

**CHILlicoTHE METROPOLITAN
HOUSING AUTHORITY**

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT**

for the

Year Ended September 30, 2010



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Chillicothe Metropolitan Housing Authority, Ross County, prepared by Jones, Cochenour & Co., for the audit period October 1, 2009 through September 30, 2010. 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.

A handwritten signature in black ink that reads "Dave Yost".

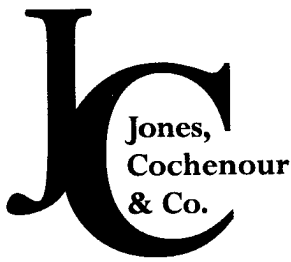
Dave Yost
Auditor of State

April 20, 2011

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**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
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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, 2010, 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 an opinion 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 opinion.

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, 2010, and the changes in financial position 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 March 21, 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

much more than an accounting firm

Our audit was conducted for the purpose of forming opinions on the basic financial statements of the Authority taken as a whole. 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 Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other recorded used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Jones, Cochenour & Co.
March 21, 2011

**CHILlicothe METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2010**

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 statements (beginning on page 9).

FINANCIAL HIGHLIGHTS

- The Authority's net assets increased by \$31,428 (or .33%) during 2010. The Authority engages only in business-type activities. Net Assets were \$9,463,181 and \$9,431,753 for 2010 and 2009, respectively.
- Revenues increased by \$100,407 (or 2.0%) during 2010, and were \$5,163,561 and \$5,063,154 for 2010 and 2009, respectively.
- The total expenses of all Authority programs decreased by \$56,504 (or 1.0%). Total expenses were \$5,132,133 and \$5,188,637 for 2010 and 2009, 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
Year Ended September 30, 2010**

AUTHORITY FINANCIAL STATEMENTS

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

These statements include a Statement of Net Assets, which is similar to a Balance Sheet. The Statement of Net Assets reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equals "Net Assets", formerly 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 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 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 capital and management improvements to the Authority's properties, including modernization and development housing.

**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2010**

Capital Fund Formula Stimulus Grant – The Authority received funding through the American Recovery and Reinvestment Act as part of the Capital Fund Program. These funds were for physical improvements of the Authority's properties.

Central Office Cost Center (COCC) – The Authority owns and operates more than 383 dwelling rental units and established a COCC to account for non-project specific costs. These costs are funded from management fees, asset management fees, bookkeeping fees, and front-line service fees.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

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.

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**

	<u>2010</u>	<u>2009</u>
Current and Other Assets	\$ 1,544,457	\$ 1,359,176
Capital Assets	<u>8,206,785</u>	<u>8,494,923</u>
TOTAL ASSETS	<u>\$ 9,751,242</u>	<u>\$ 9,854,099</u>
Current Liabilities	\$ 202,066	\$ 338,974
Long-term Liabilities	<u>85,995</u>	<u>83,372</u>
TOTAL LIABILITIES	<u>288,061</u>	<u>422,346</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	8,206,785	8,494,923
Restricted	472,099	467,289
Unrestricted	<u>784,297</u>	<u>469,541</u>
TOTAL NET ASSETS	<u>9,463,181</u>	<u>9,431,753</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,751,242</u>	<u>\$ 9,854,099</u>

MAJOR FACTORS AFFECTING THE STATEMENT OF NET ASSETS

During 2010, current and other assets were increased by \$185,281, and current liabilities were decreased by \$136,908. The current and other assets, primarily cash and investments, increased because of the decrease in the current liabilities and decrease in expenses.

**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2010**

Capital assets also changed, decreasing from \$8,494,923 to \$8,206,785. The \$288,138 decrease is attributed primarily to a combination of net acquisitions (\$453,254), less current year depreciation (\$741,392). For more detail see "Capital Assets and Debt Administration" below.

**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, 2009	\$ 467,289	\$ 469,541	\$ 8,494,923
Results of Operation	4,810	26,620	-
Adjustments:			
Current year Depreciation Expense (1)	-	741,392	(741,392)
Capital Expenditure (2)	-	(453,254)	453,254
Ending Balance - September 30, 2010	<u>\$ 472,099</u>	<u>\$ 784,299</u>	<u>\$ 8,206,785</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.

	2010	2009
Revenues		
Tenant Revenue - Rents and Other	\$ 578,154	\$ 566,796
Operating Subsidies and Grants	4,090,324	3,931,225
Capital Grants	452,438	539,580
Investment Income/Other Revenues	42,645	25,553
TOTAL REVENUE	<u>5,163,561</u>	<u>5,063,154</u>
Expenses		
Administration	679,957	702,886
Tenant Services	80,024	80,635
Utilities	370,689	367,106
Maintenance	622,878	621,319
Protective Services	26,104	34,760
Insurance Premiums	88,189	86,391
General and Miscellaneous	104,174	126,867
Housing Assistance Payments	2,405,026	2,296,527
Casualty loss	13,700	9,414
Loss on disposals	-	4,320
Depreciation	741,392	858,412
TOTAL EXPENSES	<u>5,132,133</u>	<u>5,188,637</u>
CHANGE IN NET ASSETS	<u>\$ 31,428</u>	<u>\$ (125,483)</u>

**CHILLCOTHE METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2010**

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

Tenant revenue increased during 2010 in comparison to 2009 due to higher occupancy rate. Operating Subsidies Grants increased while Capital Grants decreased. The increase in Operating Subsidies was due to an increase in Section 8 funding while Capital Grants decreased funding from HUD due to several Capital Projects being completed.

Total expenses decreased because depreciation went down due to a few assets being fully depreciated and careful management of expenses by the Authority. This offset an increase in Section 8 Housing Assistance payments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of year end, the Authority had \$8,206,785 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (addition, deductions and depreciation) of \$288,138 or 3.4% from the end of last year.

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

	2010	2009
Land and Land Rights	\$ 1,301,488	\$ 1,301,488
Buildings	10,615,837	10,615,837
Equipment	517,853	517,113
Leasehold Improvements	11,290,641	10,838,127
Accumulated Depreciation	(15,519,034)	(14,777,642)
TOTAL	\$ 8,206,785	\$ 8,494,923

The following reconciliation summarizes the change in Capital Assets.

**TABLE 5
CHANGE IN CAPITAL ASSETS**

BEGINNING BALANCE - NET	\$ 8,494,923
Current Year Additions	453,254
Depreciation Expense	(741,392)
ENDING BALANCE - NET	\$ 8,206,785

DEBT

Debt Outstanding

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

**CHILlicothe METROPOLITAN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2010**

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.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
STATEMENT OF NET ASSETS
September 30, 2010

ASSETS

Cash and cash equivalents	\$	856,823
Restricted cash and cash equivalents		548,687
Receivables - net of allowance		82,468
Inventories - net of allowance		43,930
Prepaid expenses and other assets		12,549
TOTAL CURRENT ASSETS		1,544,457

CAPITAL ASSETS

Land		1,301,488
Other capital assets - net		6,905,297
TOTAL CAPITAL ASSETS		8,206,785

TOTAL ASSETS 9,751,242

LIABILITIES

Accounts payable		48,362
Accrued wages/payroll taxes		15,933
Accrued compensated absences - current		64,991
Intergovernmental payables		23,135
Tenant security deposits		47,802
Other current liabilities		1,843
TOTAL CURRENT LIABILITIES		202,066

NON-CURRENT LIABILITIES

Accrued compensated absences - non-current		9,407
FSS liability		76,588
TOTAL NON-CURRENT LIABILITIES		85,995

TOTAL LIABILITIES 288,061

NET ASSETS

Invested in capital assets - net of related debt		8,206,785
Restricted net assets		472,099
Unrestricted net assets		784,297
NET ASSETS	\$	9,463,181

See accompanying notes to the basic financial statements

CHILlicothe METROPOLITAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
September 30, 2010

OPERATING REVENUES		
Tenant revenue	\$	578,154
Operating subsidies and grants		4,090,324
Other revenues		<u>40,370</u>
TOTAL OPERATING REVENUES		4,708,848
OPERATING EXPENSES		
Administrative		679,957
Tenant services		80,024
Utilities		370,689
Maintenance		622,878
Protective services		26,104
Insurance		88,189
General		104,174
Housing assistance payments		2,405,026
Depreciation		741,392
Casualty loss		<u>13,700</u>
TOTAL OPERATING EXPENSES		<u>5,132,133</u>
OPERATING LOSS		(423,285)
NON-OPERATING REVENUE		
Interest income		2,275
HUD capital grants		<u>452,438</u>
NET NON-OPERATING REVENUE		<u>454,713</u>
CHANGE IN NET ASSETS		31,428
NET ASSETS BEGINNING OF YEAR		<u>9,431,753</u>
NET ASSETS END OF YEAR		<u>\$ 9,463,181</u>

See accompanying notes to the basic financial statements

CHILlicothe METROPOLITAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended September 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from tenants	\$	548,117
Cash received from HUD		4,131,692
Cash received from other revenues		43,589
Cash payments for housing assistance payments		(2,405,026)
Cash payments for other operating expenses		(2,083,471)
Cash payments for HUD and other governments		(29,248)

		<u>205,653</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants received for capital assets		452,438
Acquisition of capital assets		(453,254)

		<u>(816)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Investment activity		<u>2,275</u>
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		207,112
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CASH AND CASH EQUIVALENTS, BEGINNING

		<u>1,198,398</u>
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CASH AND CASH EQUIVALENTS, ENDING

	\$	<u><u>1,405,510</u></u>
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**RECONCILIATION OF OPERATING LOSS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:**

Operating loss	\$	(423,285)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation		741,392
(Increase) decrease in:		
Receivables - net of allowance		35,752
Inventories - net of allowance		(14,411)
Prepaid expenses and other assets		490
Increase (decrease) in:		
Accounts payable		(97,694)
Intergovernmental payables		(2,061)
Accrued wages/payroll taxes		(28,766)
Accrued compensated absences		(2,236)
Tenant security deposits		1,963
Deferred revenues and other liabilities		(5,491)

		<u>205,653</u>
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	\$	<u><u>205,653</u></u>
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See accompanying notes to the basic financial statements

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2010

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, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets. The statement of changes in net assets presents increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The statement of cash flows provides information about how the Authority finances and meets the cash flow needs of its enterprise activity.

Enterprise Fund

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the Section 8 and Public Housing Programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. 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.

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 – 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.

Capital Fund Formula Stimulus Grant – The Authority received funding through the American Recovery and Reinvestment Act as part of the Capital Fund Program. These funds were for physical improvements of the Authority's properties.

Central Office Cost Center (COCC) – The Authority owns and operates 383 dwelling rental units and established a COCC to account for non-project specific costs. These costs are funded from management fees, asset management fees, bookkeeping fees, and front-line service fees.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual contributions Contract (ACC) with HUD. HUD provides Annual Contributions funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

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.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Inventories

Inventories are stated at the weighted-average cost and determined by first-in, first-out method.

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

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 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 as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absence accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: (1) the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee. (2) it is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

CHILlicothe METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The following is a summary of changes in compensated absences for the year ended September 30, 2010:

Description	Balance 9/30/2009	Increases	Decreases	Balance 9/30/2010	Due Within One Year
Compensated Absences Payable	\$ 76,634	\$ 64,660	\$ (66,896)	\$ 74,398	\$ 64,991

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.

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 Schedule of Revenue and Expenses.

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 certificates of deposit 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 certificates maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Protection of the Authority's 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.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2010

2. DEPOSITS AND INVESTMENTS - CONTINUED

At fiscal year end September 30, 2010, the carrying amount of the Authority's deposits totaled \$1,405,510 and its bank balance was \$1,498,027. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of September 30, 2010, \$998,353 was exposed to custodial risk as discussed below, while \$499,674 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.

Investments

In accordance with the Ohio Revised Code and HUD investment policy, the Authority is permitted to invest in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, obligations of certain political subdivisions of Ohio and the United States government and its agencies, and repurchase agreements with any eligible depository or any eligible dealers. Public depositories must give security for all public funds on deposit. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based.

The Authority is prohibited from investing in any financial instruments, contracts, or obligations whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a derivative). The Authority is also prohibited from investing in reverse purchase agreements.

At September 30, 2010, the Authority did not have any investments.

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, 2010 the Authority maintained 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.

4. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended September 30, 2010, the Authority implemented GASB Statement No. 56, Codification of Accounting and Financial Reporting Guidance contained in the AICPA Statements on Auditing Standards. The implementation did not affect the presentation of the financial statements of the Authority.

CHILlicothe METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2010

5. CAPITAL ASSETS

The following is a summary of capital assets:

	Balance 09/30/2009	Net Additions	Disposals/ Corrections	Balance 09/30/2010
CAPITAL ASSETS, NOT BEING DEPRECIATED				
Land	\$ 1,301,488	\$ -	\$ -	\$ 1,301,488
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	1,301,488	-	-	1,301,488
CAPITAL ASSETS BEING DEPRECIATED				
Buildings	\$ 10,615,837	\$ -	\$ -	\$ 10,615,837
Furniture, machinery & equipment	517,113	740	-	517,853
Leasehold improvement	10,838,127	452,514	-	11,290,641
Totals at Historical Costs	21,971,077	453,254	-	22,424,331
LESS: ACCUMULATED DEPRECIATION				
Buildings	(7,049,576)	(218,362)	-	(7,267,938)
Furniture, machinery & equipments	(418,645)	(23,371)	-	(442,016)
Leasehold improvements	(7,309,421)	(499,659)	-	(7,809,080)
TOTAL ACCUMULATED DEPRECIATION	(14,777,642)	(741,392)	-	(15,519,034)
TOTAL CAPITAL ASSETS, NET, BEING DEPRECIATED	\$ 7,193,435	\$ (288,138)	\$ -	\$ 6,905,297
TOTAL CAPITAL ASSETS, NET	\$ 8,494,923	\$ (288,138)	\$ -	\$ 8,206,785

6. 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 system administered by the Public Employees Retirement Board. 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.

OPERS provides basic retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2010

6. DEFINED BENEFIT PENSION PLANS - CONTINUED

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010 and 2009, member and employer contribution rates were consistent across all three plans. Plan members are required to contribute 10 percent of their annual covered payroll to fund pension obligations and the Authority was required to contribute 14 percent of covered payroll during 2010 and 2009. The Authority's contribution for the years ended September 30, 2010, 2009 and 2008 amounted to \$77,345, \$75,285 and \$80,967 respectively. At September 30, 2010 the Authority owed \$14,172 of the fiscal year contributions. All required contributions for the two previous years have been paid.

7. POST-EMPLOYMENT BENEFITS

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B Premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in *GASB Statement No. 45*.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report which may be obtained by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010 and 2009, the Authority contributed at a rate of 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. For 2010 and 2009, the employer contribution allocated to the health care plan was 5.5% of covered payroll. The OPERS' Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree and their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Actual Authority contributions for the year ended September 30, 2010, which were used to fund post-employment benefits, were \$30,386.

On September 9, 2004, the OPERS' Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

8. NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CHILlicothe METROPOLITAN HOUSING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
September 30, 2010

9. RELATED PARTY ACTIVITY

An employee of the Authority has relatives that own HUD properties and receive Section 8 payments. Another employee has a relative living in one of the public housing units. Neither of these items is material to the operations of the Authority.

10. RESTRICTED NET ASSETS

For the fiscal year ended September 30, 2010, the Authority had \$472,099 in its HAP reserve account for the Section 8 program and \$76,588 for the FSS liability.

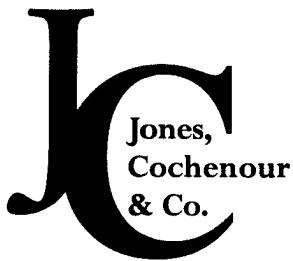
11. SUBSEQUENT EVENTS

As of the date of this report, the unaudited HUD REAC submission has not been accepted. There were no other subsequent events noted through March 21, 2011, the date the financial statements were available to be issued. Any subsequent events after that date have not been evaluated.

CHILlicothe METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2010

FEDERAL GRANTOR	FEDERAL CFDA NUMBER	FUNDS EXPENDED
<u>U.S. Department of Housing and Urban Development</u>		
<u>Direct Programs</u>		
Low Rent Public Housing	14.850	\$ 1,215,629
Resident Opportunity and Supportive Services	14.870	56,995
Housing Choice Vouchers	14.871	2,721,408
Public Housing Capital Fund Program (Cluster)		
Public Housing Capital Fund	14.872	435,268
Public Housing Capital Fund Stimulus (Formula) Grant	14.885	<u>113,462</u>
Public Housing Capital Fund Program Cluster		<u>548,730</u>
Total Expenditures of Federal Awards		\$ <u><u>4,542,762</u></u>

See independent auditors' report



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

Board of Directors
Chillicothe Metropolitan Housing Authority
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, 2010 and have issued our report thereon dated March 21, 2011. 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.

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.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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 or other matters that are required to be reported under *Government Auditing Standards*.

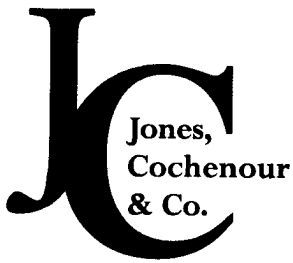
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We noted certain other matters we reported to management in a separate letter dated March 21, 2011.

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 cursive script that reads "Jones, Cochenour & Co.".

Jones, Cochenour & Co.
March 21, 2011



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON 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 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. 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 of 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, 2010

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 the 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Chillicothe Metropolitan Housing Authority's internal control over compliance.

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A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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



**Jones, Cochenour & Co.
March 21, 2011**

CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
Summary of Auditors' Results and Schedule of Findings
OMB Circular A-133 § .505
September 30, 2010

1. SUMMARY OF AUDITORS' RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
Were there any material internal control weaknesses reported for major federal programs?	No
Were there any significant deficiencies in internal control reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510(a)?	No
Major Programs:	CFDA #14.872 Public Housing Capital Fund CFDA #14.885 Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded CFDA #14.850 Public and Indian Housing CFDA #14.871 Section 8 Housing Choice Vouchers
Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
Low Risk Auditee?	No

CHILICOTH METROPOLITAN HOUSING AUTHORITY
Summary of Auditors' Results and Schedule of Findings
OMB Circular A-133 § .505 - Continued
September 30, 2010

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

There were no findings for the year ended September 30, 2010.

3. FINDINGS FOR FEDERAL AWARDS

There were no findings for the year ended September 30, 2010.

CHILlicothe METROPOLITAN HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
September 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid ; Explain:
2009-0426-001	Errors in Financial Statements and Schedule of Federal Expenditures	Yes	N/A



Dave Yost • 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
MAY 5, 2011**