$0	\$244,637	\$0	\$44,171	\$7,524	\$17,917	\$0	\$314,249
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	\$0	\$1,264,942	\$0	\$0	\$0	\$0	\$0	\$1,264,942
354	Accrued Compensated Absences - Non Current	\$0	\$35,607	\$0	\$8,822	\$0	\$0	\$0	\$44,429
350	Total Noncurrent Liabilities	\$0	\$1,300,549	\$0	\$8,822	\$0	\$0	\$0	\$1,309,371
300	Total Liabilities	\$0	\$1,545,186	\$0	\$52,993	\$7,524	\$17,917	\$0	\$1,623,620
508.1	Invested in Capital Assets, Net of Related Debt	\$0	\$7,694,072	\$0	\$74,990	\$896,529	\$0	\$4,366	\$8,669,957
511.1	Restricted Net Assets	\$0	\$777,847	\$0	\$0	\$0	\$0	\$0	\$777,847
512.1	Unrestricted Net Assets	\$0	\$513,847	\$0	\$12,699	\$0	\$0	\$125,732	\$652,278
513	Total Equity/Net Assets	\$0	\$8,985,766	\$0	\$87,689	\$896,529	\$0	\$130,098	\$10,100,082
600	Total Liabilities and Equity/Net Assets	\$0	\$10,530,952	\$0	\$140,682	\$904,053	\$17,917	\$130,098	\$11,723,702

Columbiana Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change in Equity
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2004

Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
703	Net Tenant Rental Revenue	\$0	\$552,918	\$0	\$0	\$0	\$0	\$0	\$552,918
704	Tenant Revenue - Other	\$0	\$19,810	\$0	\$0	\$0	\$0	\$0	\$19,810
705	Total Tenant Revenue	\$0	\$572,728	\$0	\$0	\$0	\$0	\$0	\$572,728
706	HUD PHA Operating Grants	\$54,163	\$991,159	\$18,401	\$2,229,701	\$190,333	\$0	\$0	\$3,483,757
706.1	Capital Grants	\$0	\$0	\$0	\$0	\$385,789	\$0	\$0	\$385,789
708	Other Government Grants	\$0	\$0	\$0	\$0	\$0	\$219,844	\$0	\$219,844
711	Investment Income - Unrestricted	\$0	\$10,745	\$0	\$1,171	\$0	\$0	\$0	\$11,916
715	Other Revenue	\$0	\$31,664	\$0	\$0	\$0	\$0	\$0	\$31,664
720	Investment Income - Restricted	\$0	\$0	\$0	\$0	\$0	\$0	\$1,152	\$1,152
700	Total Revenue	\$54,163	\$1,606,296	\$18,401	\$2,230,872	\$576,122	\$219,844	\$1,152	\$4,706,850
911	Administrative Salaries	\$0	\$272,461	\$0	\$131,740	\$63,280	\$101,445	\$0	\$568,926
912	Auditing Fees	\$0	\$6,643	\$0	\$5,300	\$0	\$0	\$0	\$11,943
913	Outside Management Fees	\$4,013	\$0	\$0	\$0	\$0	\$0	\$0	\$4,013
914	Compensated Absences	\$0	\$6,787	\$0	\$571	\$0	\$0	\$0	\$7,358
915	Employee Benefit Contributions - Administrative	\$0	\$124,689	\$0	\$57,861	\$28,855	\$28,098	\$0	\$239,503
916	Other Operating - Administrative	\$0	\$76,895	\$0	\$56,371	\$20,866	\$0	\$0	\$154,132
921	Tenant Services - Salaries	\$0	\$3,214	\$0	\$0	\$0	\$0	\$0	\$3,214
923	Employee Benefit Contributions - Tenant Services	\$0	\$8,586	\$0	\$0	\$0	\$0	\$0	\$8,586
931	Water	\$0	\$164,821	\$0	\$0	\$0	\$0	\$0	\$164,821
932	Electricity	\$0	\$118,084	\$0	\$0	\$0	\$0	\$0	\$118,084
933	Gas	\$0	\$95,361	\$0	\$0	\$0	\$0	\$0	\$95,361

Columbiana Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change in Equity
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2004

Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
938	Other Utilities Expense	\$0	\$23,876	\$0	\$0	\$0	\$0	\$0	\$23,876
941	Ordinary Maintenance and Operations - Labor	\$0	\$275,501	\$0	\$0	\$0	\$0	\$0	\$275,501
942	Ordinary Maintenance and Operations - Materials and Other	\$0	\$79,060	\$0	\$0	\$0	\$0	\$0	\$79,060
943	Ordinary Maintenance and Operations - Contract Costs	\$0	\$74,368	\$0	\$5,460	\$0	\$0	\$0	\$79,828
945	Employee Benefit Contributions - Ordinary Maintenance	\$0	\$145,089	\$0	\$0	\$0	\$0	\$0	\$145,089
952	Protective Services - Other Contract Costs	\$0	\$62,681	\$13,235	\$0	\$0	\$0	\$0	\$75,916
953	Protective Services - Other	\$0	\$0	\$0	\$0	\$77,332	\$0	\$0	\$77,332
961	Insurance Premiums	\$0	\$73,143	\$0	\$1,679	\$0	\$0	\$0	\$74,822
962	Other General Expenses	\$0	\$3,276	\$5,166	\$0	\$0	\$13,186	\$0	\$21,628
963	Payments in Lieu of Taxes	\$0	\$16,399	\$0	\$0	\$0	\$0	\$0	\$16,399
964	Bad Debt - Tenant Rents	\$0	\$14,569	\$0	\$0	\$0	\$0	\$0	\$14,569
967	Interest Expense	\$0	\$17,416	\$0	\$0	\$0	\$0	\$0	\$17,416
969	Total Operating Expenses	\$4,013	\$1,662,919	\$18,401	\$258,982	\$190,333	\$142,729	\$0	\$2,277,377
970	Excess Operating Revenue over Operating Expenses	\$50,150	(\$56,623)	\$0	\$1,971,890	\$385,789	\$77,115	\$1,152	\$2,429,473
973	Housing Assistance Payments	\$50,150	\$0	\$0	\$1,945,695	\$0	\$64,569	\$0	\$2,060,414
974	Depreciation Expense	\$0	\$804,823	\$0	\$16,397	\$22,194	\$0	\$1,054	\$844,468
900	Total Expenses	\$54,163	\$2,467,742	\$18,401	\$2,221,074	\$212,527	\$207,298	\$1,054	\$5,182,259
1001	Operating Transfers In	\$0	\$12,546	\$0	\$0	\$0	\$0	\$0	\$12,546
1002	Operating Transfers Out	\$0	\$0	\$0	(\$130,000)	\$0	(\$12,546)	\$0	(\$142,546)

Columbiana Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change in Equity
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2004

Line Item No.	Account Description	Shelter Plus Care	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Housing Choice Vouchers	Public Housing Capital Fund Program	State/Local	Component Units	Total
1004	Operating Transfers from/to Component Unit	\$0	\$0	\$0	\$0	\$0	\$0	\$130,000	\$130,000
1010	Total Other Financing Sources (Uses)	\$0	\$12,546	\$0	(\$130,000)	\$0	(\$12,546)	\$130,000	\$0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$0	(\$848,900)	\$0	(\$120,202)	\$363,595	\$0	\$130,098	(\$475,409)
1103	Beginning Equity	\$0	\$8,582,546	\$0	\$207,891	\$1,820,740	\$0	\$0	\$10,611,177
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$1,252,120	\$0	\$0	(\$1,287,806)	\$0	\$0	(\$35,686)
	Ending Equity	\$0	\$8,985,766	\$0	\$87,689	\$896,529	\$0	\$130,098	\$10,100,082
1102	Debt Principal Payments - Enterprise Funds	\$0	\$7,910	\$0	\$0	\$0	\$0	\$0	\$7,910
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$272,184	\$0	\$0	\$0	\$272,184
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$2,024,822	\$0	\$0	\$0	\$2,024,822
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$2,297,006	\$0	\$0	\$0	\$2,297,006
1120	Unit Months Available	190	5,773	0	6,744	0	165	0	12,872
1121	Number of Unit Months Leased	187	5,433	0	6,599	0	163	0	12,382

Columbiana Metropolitan Housing Authority
Schedule of Expenditures of Federal Award
For the Year Ended June 30, 2004

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Shelter Plus Care	14.238	\$54,163
Low Rent Public Housing	14.850a	991,159
Drug Elimination Grant	14.854	18,401
Housing Choice Vouchers	14.871	2,229,701
Public Housing Capital Fund Program	14.872	<u>576,122</u>
Total U.S. Department of Housing and Urban Development		<u>3,869,546</u>
U.S. Department of Health and Human Services: Pass-Through Program From:		
Columbiana County Department of JFS Temporary Assistance for Needy Families	93.558	<u>166,355</u>
Total U.S. Department of Health and Human Services		<u>166,355</u>
Total Expenditure of Federal Award		<u><u>\$4,035,901</u></u>



6548 Royalton Road, Suite 104
North Royalton, Ohio 44133
Phone (440) 877-9870
Fax (440) 877-9237
sconsiglio@aol.com

**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
Columbiana Metropolitan Housing
Authority

I have audited the basic financial statements of the Columbiana Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2004, and have issued my report thereon dated December 17, 2004. 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 Columbiana Metropolitan Housing Authority, Ohio's basic financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Columbiana Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal component does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation 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.

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.



Salvatore Consiglio, CPA, Inc.

December 17, 2004



6548 Royalton Road, Suite 104
North Royalton, Ohio 44133
Phone (440) 877-9870
Fax (440) 877-9237
sconsiglio@aol.com

**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
Columbiana Metropolitan Housing
Authority

Compliance

I have audited the compliance of the Columbiana 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 June 30, 2004. Columbiana 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 Columbiana Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Columbiana 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 Columbiana 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 Columbiana Metropolitan Housing Authority, Ohio's compliance with those requirements.

In my opinion, Columbiana 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 June 30, 2004.

Internal Control Over Compliance

The management of Columbiana 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 Columbiana 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. However, I have noted other matters involving the internal control over compliance, which I have reported to management of Columbiana Metropolitan Housing Authority, Ohio's in a separate letter dated December 17, 2004.

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.



Salvatore Consiglio, CPA, Inc.

December 17, 2004

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

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
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
Were there any material internal control weakness conditions reported for major federal programs?	No
Were 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, 14.7871, 14.872 and 93.558 - Low Rent Public Housing, Housing Choice Voucher, Capital Fund Program and TANF
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

3. FINDINGS REALTED TO FEDERAL AWARDS

Columbiana Metropolitan Housing Authority
Schedule of Prior Audit Findings
June 30, 2004

The audit report for the fiscal year ending June 30, 2003 contained no audit findings.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

COLUMBIANA METROPOLITAN HOUSING AUTHORITY

COLUMBIANA 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
APRIL 14, 2005**