

Clinton Metropolitan Housing Authority
General Purpose Financial Statements
For the Year Ended December 31, 2003



**Auditor of State
Betty Montgomery**

Board of Commissioners
Clinton Metropolitan Housing Authority

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

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

October 26, 2004

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CLINTON METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2003

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Independent Auditors' Report

Board of Directors
Clinton Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying general purpose financial statements of Clinton Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Clinton Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these general purpose 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 general purpose 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of Clinton Metropolitan Housing Authority, Ohio, as of December 31, 2003, 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 January 1, 2003. This results in a change to the Authority’s format and content of the basic financial statements.

As Discussed in Note 7, due it its size, Clinton Metropolitan Housing Authority is having difficulty to generate sufficient revenues to continue to meet its obligations as they become due. This condition raises substantial doubt about its ability to continue as a going concern. The general purpose financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, I have also issued a report dated July 16, 2004, on my consideration of Clinton Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of my audit.

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

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



Salvatore Consiglio
Certified Public Accountant

July 16, 2004

**CLINTON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2003**

Unaudited

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

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

FINANCIAL HIGHLIGHTS

- The Authority's net assets decreased by \$112 thousand (or 7 %) during 2003, including loss from Operations of \$114 thousand. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net assets. Net Assets were \$1,606 thousand and \$1,494 thousand for 2002 and 2003 respectively.

- Revenues increased by \$3 thousand (or 0.2%) during 2003, and were \$1,441 thousand and \$1,444 thousand for 2002 and 2003 respectively.

- The total expenses of all Authority programs decreased by \$170 thousand (or 12.2%). Total expenses were \$1,388 thousand and \$1,558 thousand for 2002 and 2003 respectively.

**CLINTON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2003**

Unaudited

USING THIS ANNUAL REPORT

The Report includes three major sections, the “Management’s Discussion and Analysis (MD&A)”, “Basic Financial Statements”, and “Other Required Supplementary Information”:

MD&A
**~ Management’s Discussion
and Analysis ~**

Basic Financial Statements
~ Authority-wide Financial Statements – pgs 12-15 ~

Other Required Supplementary Information
**~ Required Supplementary Information pg 25
(other than the MD&A)**

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

**CLINTON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2003**

Unaudited

Authority-Wide Financial Statements

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

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

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

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

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

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

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

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

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

**CLINTON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2003**

Unaudited

Fund Financial Statements

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

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

The Authority's Funds

Business Type Funds

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

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under 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.

**CLINTON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2003**

Unaudited

AUTHORITY-WIDE STATEMENTS

Statement of Net Assets

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

TABLE 1

STATEMENT OF NET ASSETS

	2003 (in thousands of dollars)	2002 (in thousands of dollars)
Current and Other Assets	\$ 165	\$ 165
Capital Assets	1,466	1,558
Total Assets	1,631	1,723
Current Liabilities	137	116
Long-Term Liabilities	0	0
Total Liabilities	137	116
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,466	1,558
Restricted	- 0 -	- 0 -
Unrestricted	28	49
Total Net Assets	\$1,494	\$1,607

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

Major Factors Affecting the Statement of Net Assets

During 2003, current and other assets decreased by \$92 due to depreciation expense. Current liabilities were increased by \$21 thousand.

**CLINTON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2003**

Unaudited

Capital assets did not change significantly, decreasing from \$1558 thousand to \$1466 thousand. The \$92 thousand decrease is attributed primarily to current year depreciation and amortization (\$149.5 thousand). For more detail see "Capital Assets and Debt Administration" below.

Table 2 presents details on the change in Unrestricted Net Assets

**TABLE 2
CHANGE OF UNRESTRICTED NET ASSETS**

	Thousands of Dollars
Unrestricted Net Assets 12/31/02	\$ 49
Results of Operations	(114)
Adjustments:	
Depreciation (1)	150
Adjusted Results from Operations	36
Capital Expenditures (2)	(58)
Prior Year Adjustments	1
Unrestricted Net Assets 12/31/03	\$ 28

(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.

**CLINTON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2003**

Unaudited

TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

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

	2003 (thousands of dollars)	2002 (thousands of dollars)
Revenues		
Tenant Revenue – Rents and Other	\$ 40.7	\$ 28.1
Operating Subsidies and Grants	1344.1	1207.7
Capital Grants	58.1	203.7
Investment Income	.3	0.4
Other Revenues	.9	1.4
Total Revenue	1444.1	1441.3
Expenses		
Administrative	219.2	228.5
Tenant Services	0	0
Utilities	29.9	28.7
Maintenance	100.8	59.5
Protective Services	0	0
General	17.1	14.9
Housing Assistance Payments	1041.6	917.5
Depreciation	149.5	138.6
Total Expenses	1558.1	1387.7
Net Increase	\$ (114)	\$ 53.6

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

Tenant revenue increased during 2003 in comparison to 2002 due primarily to an increase in tenant income. Capital Grants decreased. Most expenses increased moderately due to inflation, except for Maintenance which increased significantly due to a decrease in Capital Grants. Housing Assistance Payments increased due to a higher level of leasing activities within the Authority's Housing Choice Voucher Program. The Authority rented units to more low income households, which increased Housing Assistance Payments as well as the associated HUD revenue.

**CLINTON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2003**

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had \$18.2 million invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (addition, deductions and depreciation) of \$1.1 million or 6.4% from the end of last year.

TABLE 4

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

	Business-type Activities	
	2003 (thousands of dollars)	2002 (thousands of dollars)
Land and land rights	\$ 0	\$ 0
Buildings	2982.4	2929.8
Equipment – Administrative	90.7	85.2
Equipment – Dwelling	18.8	18.8
Accumulated Depreciation	(1625.4)	(1475.9)
Construction In Progress	0	0
Total	\$1466.5	\$1557.9

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

**CLINTON METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (M D & A)
Year Ended DECEMBER 31, 2003**

Unaudited

TABLE 5

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

	Business Type Activities
Beginning Balance	\$1557.9
Additions, Net of Retirements	58.1
Depreciation and Amortization	(149.5)
Ending Balance	\$1466.5

This year's major additions primarily capital expenditures related to modernizing the Authority's housing developments. There was also a small amount of equipment purchases.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

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

FINANCIAL CONTACT

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

CLINTON METROPOLITAN HOUSING AUTHORITY
Statement of Net Assets
Proprietary Funds - Enterprise Fund
December 31, 2003

ASSETS

Current assets

Cash and cash equivalents	\$12,211
Receivables, net	74,820
Prepaid expenses and other assets	3,774
Interprogram due from	74,005
Total current assets	164,810

Noncurrent assets

Capital assets:	
Building and equipment	3,091,966
Less accumulated depreciation	(1,625,414)
Total noncurrent assets	1,466,552
Total assets	\$1,631,362

LIABILITIES

Current liabilities

Bank overdraft	\$25,191
Accounts payable	19,999
Accrued liabilities	9,502
Intergovernmental payables	3,649
Tenant security deposits	4,416
Interprogram due to	74,005
Total current liabilities	136,762
Total liabilities	\$136,762

NET ASSETS

Invested in capital assets, net of related debt	\$1,466,552
Unrestricted net assets	28,048
Total net assets	\$1,494,600

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

CLINTON METROPOLITAN HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds - Enterprise Fund
For the Year Ended December 31, 2003

OPERATING REVENUES

Tenant Revenue	\$40,687
Government operating grants	1,344,111
Other revenue	869
Total operating revenues	1,385,667

OPERATING EXPENSES

Administrative	219,176
Utilities	29,906
Maintenance	100,862
General	17,132
Housing assistance payment	1,041,582
Depreciation	149,478
Total operating expenses	1,558,136
Operating income (loss)	(172,469)

NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	341
Total nonoperating revenues (expenses)	341
Income (loss) before contributions and transfers	(172,128)
Capital grants	58,063
Change in net assets	(114,065)
Total net assets – beginning	1,607,546
Prior Period Adjustment	1,119
Total net assets – ending	\$1,494,600

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

CLINTON METROPOLITAN HOUSING AUTHORITY
Combined Statement of Cash Flows
Proprietary Fund Type - Enterprise Fund
For the Year Ended December 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from tenants	\$44,264
Cash received from grantor	1,377,193
Cash paid to suppliers and employees	(409,869)
Cash paid for housing assistance	<u>(1,041,582)</u>
Net cash provided by operating activities	<u>(29,994)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest earned	<u>341</u>
Net cash used by investing activities	<u>341</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Property and equipment purchased	(58,063)
Capital grant funds received	<u>58,063</u>
Net cash used by financing activities	<u>0</u>

Net Increase (Decrease) in Cash	(29,653)
Cash and cash equivalents - Beginning of Year	<u>41,864</u>
Cash and cash equivalents - End of Year	<u><u>\$12,211</u></u>

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

CLINTON METROPOLITAN HOUSING AUTHORITY
Combined Statement of Cash Flows
Proprietary Fund Type - Enterprise Fund
For the Year Ended December 31, 2003

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

Operating Income (Loss)	(\$172,469)
Adjustments to Reconcile Net Income to net Cash Provided by Operating Activities:	
Depreciation	149,478
Increase in accounts receivable	(32,417)
Increase in prepaid expenses	3,157
Increase in accounts payable	26,315
Decrease in accrued expenses	(13,988)
Decrease in other liabilities	9,537
Increase in tenant security deposit	(726)
Prior Period Adjustment effecting cash	1,119
Net cash provided by operating activities	(\$29,994)

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

CLINTON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

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 operations.

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 early, in the current fiscal year.

Reporting Entity

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

The accompanying general purpose 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.

CLINTON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Fund Accounting

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

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

Proprietary Fund Types

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

CLINTON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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.

Cash and Cash Equivalents

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

Compensated Absences

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

CLINTON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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:

CLINTON METROPOLITAN HOUSING AUTHORITY
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2003
 (CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

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	\$22,445	\$22,445	\$0	\$0	\$12,211

The Authority did not have investments at December 31, 2003. The carrying amount of \$12,211 includes a petty cash amount of \$100.

NOTE 3: RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending December 31, 2003 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.

CLINTON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(CONTINUED)

NOTE 4: FIXED ASSETS

The following is a summary:

Land	\$-0-
Buildings	1,430,344
Furniture, Machinery and Equipment	109,522
Leasehold Improvement	1,552,100
 Total Fixed Assets	 3,091,966
Accumulated Depreciation	(1,625,414)
 Net Fixed Assets	 \$1,466,552

The following is a summary of changes:

	Balance				Balance
	12/31/02	Additions	Deletions		12/31/03
Land	\$-0-	\$0	\$0		\$-0-
Buildings	1,430,344	0	0		1,430,344
Furnt, Mach. and Equip.	104,057	5,465	0		109,522
Leasehold Improvement	1,499,502	52,598	0		1,552,100
 Total Fixed Assets	 \$3,033,903	\$58,063	\$0		 \$3,091,966

The depreciation expense for the year ended December 31, 2003 was \$149,478.

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

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

CLINTON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(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 employer contribution rate was 13.55 percent of covered payroll. The Authority's required contributions to PERS for the years ended December 31, 2003, 2002 and 2001 were \$17,915, \$19,506, and \$16,172, respectively. The full amount has been contributed for 2002 and 2001. Eighty seven percent has been contributed for 2003, with the remainder being reported as a liability with the enterprise fund.

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

The Public Employees Retirement System of Ohio (OPERS) provides post-employment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the OPERS is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post-employment health care through their contributions to the OPERS. The portion of the 2003 employer contribution rate (identified above) that was used to fund health care for the year ended December 31, 2003 was 5.0 percent of covered payroll, which amounted to \$6,611. 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 from 0.51 percent to 6.3 percent. Health care costs were assumed to increase 4.0 percent annually.

CLINTON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(CONTINUED)

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

Benefits are advanced-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: GOING CONCERN

Clinton Metropolitan Housing Authority manages 30 public housing units and 293 section 8 vouchers. This classifies Clinton as a small housing authority. Due to its size, Clinton is limited to the total administration fees it can earn. The fees earned and the operating subsidy provided by HUD is not sufficient to cover the Authority operating expenses.

The PHA has received aid from TARC, Trouble Agency Recovery Center, a department of HUD, specializing in helping financially trouble authority. However, unless the PHA can generate additional revenues, its financial position may not improve.

NOTE 8: SCHEDULE OF EXPENDITURE OF FEDERAL AWARD

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

NOTE 9: PRIOR PERIOD ADJUSTMENT

Adjustment of \$1,119 was necessary to reflect HUD adjustments to administration fees earned for the fiscal year ending December 31, 2002.

CLINTON METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(CONTINUED)

NOTE 10: CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year 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	Unrestricted Net Assets	Total
Beginning Balance	\$1,714,903	(\$107,357)	\$0	\$0	\$1,607,546
Reclassification- GASB 34	(1,714,903)	107,357	1,557,966	49,580	0
Restated Beginning Balance	0	0	1,557,966	49,580	1,607,546
Fixed Assets Addition	0	0	58,063	0	58,063
Depreciation Expense	0	0	(149,478)	0	(149,478)
Net Loss for the Year	0	0	0	(22,650)	(22,650)
Prior Period Adjustment	0	0	0	1,119	1,119
Rounding Adjustment	0	0	1	(1)	0
Ending Net Assets	\$0	\$0	\$1,466,552	\$28,048	\$1,494,600

NOTE 11: SALE OF PUBLIC HOUSING UNITS

On April 2004, the Clinton Metropolitan Housing Authority Board executed a real estate sale contract with Wilmington Housing Partners, LTD, whereas the housing authority sold its 30 unit of residential rental project (HUD Project OHIO-PO53). The sale price was \$357,198 with the following payment schedule:

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

The PHA applied and received 30 vouchers to replace the public housing units sold. This action was taking as a measure to help the housing authority financial situation.

Clinton Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
December 31, 2003

Capital Fund Program Grant Number OH10P0535-03

1. The Actual Modernization Costs are as follows:

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

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

Clinton Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2003

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
111	Cash – Unrestricted	\$0	\$0	\$12,211	\$0	\$12,211
100	Total Cash	-	-	12,211	-	12,211
122	Accounts Receivable - HUD Other Projects	-	-	20,830	51,478	72,308
126	Accounts Receivable - Tenants - Dwelling Rents	2,052	-	-	-	2,052
126.1	Allowance for Doubtful Accounts - Dwelling Rents	(615)	-	-	-	(615)
126.2	Allowance for Doubtful Accounts – Other	-	-	-	-	-
128	Fraud Recovery	-	-	1,275	-	1,275
128.1	Allowance for Doubtful Accounts – Fraud	-	-	(200)	-	(200)
120	Total Receivables, net of allowances for doubtful accounts	1,437	-	21,905	51,478	74,820
142	Prepaid Expenses and Other Assets	3,324	-	450	-	3,774
144	Interprogram Due From	74,005	-	-	-	74,005
150	Total Current Assets	78,766	-	34,566	51,478	164,810
162	Buildings	1,430,344	-	-	-	1,430,344
163	Furniture, Equipment & Machinery – Dwellings	12,843	1,452	-	4,537	18,832
164	Furniture, Equipment & Machinery – Administration	39,086	13,904	-	37,700	90,690
165	Leasehold Improvements	1,301,352	156,538	-	94,210	1,552,100
166	Accumulated Depreciation	(1,570,604)	(32,680)	-	(22,130)	(1,625,414)
160	Total Fixed Assets, Net of Accumulated Depreciation	1,213,021	139,214	-	114,317	1,466,552
190	Total Assets	\$1,291,787	\$139,214	\$34,566	\$165,795	\$1,631,362

Clinton Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2003

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
311	Bank Overdraft	\$25,191	\$0	\$0	\$0	\$25,191
312	Accounts Payable <= 90 Days	19,499	-	500	-	19,999
321	Accrued Wage/Payroll Taxes Payable	4,320	-	1,485	-	5,805
322	Accrued Compensated Absences - Current Portion	1,304	-	2,393	-	3,697
331	Accounts Payable - HUD PHA Programs	-	-	500	-	500
333	Accounts Payable - Other Government	3,149	-	-	-	3,149
341	Tenant Security Deposits	4,416	-	-	-	4,416
347	Interprogram Due To	-	-	22,527	51,478	74,005
310	Total Current Liabilities	57,879	-	27,405	51,478	136,762
300	Total Liabilities	57,879	-	27,405	51,478	136,762
508.1	Invested in Capital Assets, Net of Related Debt	1,213,021	139,214	-	114,317	1,466,552
512.1	Unrestricted Net Assets	20,887	-	7,161	-	28,048
513	Total Equity/Net Assets	1,233,908	139,214	7,161	114,317	1,494,600
600	Total Liabilities and Equity/Net Assets	\$1,291,787	\$139,214	\$34,566	\$165,795	\$1,631,362

Clinton Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2003

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
703	Net Tenant Rental Revenue	\$37,692	\$0	\$0	\$0	\$37,692
704	Tenant Revenue – Other	2,995	-	-	-	2,995
705	Total Tenant Revenue	40,687	-	-	-	40,687
706	HUD PHA Operating Grants	98,907	-	1,199,902	45,302	1,344,111
706.1	Capital Grants	-	-	-	58,063	58,063
711	Investment Income – Unrestricted	94	-	247	-	341
715	Other Revenue	869	-	-	-	869
700	Total Revenue	140,557	-	1,200,149	103,365	1,444,071
911	Administrative Salaries	11,767	-	78,840	4,457	95,064
912	Auditing Fees	2,250	-	2,817	-	5,067
914	Compensated Absences	6,605	-	8,606	-	15,211
915	Employee Benefit Contributions – Administrative	9,481	-	30,236	342	40,059
916	Other Operating – Administrative	35,224	-	28,299	252	63,775
931	Water	17,210	-	-	-	17,210
932	Electricity	9,982	-	-	-	9,982
933	Gas	2,714	-	-	-	2,714
941	Ordinary Maintenance and Operations – Labor	22,436	-	-	-	22,436
942	Ordinary Maintenance and Operations - Materials and Other	4,621	-	-	1,159	5,780
943	Ordinary Maintenance and Operations - Contract Costs	21,376	-	646	39,092	61,114
945	Employee Benefit Contributions - Ordinary Maintenance	11,532	-	-	-	11,532
961	Insurance Premiums	13,724	-	2,990	-	16,714

Clinton Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
December 31, 2003

Line Item No.	Account Description	Low Rent Public Housing	Public Housing Comprehensive Improvement Assistance Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Total
963	Payments in Lieu of Taxes	358	-	-	-	358
964	Bad Debt - Tenant Rents	60	-	-	-	60
969	Total Operating Expenses	169,340	-	152,434	45,302	367,076
970	Excess Operating Revenue over Operating Expenses	(28,783)	-	1,047,715	58,063	1,076,995
973	Housing Assistance Payments	-	-	1,041,582	-	1,041,582
974	Depreciation Expense	122,101	12,816	-	14,561	149,478
900	Total Expenses	291,441	12,816	1,194,016	59,863	1,558,136
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(150,884)	(12,816)	6,133	43,502	(114,065)
1103	Beginning Equity	1,384,792	152,030	(91)	70,815	1,607,546
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	1,119	-	1,119
	Ending Equity	\$1,233,908	\$139,214	\$7,161	\$114,317	\$1,494,600
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$1,036,861	\$0	\$1,036,861
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	-	-	-	-	-
1115	Contingency Reserve, ACC Program Reserve	-	-	208,313	-	208,313
1116	Total Annual Contributions Available	\$0	\$0	\$1,245,174	\$0	\$1,245,174
1120	Unit Months Available	348	0	3,156	0	3,504
1121	Number of Unit Months Leased	269	0	3,052	0	3,321

Clinton Metropolitan Housing Authority
Schedule of Expenditure of Federal Award
For the Year Ended December 31, 2003

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850a	\$98,907
Housing Choice Voucher Program	14.871	1,199,902
Public Housing Capital Fund Program	14.872	<u>103,365</u>
Total Expenditure of Federal Award		<u>\$1,402,174</u>



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

Board of Directors
Clinton Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the general purpose financial statements of the Clinton Metropolitan Housing Authority, Ohio, as of and for the year ended December 31, 2003, and have issued my report thereon dated July 16, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Clinton Metropolitan Housing Authority, Ohio's general purpose 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 instances of noncompliance that are required to be reported under Governmental Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items GAS-2003-1 through GAS-2003-2.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Clinton Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose 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
Certified Public Accountant

July 16, 2004



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

Board of Directors
Clinton Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

I have audited the compliance of the Clinton Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2003. Clinton Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Clinton Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Clinton Metropolitan Housing Authority, Ohio's compliance based on my audit.

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

As described in item FED-2003-1 and FED-2003-2 in the accompanying schedule of findings and questioned costs, Clinton Metropolitan Housing Authority, Ohio, did not comply with requirements regarding Special Test and Provisions that are applicable to its Housing Choice Voucher Program. Compliance with such requirements is necessary, in my opinion, for Clinton Metropolitan Housing Authority, Ohio, to comply with requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, Clinton Metropolitan Housing Authority, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

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

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect Clinton Metropolitan Housing Authority, Ohio's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items FED-2003-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above are a material weakness.

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



Salvatore Consiglio
Certified Public Accountant

July 16, 2004

Clinton Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 December 31, 2003

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

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
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FINDING NUMBER	GAS-2003 -1
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PAYROLL TAXES

Audit procedures over payroll revealed that a check dated January 2003 was issued to the Internal Revenue Service Center to pay taxes for Federal and Medicare Income Tax

Clinton Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
December 31, 2003

withheld for the entire 2002 year. Although the check was written in January, it was not issued because the PHA did not have sufficient funds in the bank to cover the check amount. As of the date of this audit report the check is still reported as outstanding.

This resulted in the PHA been assessed \$5,134 of interest and late fees by the Internal Revenue Service Center.

Recommendation:

The PHA must pay payroll taxes on time.

FINDING NUMBER	GAS-2003 -2
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LOW RENT PUBLIC HOUSING CASH BALANCE

Audit procedures over cash balance revealed that the PHA Low Rent Public Housing cash balance as of December 31, 2003 was a negative balance of \$25,291. It was explained that checks were written however, the checks were not issued because the PHA did not have funds to cover the balance. The \$25,291 was properly reported as accounts payable on the financial statements.

This was the result of the Authority not having sufficient revenues to cover its obligations and a determination made of prioritizing which invoices to pay first.

Recommendation:

The PHA should continue to look at other means to generate revenue and to reduce expenses.

3. FINDINGS REALTED TO FEDERAL AWARDS

FINDING NUMBER	FED-2003-1
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SECTION 8 TENANT FILES

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

24 CFR 982.158 requires that the PHA maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit.

Clinton Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
December 31, 2003

As part of my audit procedures I randomly selected 25 participant files to review. The result of my audit procedures revealed the following errors:

- 3 files did not properly include copy of the birth certificates or social security cards.
- 4 files did not have a signed declaration of citizenship.
- 1 file did not use the correct payment standard. Also, we noted several errors were the form HUD-50058 listed the wrong bedroom size.
- 2 files did not have signed form 9886 for all family members over 18 years of age.
- 1 file did not have proper third party verification.
- 1 did not have copy of the lease.

Some of these errors have been noted in prior year audit.

The above errors were the result of the PHA not implementing a proper system of quality control over tenant files.

Recommendation:

The PHA must implement a system where tenant files are reviewed for competence and accuracy.

FINDING NUMBER	FED-2003-2
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FSS PROGRAM IMPLEMENTATION

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

24 CFR 984 requires that each PHA that operates a section 8 or a public housing program must operate a FSS program.

The Housing Authority did not meet the number of participants' requirement for the Family Self Sufficient Program (FSS). The Authority requirement is to have 30 participants in the program, as of December 31, 2003 there was only 11 participants enrolled.

The PHA is working on complying with the above requirement. However, the PHA is having difficulties recruiting participants from enrolling in the program. A waiver was requested from HUD to lower the number of participant required.

Clinton Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
December 31, 2003

Recommendation:

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

Clinton Metropolitan Housing Authority
Schedule of Prior Audit Findings
December 31, 2003

The following are the status of the December 31, 2002 audit findings. Those findings not fully corrected are repeated in the 2003 audit report.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
FED-2000-1	Financial Reporting	Yes	Report was filed timely.
FED-2000-2	Section 8 Tenant Files	No	Audit procedures revealed several errors. Finding was repeated as FED-2003-1
FED-2000-3	FSS Program	No	The PHA did not meet the required number (30) of participants participating in the program. A waiver was requested. Finding was repeated as FED-2003-2



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CLINTON METROPOLITAN HOUSING AUTHORITY

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 9, 2004**