

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

of the

**CHILlicoTHE METROPOLITAN
HOUSING AUTHORITY**

for the

Year Ended September 30, 2007



Mary Taylor, CPA
Auditor of State

Board of Commissioners
Chillicothe Metropolitan Housing Authority
178 West Forth Street
Chillicothe, Ohio 45601

We have reviewed the *Independent Auditor's Report* of the Chillicothe Metropolitan Housing Authority, Ross County, prepared by Jones, Cochenour & Co., for the audit period October 1, 2006 through September 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 4, 2008

This Page is Intentionally Left Blank.

**CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2 - 7
Basic Financial Statements:	
Statement of Net Assets	8
Statement of Revenues, Expenses and Changes in Net Assets	9
Statement of Cash Flows	10
Notes to the Basic Financial Statements	11 - 16
Supplemental Data:	
FDS Schedule	17 - 19
Schedule of Federal Awards Expenditures	20
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	21 - 22
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	23 - 24
Summary of Auditors' Results and Schedule of Findings.....	25 - 26

This Page is Intentionally Left Blank.



125 West Mulberry Street
Lancaster, Ohio 43130

www.JCCcpa.com

740.653.9581 tel

614.837.2921 tel

740.653.0983 fax

INDEPENDENT AUDITORS' REPORT

Board of Directors
Chillicothe Metropolitan Housing Authority
Chillicothe, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited the accompanying basic financial statements of Chillicothe Metropolitan Housing Authority, as of and for the year ended September 30, 2007, as listed in the table of contents. These basic financial statements are the responsibility of the Chillicothe Metropolitan Housing Authority's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Chillicothe Metropolitan Housing Authority, as of September 30, 2007, and the results of its operations and the cash flows of its proprietary funds activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2008 on our consideration of Chillicothe Metropolitan Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was performed for the purpose of forming opinions on the basic financial statements of the Authority taken as a whole. The FDS schedule is presented for purposes of additional analysis and is not a required part of the financial statements of the Chillicothe Metropolitan Housing Authority. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



Jones, Cochenour & Co.
June 13, 2008

much more than an accounting firm

**CHILICOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2007**

Unaudited

The Chillicothe Metropolitan Housing Authority's (the "Authority") Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify the single enterprise fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

- The Authority's net assets decreased by \$761,977 (or 7.2%) during 2007. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net Assets were \$9,831,114 and \$10,593,091 for 2007 and 2006, respectively.
- Revenues increased by \$385,571 (or 9.1%) during 2007, and were \$4,601,994 and \$4,216,423 for 2007 and 2006 respectively.
- The total expenses of all Authority programs decreased by \$558,059 (or 11.6%). Total expenses were \$5,363,971 and \$4,805,912 for 2007 and 2006, respectively.

USING THIS ANNUAL REPORT

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

MD&A ~ Management Discussion and Analysis ~
Basic Financial Statements ~ Statement of Net Assets ~ ~ Statement of Revenues, Expenses and Changes in Net Assets ~ ~ Statement of Cash Flows ~ ~ Notes to Financial Statements ~

**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended September 30, 2007**

Unaudited

AUTHORITY FINANCIAL STATEMENTS

The Authority financial statements are designed to be corporate-like 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 to 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 (as applicable):

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 financial statements 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.

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 by operating activities, non-capital financing activities, and from capital and related financing activities.

FUND FINANCIAL STATEMENTS

The Authority consists exclusively of 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 of accounting.

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

THE AUTHORITY'S PROGRAMS

Public Housing Program – Under the Public Housing Program, the Authority rents units that it owns to low-income households. The 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 Public Housing Program also includes the Capital Funds Program, which is the primary funding source for physical and management improvements to the Authority's properties.

**CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended September 30, 2007**

Unaudited

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. 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 the Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

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

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

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

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.

BASIC FINANCIAL 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**

	2007	2006
Current and Other Assets	\$ 740,005	\$ 1,090,320
Capital Assets	9,361,674	9,850,887
TOTAL ASSETS	\$ 10,101,679	\$ 10,941,207
Current Liabilities	256,349	292,994
Long-term liabilities	14,216	55,122
TOTAL LIABILITIES	270,565	348,116
Net Assets:		
Invested in Capital Assets, Net of Related Debt	9,361,674	9,850,887
Restricted	280,589	-
Unrestricted	188,851	742,204
TOTAL NET ASSETS	9,831,114	10,593,091
TOTAL LIABILITIES AND NET ASSETS	\$ 10,101,679	\$ 10,941,207

MAJOR FACTORS AFFECTING THE STATEMENT OF NET ASSETS

**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended September 30, 2007**

Unaudited

During 2007, current and other assets were decreased by \$350 thousand, and current liabilities were decreased by \$36 thousand. The current and other assets, primarily cash and investments, decreased because of the decrease in the current liabilities and increase in expenses.

Capital assets also changed, decreasing from \$9,851 thousand to \$9,362 thousand. The \$489 thousand decrease may be attributed primarily to a combination of net acquisitions \$451 thousand, less current year depreciation and amortization (\$940 thousand). For more details see “Capital Assets and Debt Administration”.

**TABLE 2
CHANGE IN NET ASSETS**

Table 2 presents details on the change in Net Assets

	Restricted Net Assets	Unrestricted Net Assets	Investment in Capital Assets
Beginning Balance - September 30, 2006	\$ -	\$ 742,204	\$ 9,850,887
Results of Operation	-	(761,977)	-
Adjustments:			
Current year Depreciation Expense (1)	-	939,673	(939,673)
Capital Expenditure (2)	-	(450,460)	-
Reclassification	280,589	(280,589)	450,460
Ending Balance - September 30, 2007	<u>\$ 280,589</u>	<u>\$ 188,851</u>	<u>\$ 9,361,674</u>

- 1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Assets.
- 2) Capital expenditures represent an outflow of unrestricted net assets, but are not treated as an expense against Results of Operations, and therefore must be deducted.

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

**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.

	2007	2006
Revenues		
Tenant Revenue - Rents and Other	\$ 504,459	\$ 494,586
Operating Subsidies and Grants	3,629,977	3,362,982
Capital Grants	450,460	343,954
Investment Income/Other Revenues	17,098	14,901
TOTAL REVENUE	<u>4,601,994</u>	<u>4,216,423</u>
Expenses		
Administration	817,124	738,622
Tenant Services	72,582	82,312
Utilities	316,715	323,379
Maintenance	874,208	716,192
Protective Services	60,269	40,843
General and Interest Expenses	119,446	100,004
Housing Assistance Payment	2,163,954	1,896,342
Depreciation	939,673	908,218
TOTAL EXPENSES	<u>5,363,971</u>	<u>4,805,912</u>
CHANGE IN NET ASSETS	<u>\$ (761,977)</u>	<u>\$ (589,489)</u>

**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended September 30, 2007**

Unaudited

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

Tenant revenue increased during 2007 in comparison to 2006 due to lower tenant income offset by higher other Tenant Revenue. Operating Subsidies, Grants increased as well as Capital Grants. The increase in both Operating and Capital Grants was due to an increase in Section 8 funding and a higher level of funding from HUD due to completing several Capital Grants.

Most expenses increased moderately due to inflation, except for Tenant Services. Utilities decreased due to energy saving implementation. Maintenance, particularly Maintenance Contracts increased because of changes in personnel. Compensated Absence increased because of the prolonged sick of a Maintenance employee. Maintenance Contracts increased for the same reason.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of year end, the Authority had \$9,361,674 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$489,213 or 5.0% from the end of last year.

**TABLE 4
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	2007	2006
Land and Land Rights	\$ 1,301,487	\$ 1,301,487
Buildings	10,615,836	10,615,836
Equipment	610,484	659,649
Leasehold Improvements	10,113,519	9,613,893
Accumulated Depreciation	(13,279,652)	(12,339,978)
TOTAL	\$ 9,361,674	\$ 9,850,887

The following reconciliation summarizes the change in Capital Assets.

**TABLE 5
CHANGE IN CAPITAL ASSETS**

BEGINNING BALANCE - NET	\$	9,850,887
Current year Additions		450,460
Depreciation Expense		(939,673)
ENDING BALANCE	\$	9,361,674

Current year Additions are summarized as follows:

Installed Security Cameras	\$	30,908
Replaced Kitchen Faucets		109,960
Upgrade Site Lightings		48,000
Furnace		85,500
Architects		40,000
Fire Alarms		80,000
Other Improvements		20,239
Doors		12,918
Concrete		22,935
TOTAL ADDITIONS	\$	450,460

**CHILlicothe METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
Year Ended September 30, 2007**

Unaudited

DEBIT

Debt Outstanding

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

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs

FINANCIAL CONTACT

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

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
September 30, 2007

ASSETS

Cash and cash equivalents	\$	263,523
Restricted cash and cash equivalents		354,602
Receivables - net of allowance		67,349
Inventories - net of allowance		43,814
Prepaid expenses and other assets		10,717
TOTAL CURRENT ASSETS		<u>740,005</u>

CAPITAL ASSETS

Land		1,301,487
Other capital assets - net		8,060,187
TOTAL CAPITAL ASSETS		<u>9,361,674</u>

TOTAL ASSETS 10,101,679

LIABILITIES

Accounts payable		72,433
Accrued wages/payroll taxes		38,876
Accrued compensated absences - current		49,423
Intergovernmental payables		24,799
Tenant security deposits		44,653
Accrued other		26,165
TOTAL CURRENT LIABILITIES		<u>256,349</u>

Accrued compensated absences - non-current		7,220
FSS liability		6,996
TOTAL LIABILITIES		<u>270,565</u>

NET ASSETS

Invested in capital assets - net of related debt		9,361,674
Restricted net assets		280,589
Unrestricted net assets		188,851
NET ASSETS	\$	<u><u>9,831,114</u></u>

See accompanying notes to the basic financial statements

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended September 30, 2007

OPERATING REVENUES

Tenant revenue	\$	504,459
Operating Subsidies and Grants		3,629,977
Other Revenues		8,075

		<u>4,142,511</u>
--	--	------------------

OPERATING EXPENSES

Administrative		817,124
Tenant services		72,582
Utilities		316,715
Maintenance		874,208
Protective services		60,269
General		119,446
Housing assistance payments		2,163,954
Depreciation		939,673

		<u>5,363,971</u>
--	--	------------------

		(1,221,460)
--	--	-------------

NON-OPERATING REVENUE

Interest income		9,023
HUD capital grants		450,460

		<u>459,483</u>
--	--	----------------

		(761,977)
--	--	-----------

		<u>10,593,091</u>
--	--	-------------------

	\$	<u><u>9,831,114</u></u>
--	----	-------------------------

See accompanying notes to the basic financial statements

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended September 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from HUD	\$	3,634,310
Cash received from tenants		505,270
Cash payments for housing assistance payments		(2,163,954)
Cash payments for administrative/operations		(2,309,929)

NET CASH (USED) BY OPERATING ACTIVITIES		(334,303)
--	--	------------------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants received for capital assets		450,460
Acquisition of capital assets		(450,460)

NET CASH (USED) BY FINANCING ACTIVITIES		-
--	--	----------

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income		9,023
-------------------	--	-------

DECREASE IN CASH AND CASH EQUIVALENTS		(325,280)
--	--	------------------

CASH AND CASH EQUIVALENTS, BEGINNING		943,405
---	--	----------------

CASH AND CASH EQUIVALENTS, ENDING	\$	618,125
--	-----------	----------------

**RECONCILIATION OF OPERATING LOSS TO
NET CASH (USED) BY OPERATING ACTIVITIES:**

Operating loss	\$	(1,221,460)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation		939,673
(Increase) decrease in:		
Receivables - net of allowance		5,144
Inventories - net of allowance		(3,936)
Prepaid expenses and other assets		23,827
Increase (decrease) in:		
Accounts payable		(47,338)
Intergovernmental payables		(29,913)
Accrued wages/payroll taxes		17,178
Accrued compensated absences		(31,368)
Tenant security deposits		1,100
Deferred credits and other liabilities		12,790

NET CASH (USED) BY OPERATING ACTIVITIES	\$	(334,303)
--	-----------	------------------

See accompanying notes to the basic financial statements

CHILlicothe METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Chillicothe Metropolitan Housing Authority (the "Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The 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.

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 organizations.

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 in 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.

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues 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:

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

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

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.

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

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

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

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending September 30, 2007 totaled \$9,023.

Capital Assets

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

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

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2007

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 the 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 expense 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 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 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 specific event that is outside the control of the employer and employee. (2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

Budgetary Accounting

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

Accounting and Reporting Non-exchange Transactions

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

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

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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

2. DEPOSITS AND INVESTMENTS

Deposits

State statutes classify monies held by the Authority into three categories.

- A. Active deposits are public deposits necessary to meet demands on the treasury. Such monies must be maintained either as cash in the Authority's treasury, in commercial accounts payable or withdrawal on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.
- B. Inactive deposits are public deposits that the Authority has identified as not required for use within the current two periods of designation of the depositories. Inactive deposits must either be evidenced by certificate of deposits maturing not later than the end of the current period of designation of the depositories, or by savings or deposit accounts including, but not limited to passbook accounts.
- C. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificate maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

At fiscal year end September 30, 2007, the carrying amount of the Authority's deposits totaled \$618,125 and its bank balance was \$656,902. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of September 30, 2007, \$392,878 was exposed to custodial risk as discussed below, while \$264,024 was covered by the Federal Depository Insurance Corporation.

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

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

3. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending September 30, 2007 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

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

CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2007

4. CAPITAL ASSETS

The following is a summary of changes:

	Balance 09/30/06	Net Additions	Reclassified/ Corrections	Balance 09/30/2007
CAPITAL ASSETS, NOT BEING DEPRECIATED				
Land	\$ 1,301,487	\$ -	\$ -	\$ 1,301,487
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	1,301,487	-	-	1,301,487
CAPITAL ASSETS BEING DEPRECIATED				
Buildings	\$ 10,615,836	\$ -	\$ -	\$ 10,615,836
Furniture, machinery & equipment	659,649	-	(49,165)	610,484
Leasehold improvement	9,613,894	450,460	49,165	10,113,519
Totals at Historical Costs	20,889,379	450,460	-	21,339,839
LESS: ACCUMULATED DEPRECIATION				
Buildings	(6,253,385)	(265,399)	-	(6,518,784)
Furniture, machinery & equipments	(452,443)	(145,500)	-	(597,943)
Leasehold improvement	(5,634,151)	(528,774)	-	(6,162,925)
TOTAL ACCUMULATED DEPRECIATION	(12,339,979)	(939,673)	-	(13,279,652)
TOTAL CAPITAL ASSETS, NET, BEING DEPRECIATED	\$ 8,549,400	\$ (489,213)	\$ -	\$ 8,060,187
TOTAL CAPITAL ASSETS	\$ 9,850,887	\$ (489,213)	\$ -	\$ 9,361,674

Depreciation expense for 2007 was \$939,673.

5. DEFINED BENEFIT PENSION PLANS

All full-time employees of the Authority participate in Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement administered by the Public Employees Retirement Board. OPERS provides 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 issues a publicly financial report that includes statements and required supplementary information for OPERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or (800)222-PERS.

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The contribution requirements of the plan members and the commission are established and may be amended by the Public Employees Retirement Board. The 2007 contribution rate for employees was 9.0% of their covered salaries until January 1, 2007 at which time the contribution rate increased to 9.5%. The 2007 contribution rate for local government employers was 13.7% of covered payroll, and effective January 1, 2007 this rate increased to 13.85%. Of the employer contribution rate, 9.35% was the portion used to fund retirement and disability benefits.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2007

5. DEFINED BENEFIT PENSION PLANS - CONTINUED

The Authority's contribution for the years ended September 30, 2007, 2006 and 2005 amounted to \$81,270, \$82,930 and \$86,369 respectively. Ninety percent has been contributed for 2007. All required contributions for the two previous years have been paid.

6. POSTEMPLOYMENT BENEFITS

In addition to the pension benefit obligation described above, the OPERS provides postemployment health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the Traditional Plan or Combined Plan. Health care coverage for disability recipients and primary survivor recipients is available. Members of the Member-Directed Plan do not qualify for postemployment health care coverage. The health care coverage provided by the retirement system is considered another postemployment benefit as described in *GASB Statement No. 12*. Other postemployment benefits are advance-funded on an actuarially determined basis. A portion of each employer's contribution to the Traditional Plan or Combined Plan is set aside for the funding of postemployment health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2007 contribution rate for local government employers was 13.7% of covered payroll and increased to 13.85% of covered payroll effective January 1, 2007. Of the employer contribution rate, 4.5% was the portion that was used to fund health care until January 1, 2007, at which time 5.0% was the portion used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions based on OPER's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5%, an annual increase in active employee total payroll of 40% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase between .50% and 6.0% annually for the next nine years and 4.0% annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

7. 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.

8. INSPECTOR GENERAL REVIEW

The Regional Inspector General for Audit, 5AGA completed a survey of the CMHA's nonprofit development activities. CMHA was selected based on risk analysis that identified the HA as being a high risk. Their objectives were to determine whether the Authority properly accounted for and used its programs' proceeds in accordance with the U.S. Dept. of HUD's requirements. This survey was conducted during August and September, 2007. The audit covered the period October 1, 2005 – July 31, 2007. October 2, 2007, a cursory inspection of 10 of the 25 handicap accessible units was conducted.

Recommendations:

1. Require CMHA to submit documentation regarding any rehabilitation work performed at Tiffin Tower, Worthington Manor and Westland Estates.
2. Determine whether units are in compliance with HUD's current requirements.
3. If not in compliance, require the Authority to certify that the noted items are corrected to ensure the units meet HUD's requirements.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
September 30, 2007

FDS Line Item No.	Account Description	14.850a Public & Indian Hsg	14.850b Development	14.870 ROSS	14.871 Sect. 8 Hsg Choice VO	14.872 PH Capital Fund	TOTAL
ASSETS							
111	Cash - unrestricted	\$ 161,452	\$ -	\$ -	\$ 101,417	\$ -	\$ 262,869
112	Cash-restricted capital fund	-	-	-	-	654	654
113	Cash - restricted	17,206	-	-	288,894	-	306,100
114	Cash - tenant security deposits	48,502	-	-	-	-	48,502
100	TOTAL CASH	227,160	-	-	390,311	654	618,125
122	Accounts receivable - HUD other proj	-	41,635	20,193	-	-	61,828
125	Accounts receivable - miscellaneous	400	-	-	-	-	400
126	A/R tenants - dwelling rents	15,921	-	-	-	-	15,921
126.1	Allowance for doubtful accts	(12,800)	-	-	-	-	(12,800)
128	Fraud recovery	-	-	-	2,100	-	2,100
128.1	Fraud recovery - allowance	-	-	-	(100)	-	(100)
120	TOTAL ACCOUNTS RECEIVABLE	3,521	41,635	20,193	2,000	-	67,349
142	Prepaid expenses and other assets	10,717	-	-	-	-	10,717
143	Inventories	44,314	-	-	-	-	44,314
143.1	Allowance for obsolete inventory	(500)	-	-	-	-	(500)
144	Interprogram due from	61,828	-	-	18,902	-	80,730
150	TOTAL CURRENT ASSETS	347,040	41,635	20,193	411,213	654	820,735
161	Land	905,938	226,067	-	162,143	7,339	1,301,487
162	Buildings	9,506,130	1,109,706	-	-	-	10,615,836
163	Furniture and equipment - dwellings	212,907	8,707	-	-	-	221,614
164	Furniture and equipment - admin	375,400	-	-	8,716	4,754	388,870
165	Leasehold improvements	8,968,100	402,665	-	-	742,754	10,113,519
166	Accumulated depreciation	(12,865,018)	(360,655)	-	(8,716)	(45,263)	(13,279,652)
160	TOTAL FIXED ASSETS, NET	7,103,457	1,386,490	-	162,143	709,584	9,361,674
180	TOTAL NON-CURRENT ASSETS	7,103,457	1,386,490	-	162,143	709,584	9,361,674
190	TOTAL ASSETS	\$ 7,450,497	\$ 1,428,125	\$ 20,193	\$ 573,356	\$ 710,238	\$ 10,182,409

See independent auditors' report

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
BALANCE SHEET
FDS SCHEDULE SUBMITTED TO HUD
PROPRIETARY FUND TYPE
ENTERPRISE FUND
September 30, 2007

FDS Line Item No.	Account Description	14.850a Public & Indian Hsg	14.850b Development	14.870 ROSS	14.871 Sect. 8 Hsg Choice VO	14.872 PH Capital Fund	TOTAL
LIABILITIES							
312	Accounts payable <=90 days	\$ 72,433	\$ -	\$ -	\$ -	\$ -	\$ 72,433
321	Accrued wages/payroll taxes	38,876	-	-	-	-	38,876
322	Accrued compensated absences - current	43,614	-	-	5,809	-	49,423
331	Accounts payable - HUD PHA Programs	-	-	-	-	-	-
333	Accrued payable - other Govt.	24,799	-	-	-	-	24,799
341	Tenant security deposits	44,653	-	-	-	-	44,653
342	Deferred revenue	-	-	-	-	654	654
345	Other current liabilities	-	-	-	8,305	-	8,305
346	Accrued liabilities - other	17,206	-	-	-	-	17,206
347	Interprogram due to	18,902	41,635	20,193	-	-	80,730
310	TOTAL CURRENT LIABILITIES	260,483	41,635	20,193	14,114	654	337,079
354	Accrued compensated absences - long term	-	-	-	7,220	-	7,220
353	Non-current liabilities - other	6,996	-	-	-	-	6,996
350	TOTAL NON-CURRENT LIABILITIES	6,996	-	-	7,220	-	14,216
300	TOTAL LIABILITIES	267,479	41,635	20,193	21,334	654	351,295
508.1	Capital assets net of related debt	7,103,457	1,386,490	-	162,143	709,584	9,361,674
	Restricted net assets				280,589		280,589
	UNRESTRICTED NET ASSETS	79,561	-	-	109,290	-	188,851
513	TOTAL EQUITY	7,183,018	1,386,490	-	552,022	709,584	9,831,114
300	TOTAL LIABILITIES AND EQUITY	\$ 7,450,497	\$ 1,428,125	\$ 20,193	\$ 573,356	\$ 710,238	\$ 10,182,409

See independent auditors' report

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES EXPENSES AND CHANGES IN NET ASSETS
Year Ended September 30, 2007

FDS Line Item No.	Account Description	14.850 Public & Indian Hsg	14.850b Development	EDSS	14.870 ROSS	14.871 Sect. 8 Hsg Choice VO	14.872 PH Capital Fund	TOTAL
	REVENUE							
703	Net tenant revenue	\$ 488,551	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 488,551
715	Other revenue	15,908	-	-	-	-	-	15,908
705	TOTAL TENANT REVENUE	<u>504,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>504,459</u>
706	HUD PHA grants	859,760	-	-	90,575	2,389,318	290,324	3,629,977
706.1	Capital grants	-	-	-	-	-	450,460	450,460
711	Investment income - unrestricted	5,639	-	-	-	1,524	-	7,163
714	Fraud recovery	-	-	-	-	4,381	-	4,381
715	Other revenue	3,694	-	-	-	-	-	3,694
720	Investment income - restricted	-	-	-	-	1,860	-	1,860
700	TOTAL REVENUE	<u>1,373,552</u>	<u>-</u>	<u>-</u>	<u>90,575</u>	<u>2,397,083</u>	<u>740,784</u>	<u>4,601,994</u>
	EXPENSES							
911	Administrative salaries	239,588	-	-	-	102,654	-	342,242
912	Auditing fees	8,449	-	-	-	2,558	-	11,007
913	Outside management fees	-	-	-	-	3,902	-	3,902
914	Compensated absences	72,356	-	-	2,673	13,627	-	88,656
915	Employee benefit contribution - admin	158,091	-	-	-	60,882	-	218,973
916	Other operating - administrative	86,880	-	-	16,396	42,394	6,674	152,344
921	Tenant services - salaries	-	-	-	17,927	-	-	17,927
922	Relocation costs	-	-	-	16,697	-	-	16,697
923	Employee benefit contribution - tenant	-	-	-	36,277	-	-	36,277
924	Tenant services - other	1,681	-	-	-	-	-	1,681
931	Water	142,145	-	-	-	-	-	142,145
932	Electricity	153,195	-	-	-	-	-	153,195
933	Gas	21,375	-	-	-	-	-	21,375
941	Ord maintenance/op - labor	134,516	-	-	-	-	-	134,516
942	Ord maintenance/op - materials	97,549	-	-	-	-	3,699	101,248
943	Ord maintenance/op - cont costs	436,516	-	-	-	599	108,482	545,597
945	Emp benefit contrib - ord main	92,847	-	-	-	-	-	92,847
952	Protective services - other contract costs	-	-	-	-	-	60,269	60,269
961	Insurance premiums	81,930	-	-	605	-	-	82,535
963	PILOT	15,908	-	-	-	-	-	15,908
964	Bad debts - tenant rents	21,003	-	-	-	-	-	21,003
969	TOTAL OPERATING EXPENSES	<u>1,764,029</u>	<u>-</u>	<u>-</u>	<u>90,575</u>	<u>226,616</u>	<u>179,124</u>	<u>2,260,344</u>
970	EXCESS OPERATING REVENUE OVER EXPENSES	(390,477)	-	-	-	2,170,467	561,660	2,341,650
973	Housing Assistance Payments	-	-	-	-	2,163,954	-	2,163,954
974	Depreciation expense	848,663	55,832	-	-	-	35,178	939,673
900	TOTAL EXPENSES	<u>2,612,692</u>	<u>55,832</u>	<u>-</u>	<u>90,575</u>	<u>2,390,570</u>	<u>214,302</u>	<u>5,363,971</u>
1001	Operating transfers in	111,200	-	-	-	-	-	111,200
1002	Operating transfers out	-	-	-	-	-	(111,200)	(111,200)
1010	TOTAL OTHER FINANCING SOURCES (USES)	<u>111,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(111,200)</u>	<u>-</u>
1000	EXCESS OF REVENUE OVER EXPENSES	(1,127,940)	(55,832)	-	-	6,513	415,282	(761,977)
1003	Beginning equity	7,279,133	1,442,322	38,731	-	545,509	1,287,396	10,593,091
1004	Prior period adj/equity transfers	1,031,825	-	(38,731)	-	-	(993,094)	-
	ENDING EQUITY	<u>7,183,018</u>	<u>1,386,490</u>	<u>-</u>	<u>-</u>	<u>552,022</u>	<u>709,584</u>	<u>9,831,114</u>

See independent auditors' report

**CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
 SCHEDULE OF FEDERAL AWARDS EXPENDITURES
 Year Ended September 30, 2007**

	<u>FEDERAL CFDA NUMBER</u>	<u>FUNDS EXPENDED</u>
<u>FROM U.S. DEPARTMENT OF HUD</u>		
<u>DIRECT PROGRAMS</u>		
PHA Owned Housing:		
Public and Indian Housing	14.850A	\$ 859,760
Resident Opportunity and Supportive Services	14.870	90,575
Public Housing Capital Fund	14.872	740,784
Housing Assistance Payments:		
Annual Contribution -		
Section 8 Housing Choice Vouchers	14.871	<u>2,389,318</u>
Total - All Programs		<u><u>\$ 4,080,437</u></u>

See independent auditors' report



125 West Mulberry Street
Lancaster, Ohio 43130

www.JCCcpa.com

740.653.9581 tel

614.837.2921 tel

740.653.0983 fax

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

**Board of Directors
Chillicothe Metropolitan Housing Authority
Chillicothe, Ohio**

**Regional Inspector General of Audit
Department of Housing and Urban
Development**

We have audited the basic financial statements for Chillicothe Metropolitan Housing Authority as of and for the year ended September 30, 2007 and have issued our report thereon dated June 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chillicothe Metropolitan Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chillicothe Metropolitan Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting FINDING #2007-0426-001.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

much more than an accounting firm

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chillicothe Metropolitan Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The authority's response to the finding is identified in our audit and is described in the accompanying schedule of findings. We did not audit the Authority's response and, accordingly, we express no opinion on it.

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



Jones, Cochenour & Co.
June 13, 2008



125 West Mulberry Street
Lancaster, Ohio 43130

www.JCCcpa.com

740.653.9581 tel

614.837.2921 tel

740.653.0983 fax

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

**Board of Directors
Chillicothe Metropolitan Housing Authority
Chillicothe, Ohio**

**Regional Inspector General of Audit
Department of Housing and Urban
Development**

Compliance

We have audited the compliance of Chillicothe Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended September 30, 2007. Chillicothe Metropolitan Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Chillicothe Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Chillicothe Metropolitan Housing Authority's compliance based on our audit.

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

In our opinion, Chillicothe Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of Chillicothe Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Chillicothe Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

much more than an accounting firm

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A **significant deficiency** is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

A handwritten signature in black ink that reads "Jones, Cochenour & Co." with a stylized flourish at the end.

Jones, Cochenour & Co.
June 13, 2008

**Summary of Auditors' Results and Schedule of Findings
OMB Circular A-133 § .505**

**Chillicothe Metropolitan Housing Authority
September 30, 2007**

1. SUMMARY OF AUDITORS' RESULTS
--

Financial Statements:	
Type of Financial Statement Opinion	Unqualified
At the financial statement level, were there any material weaknesses reported?	No
At the financial statement level, were there any significant deficiencies identified that are not considered material weaknesses?	Yes
At the financial statement level, was there any material noncompliance?	No
Federal Awards:	
Were there any material weaknesses in internal control over major programs identified?	No
Were there any significant deficiencies that are not considered to be material weaknesses in internal control over major programs?	No
Type of Major Program Compliance Opinion	Unqualified
Are there any audit findings under § .510(a) of OMB Circular A-133?	No
Major Programs:	CFDA# 14.871 – Section 8 Housing Choice Vouchers
Dollar Threshold: Type A/B Programs	\$300,000
Low Risk Auditee?	No

Summary of Auditors' Results and Schedule of Findings
OMB Circular A-133 § .505 - Continued

Chillicothe Metropolitan Housing Authority
September 30, 2007

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

FINDING # 2007-0426-001

SIGNIFICANT DEFICIENCY

Criteria: The Authority needs to have the ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the authority's financial statements will not be prevented by the authority's internal control.

Condition: The Authority had errors in the current year financial statements and the depreciation schedule was difficult to follow. The Authority has a conditional acceptance on the unaudited FDS submitted for September 30, 2007.

Context: The deficiency was discovered during our audit procedures of the financial statement balances.

Effect: The original financial statements prepared by the Authority as Financial Data Schedules (FDS) were not complete and could have been misleading to any users of the financial information.

Cause: The cause for the misstatement was recording errors and the finance director's illness during the closing of the books.

Recommendation: We recommend that in future closings that more care is taken in the preparation of the financial statements and that the Authority have available all the appropriate documentation necessary for each of the significant balance sheet accounts. We also recommend that a depreciation schedule be set up that combines all of the Authority's assets by account groupings and provides more clarity on the detail that combines into the total.

Views of the responsible officials and planned corrective actions: Management has reviewed the issues noted and will monitor closely the closing activities of the Authority in the future and prepare a more detailed depreciation schedule.

The conditional acceptance will be addressed in the audited HUD REAC Submission.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings for the year ended September 30, 2007.



Mary Taylor, CPA
Auditor of State

CHILlicothe METROPOLITAN HOUSING AUTHORITY

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 16, 2008**