



**GENERAL PURPOSE
FINANCIAL STATEMENTS**

of the

**CHILlicoTHE METROPOLITAN
HOUSING AUTHORITY**

for the

Year Ended September 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215

Telephone 614-466-4514
800-282-0370

Facsimile 614-728-7398

Board of Directors
Chillicothe Metropolitan Housing Authority

We have reviewed the Independent Auditor's Report of the Chillicothe Metropolitan Housing Authority, Ross County, prepared by Jones Cochenour & Co. for the audit period October 1, 2000 through September 30, 2001. 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.

JIM PETRO
Auditor of State

April 17, 2002

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**CHILLICOTHE METROPOLITAN HOUSING AUTHORITY
TABLE OF CONTENTS**

	Page
Independent Auditors' Report	1
General Purpose Financial Statements:	
Balance Sheet – Proprietary Fund Type	2
Statement of Revenues, Expenses and Changes in Retained Earnings – Proprietary Fund Type	3
Statement of Cash Flows - Proprietary Fund Type	4
Notes to the General Purpose Financial Statements	5 – 12
Supplemental Data:	
Balance Sheet – (FDS schedule format)	13 – 14
Statement of Revenues, Expenses and Changes in Retained Earnings – (FDS schedule format)	15 – 16
Schedule of Federal Awards Expenditures	17
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	18
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	19 – 20
Schedule of Findings and Questioned Costs	21 – 22



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 general purpose financial statements of Chillicothe Metropolitan Housing Authority, as of and for the year ended September 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the Chillicothe Metropolitan Housing Authority's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of Chillicothe Metropolitan Housing Authority, as of September 30, 2001, and the results of its operations and the cash flows of its proprietary fund type 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 a report dated February 25, 2002 on our consideration of Chillicothe Metropolitan Housing Authority's internal control over financial reporting and our 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 results of our audit.

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

Jones, Cochenour & Co.
February 25, 2002

Chillicothe Metropolitan Housing Authority
Balance Sheet
Proprietary Fund Type
Enterprise Fund
September 30, 2001

ASSETS

Cash and cash equivalents	\$	855,148
Investments		188,566
Receivables - net of allowance		186,325
Due from other funds		155,229
Inventories - net of allowance		39,662
Tenant security deposits		45,244
Deferred charges and other assets		29,420
Fixed assets - net of accumulated depreciation		<u>11,048,336</u>

TOTAL ASSETS **\$** 12,547,930

LIABILITIES, EQUITY AND OTHER CREDITS

Accounts payable	\$	48,703
Due to other funds		155,229
Intergovernmental payables		399,975
Accrued compensated absences		122,160
Tenant security deposits		40,955
Deferred credits and other liabilities		<u>287,867</u>

TOTAL LIABILITIES 1,054,889

EQUITY AND OTHER CREDITS

Contributed capital	\$	8,955,476
Unreserved fund		<u>2,537,565</u>

TOTAL EQUITY AND OTHER CREDITS 11,493,041

**TOTAL LIABILITIES, EQUITY
AND OTHER CREDITS** **\$** 12,547,930

See accompanying notes to the general purpose financial statements

Chillicothe Metropolitan Housing Authority
Statement of Revenues, Expenses and Changes in Retained Earnings
Proprietary Fund Type
Enterprise Fund
September 30, 2001

OPERATING REVENUE	
Tenant revenue	\$ 515,633
Program operating grants/subsidies	2,243,228
Other income	<u>8,025</u>
TOTAL OPERATING REVENUE	2,766,886
 OPERATING EXPENSES	
Administrative	664,247
Tenant services	142,099
Utilities	310,368
Maintenance	467,311
Protective services	55,261
General	53,115
Bad debts	8,513
Housing assistance payments	1,085,304
Depreciation	<u>756,765</u>
TOTAL OPERATING EXPENSES	<u>3,542,983</u>
NET OPERATING (LOSS)	(776,097)
 NON-OPERATING REVENUE	
Interest income	<u>28,413</u>
NET (LOSS)	(747,684)
 OTHER FINANCING SOURCES	
NET INCOME	<u>2,010,661</u>
BEGINNING EQUITY	10,234,253
 PRIOR PERIOD ADJUSTMENTS/EQUITY TRANSFERS	
ENDING EQUITY	<u>\$ 11,493,041</u>

See accompanying notes to the general purpose financial statements

**Chillicothe Metropolitan Housing Authority
Statement of Cash Flows
Proprietary Fund Type
Enterprise Fund
September 30, 2001**

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from HUD	\$	2,656,921
Cash received from tenants		523,658
Cash payments for housing assistance payments		(1,085,304)
Cash payments for administrative		(667,315)
Cash payments for other operating expenses		(1,011,717)
Cash payments to HUD and other governments		<u>(18,976)</u>

**NET CASH PROVIDED BY
OPERATING ACTIVITIES** 397,267

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets		(2,020,589)
Funds from HUD		2,010,661

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment activity		<u>(15,550)</u>
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INCREASE IN CASH AND CASH EQUIVALENTS 371,789

CASH AND CASH EQUIVALENTS, BEGINNING 483,359

CASH AND CASH EQUIVALENTS, ENDING \$ 855,148

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

Net operating (loss)	\$	(747,684)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation		756,765
Prior period adjustment affecting residual receipts		(6,609)
(Increase) decrease in:		
Intergovernmental receivables		
Receivables - net of allowance		(26,949)
Due from other funds		(53,517)
Inventories - net of allowance		3,945
Accounts receivable - other		3,301
Tenant security deposits		(841)
Deferred charges and other assets		(14,658)
Increase (decrease) in:		
Accounts payable		6,289
Due to other funds		53,517
Intergovernmental payable		290,356
Accrued compensated absences		7,645
Tenant security deposits		2,370
Deferred credits and other liabilities		<u>123,337</u>

**NET CASH PROVIDED
BY OPERATING ACTIVITIES** \$ 397,267

See accompanying notes to the general purpose financial statements

Chillicothe Metropolitan Housing Authority
Notes to the general purpose financial statements
September 30, 2001

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 general purpose financial statements comply with the provision of 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 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 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.

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

Chillicothe Metropolitan Housing Authority
Notes to the general purpose financial statements
September 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary Fund Types

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

Enterprise Fund – This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period 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.

Investments

Investments are restricted by the provisions of the HUD Regulations (See Note 3). Investments are valued at market value. Interest income earned in fiscal year 2001 for both programs totaled \$28,413. The interest income earned on the general fund investments in the Section 8 Program is required to be returned to HUD, and this amount was \$7,144 for the year ended September 30, 2001.

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. The following are the useful lives used for depreciation purposes:

Buildings – residential	27.5
Buildings – non residential	40
Building improvements	15
Furniture – dwelling	7
Furniture – non-dwelling	7
Equipment – dwelling	5
Equipment – non-dwelling	7
Autos and trucks	5
Computer hardware	3
Computer software	3
Leasehold improvements	15
Land improvements	15

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.

Chillicothe Metropolitan Housing Authority
Notes to the general purpose financial statements
September 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 absences 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.

Capital Contributions

This represents contributions made available by HUD with respect to all federally aided projects under an annual contributions contract.

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 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.

Receivables – net of allowance

Bad debts are provided on the allowance method based on management's evaluation of the collectability of outstanding tenant receivable balances at the end of the year. The allowance for uncollectable receivables was \$5,378 at September 30, 2001.

Inventories

Inventories are stated at cost. The allowance for obsolete inventory was \$500 at September 30, 2001.

Accounting and Reporting for Nonexchange Transactions

The Authority adopted GASB 33 effective for the year ended September 30, 2001. Nonexchange transactions occur when the Public Housing Authority (PHA) receives (or gives) value without directly giving equal value in return. GASB 33 identifies four classes of nonexchange transactions as follows:

- **Derived tax revenues:** result from assessments imposed on exchange transactions (i.e., income taxes, sales taxes and other assessments on earnings or consumption).
- **Imposed nonexchange revenues:** result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (i.e. property taxes and fines).
- **Government-mandated nonexchange transactions:** occur when a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specific purpose (i.e., federal programs that state or local governments are mandated to perform).

Chillicothe Metropolitan Housing Authority
Notes to the general purpose financial statements
September 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounting and Reporting for Nonexchange Transactions - Continued

- Voluntary nonexchange transactions: result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (i.e., certain grants and private donations).

PHA grants and subsidies will be defined as a government-mandated or voluntary nonexchange transactions.

GASB 33 establishes two distinct standards depending upon the kind of stipulation imposed by the provider.

- Time requirements specify (a) the period when resources are required to be used or when use may begin (for example, operating or capital grants for a specific period) or (b) that the resources are required to be maintained intact in perpetuity or until a specified date or event has occurred (for example, permanent endowments, term endowments, and similar agreements). Time requirements affect the timing of recognition of nonexchange transactions.
- Purpose restrictions specify the purpose for which resources are required to be used. (i.e. capital grants used for the purchase of capital assets). Purpose restrictions do not affect when a nonexchange transaction is recognized. However, PHAs that receive resources with purpose restrictions should report resulting net assets, equity, or fund balance as restricted.

The PHA will recognize assets (liabilities) when all applicable eligibility requirements are met or resources received whichever is first. Eligibility requirements established by the provider may stipulate the qualifying characteristics of recipients, time requirements, allowable costs, and other contingencies.

The PHA will recognize revenues (expenses) when all applicable eligibility requirements are met. For transactions that have a time requirement for the beginning of the following period, PHAs should record resources received prior to that period as deferred revenue and the provider of those resources would record an advance.

The PHA receives government-mandated or voluntary nonexchange transactions, which do not specify time requirements. Upon award, the entire subsidy should be recognized as a receivable and revenue in the period when applicable eligibility requirements have been met.

2. RECONCILIATION FROM GAAP BASIS TO HUD BASIS

The following table summarizes the adjustments necessary to reconcile the GAAP basis financial statements to the HUD basis year end reports filed with HUD:

	<u>Public Housing</u>	<u>Housing Choice Voucher</u>	<u>Certificates</u>
GAAP Basis Income (Loss)	\$ (628,270)	\$ (3,372)	\$ 1,955
Increase (Decrease) in:			
GAAP entries - compensated absences	-	8,135	(2,233)
Depreciation expense	<u>638,526</u>	<u>242</u>	<u>-</u>
HUD BASIS RESIDUAL RECEIPTS (DEFICIT) FOR YEAR END REPORTS	<u>\$ 10,256</u>	<u>\$ 5,005</u>	<u>\$ (278)</u>

Chillicothe Metropolitan Housing Authority
Notes to the general purpose financial statements
September 30, 2001

3. CASH AND INVESTMENTS

Cash

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

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 withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Authority has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to passbook accounts.

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

Protection of Authority's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) by eligible securities pledged by the financial institution as security for repayment, but surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

The Authority's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its safekeeping agent in the Authority's name. Category 2 includes uninsured deposits collateralized with securities held by the pledging financial institution's trust department or safekeeping agent in the Authority's name. Category 3 includes uninsured and uncollateralized with securities held by the pledging institution, or by its trust department or safekeeping agent, but not in the Authority's name.

Deposits: The carrying amount of the Authority's deposits totaled \$855,148 (includes tenant security deposits). The corresponding bank balances totaled \$947,150. The carrying amount includes petty cash of \$400.

The following show the Authority's deposits (bank balances) in each category:

Category 1:	\$370,850 was covered by federal depository insurance
Category 2:	\$576,300 was covered by specific collateral pledged by the financial institution in the name of the Authority.

Investments

HUD, State Statute and Board Resolutions authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market deposit accounts, municipal depository fund, super NOW accounts, sweep accounts, separate trading of registered interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest and principal of securities, mutual funds, bonds and other obligations of this State, and the State Treasurer's investment pool. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose or arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Authority, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specific

Chillicothe Metropolitan Housing Authority
Notes to the general purpose financial statements
September 30, 2001

3. CASH AND INVESTMENTS - CONTINUED

dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The Authority's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category A includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category B includes uninsured and unregistered investments for which the securities are held by the counterparty's Trust department or agent in the Authority's name. Category C includes uninsured and unregistered investments for which securities are held by the counterparty or its Trust department but not in the Authority's name. The Authority had investments of certificates of deposits with original maturities that exceeded three months, in the amount of \$188,566. These investments are included in Category A.

4. NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

The accompanying schedule of federal awards expenditures is a summary of the activity of the Authority's federal award programs. The schedule has been prepared on the cash basis of accounting.

5. RISK MANAGEMENT

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. There was no significant reduction in coverages and no settlements exceeded insurance coverage during the past three years.

6. FIXED ASSETS

The following is a summary:

Land	\$ 858,782
Buildings	10,615,836
Furniture and equipment - dwellings	221,479
Furniture and equipment - administrative	447,326
Leasehold improvements	<u>7,105,113</u>
	19,248,536
Accumulated depreciation	<u>(8,200,200)</u>
NET FIXED ASSETS	<u>\$ 11,048,336</u>

Chillicothe Metropolitan Housing Authority
Notes to the general purpose financial statements
September 30, 2001

6. FIXED ASSETS - CONTINUED

The following is a summary of changes:

	Balance <u>Sent 30, 2000</u>	Additions / <u>Reclass</u>	Deletions / <u>Corrections</u>	Balance <u>Sent 30, 2001</u>
Land	\$ 653,882	\$ 204,900	\$ -	\$ 858,782
Buildings	9,506,130	1,109,706	-	10,615,836
Furniture and equipment - dwellings	220,030	98,096	96,647	221,479
Furniture and equipment - administrative	422,294	91,357	66,325	447,326
Leasehold improvements	<u>6,428,658</u>	<u>1,249,088</u>	<u>572,633</u>	<u>7,105,113</u>
TOTAL FIXED ASSETS	<u><u>\$ 17,230,994</u></u>	<u><u>\$ 2,753,147</u></u>	<u><u>\$ 735,605</u></u>	<u><u>\$ 19,248,536</u></u>

The depreciation expense for the year ended September 30, 2001 was \$756,765.

7. 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. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations and the Authority was required to contribute 9.35 percent through September 30. The calculation changed to .9565 times the employee's withheld amount effective July 1, 2000. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Authority's required contributions to PERS for the years ended September 30, 2001, 2000 and 1999 were \$296,926, \$277,311, and \$264,863, respectively. The full amount has been contributed for 2000 and 2001. Ninety-two percent (92%) has been contributed for 2001, with the remainder being reported as a liability within the enterprise fund.

8. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2000. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

Chillicothe Metropolitan Housing Authority
Notes to the general purpose financial statements
September 30, 2001

8. POSTEMPLOYMENT BENEFITS – PUBLIC EMPLOYEES RETIREMENT SYSTEM - CONTINUED

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increased. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets. The number of active contributing participants was 401,339. The Authority's actual contributions for 2001 which were used to fund postemployment benefits were \$8,550. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

9. RETAINED EARNINGS AND OTHER CREDITS/PRIOR PERIOD ADJUSTMENTS:

	<u>Total</u>	<u>Contributed Capital</u>	<u>Unreserved Fund</u>
Balance as of September 30, 2000	\$ 10,234,253	\$ 10,153,614	\$ 80,639
Net loss as of September 30, 2001	1,262,977	(298,418)	1,561,395
Prior period adjustment	(4,189)	-	(4,189)
Equity transfers	<u>-</u>	<u>(899,720)</u>	<u>899,720</u>
Balance as of September 30, 2001	<u>\$ 11,493,041</u>	<u>\$ 8,955,476</u>	<u>\$ 2,537,565</u>

Chillicothe Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
September 30, 2001

FDS Line Item No.	Account Description	14.850A Low Rent Public Hsg	14.850B Develop	14.854 Drug Elimination	14.859 Comp Grant	14.864 EDSS	14.872 Capital Grant Fund	14.870 ROSS	14.871 Sect. 8 Rent Cert Prgm	14.871 Sect. 8 Hsg Choice VO	TOTAL
ASSETS											
111	Cash - unrestricted	\$ 188,876	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 116,951	\$ 404,966	\$ 710,793
113	Cash - other restricted	23,150	82,056	-	-	-	-	-	-	39,149	144,355
114	Cash - tenant security deposits	45,244	-	-	-	-	-	-	-	-	45,244
100	TOTAL CASH	257,270	82,056	-	-	-	-	-	116,951	444,115	900,392
122	Accounts receivable - HUD other proj	71,121	9,831	50,768	-	-	34,126	14,517	-	-	180,363
126	A/R Tenants - dwelling rents	11,150	-	-	-	-	-	-	-	-	11,150
126.1	Allowance for doubtful accts	(5,288)	-	-	-	-	-	-	-	-	(5,288)
128	Fraud recovery	-	-	-	-	-	-	-	-	190	190
128.1	Allowance for doubtful accts	-	-	-	-	-	-	-	-	(90)	(90)
120	TOTAL ACCOUNTS RECEIVABLE	76,983	9,831	50,768	-	-	34,126	14,517	-	100	186,325
131	Investments - unrestricted	188,566	-	-	-	-	-	-	-	-	188,566
142	Prepaid expenses and other assets	29,420	-	-	-	-	-	-	-	-	29,420
143	Inventories	40,162	-	-	-	-	-	-	-	-	40,162
143.1	Allowance for obsolete inventory	(500)	-	-	-	-	-	-	-	-	(500)
144	Interprogram due from	155,229	-	-	-	-	-	-	-	-	155,229
150	TOTAL CURRENT ASSETS	747,130	91,887	50,768	-	-	34,126	14,517	116,951	444,215	1,499,594
161	Land	500,843	357,939	-	-	-	-	-	-	-	858,782
162	Buildings	7,839,432	2,776,404	-	-	-	-	-	-	-	10,615,836
163	Furniture and equipment - dwellings	194,973	26,506	-	-	-	-	-	-	-	221,479
164	Furniture and equipment - admin	424,637	-	-	-	10,892	-	10,346	1,451	-	447,326
165	Leasehold improvements	5,903,877	793,762	-	374,460	-	33,014	-	-	-	7,105,113
166	Accumulated depreciation	(7,746,377)	(420,108)	-	(20,268)	(1,759)	(1,100)	(10,346)	(242)	-	(8,200,200)
160	TOTAL FIXED ASSETS, NET	7,117,385	3,534,503	-	354,192	9,133	31,914	-	-	1,209	11,048,336
180	TOTAL NON-CURRENT ASSETS	7,117,385	3,534,503	-	354,192	9,133	31,914	-	-	1,209	11,048,336
190	TOTAL ASSETS	\$ 7,864,515	\$ 3,626,390	\$ 50,768	\$ 354,192	\$ 9,133	\$ 66,040	\$ 14,517	\$ 116,951	\$ 445,424	\$ 12,547,930

Chillicothe Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
September 30, 2001

FDS Line Item No.	Account Description	14.850A Low Rent Public Hsg	14.850B Develop	14.854 Drug Elimination	14.859 Comp Grant	14.864 EDSS	14.872 Capital Grant Fund	14.870 ROSS	14.871 Sect. 8 Rent Cert Prgm	14.871 Sect. 8 Hsg Choice VO	TOTAL
LIABILITIES											
312	Accounts payable <=90 days	\$ 48,703	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,703
321	Accrued wages/payroll taxes	16,479	-	-	-	-	-	-	-	-	16,479
322	Accrued compensated absences	105,681	-	-	-	-	-	-	-	-	105,681
331	Accounts payable - HUD PHA programs	18,215	-	-	-	-	-	-	88,018	275,011	381,244
333	Accounts payable - other govt	18,731	-	-	-	-	-	-	-	-	18,731
341	Tenant security deposits	40,955	-	-	-	-	-	-	-	-	40,955
345	Other current liabilities - escrow	23,150	-	-	-	-	-	-	-	39,149	62,299
347	Interprogram due to	-	9,831	50,768	-	-	34,126	14,517	1,839	44,148	155,229
342	Deferred revenue	-	82,056	-	-	-	-	-	-	-	82,056
310	TOTAL CURRENT LIABILITIES	271,914	91,887	50,768	-	-	34,126	14,517	89,857	358,308	911,377
353	Noncurrent liabilities - other	117,258	-	-	-	-	-	-	1,050	25,204	143,512
350	TOTAL NONCURRENT LIABILITIES	117,258	-	-	-	-	-	-	1,050	25,204	143,512
300	TOTAL LIABILITIES	389,172	91,887	50,768	-	-	34,126	14,517	90,907	383,512	1,054,889
513	TOTAL EQUITY	7,475,343	3,534,503	-	354,192	9,133	31,914	-	26,044	61,912	11,493,041
600	TOTAL LIABILITIES AND EQUITY	\$ 7,864,515	\$ 3,626,390	\$ 50,768	\$ 354,192	\$ 9,133	\$ 66,040	\$ 14,517	\$ 116,951	\$ 445,424	\$ 12,547,930

Chillicothe Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
September 30, 2001

FDS Line Item No.	Account Description	14.850A Low Rent Public Hsg	14.850B Develop	14.854 Drug Elimination	14.859 Comp Grant	14.864 EDSS	14.872 Capital Grant Fund	14.870 ROSS	14.871 Sect. 8 Rent Cert Prgm	14.871 Sect. 8 Hsg Choice VO	TOTAL
REVENUE											
703	Net tenant revenue	\$ 500,258	\$ 5,678	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 505,936
704	Tenant revenue - other	9,697	-	-	-	-	-	-	-	-	9,697
705	TOTAL TENANT REVENUE	509,955	5,678	-	-	-	-	-	-	-	515,633
706	PHA HUD grants	796,801	6,368	96,990	23,850	46,852	1,112	26,805	49,698	1,194,752	2,243,228
706.1	Capital contributions	-	1,709,078	-	257,677	10,892	33,014	-	-	-	2,010,661
711	Investment income - unrestricted	17,593	-	-	-	-	-	-	1,718	9,102	28,413
714	Fraud recovery	-	-	-	-	-	-	-	-	495	495
715	Other revenue	7,530	-	-	-	-	-	-	-	-	7,530
	TOTAL REVENUE	1,331,879	1,721,124	96,990	281,527	57,744	34,126	26,805	51,416	1,204,349	4,805,960
EXPENSES											
911	Administrative salaries	224,808	800	-	-	-	-	-	2,521	77,005	305,134
912	Auditing fees	3,938	-	-	-	-	-	-	48	1,143	5,129
913	Outside management fees	-	2,000	-	11,500	-	-	7,761	-	-	21,261
914	Compensated absences	65,103	-	-	-	-	-	-	(1,976)	14,361	77,488
915	Employee benefit contribution - admin	91,404	-	-	-	-	-	-	422	10,138	101,964
916	Other operating - administrative	79,902	6,251	-	-	970	1,112	-	2,601	62,435	153,271
921	Tenant services - salaries	12,983	-	-	-	-	-	-	-	-	12,983
923	Employee benefit contrib - ten svcs	4,897	-	-	-	-	-	-	-	-	4,897
924	Tenant services - other	5,214	-	41,729	12,350	45,882	-	19,044	-	-	124,219
931	Water	157,001	3,504	-	-	-	-	-	-	-	160,505
932	Electricity	130,822	358	-	-	-	-	-	-	-	131,180
933	Gas	18,605	78	-	-	-	-	-	-	-	18,683
941	Ord maintenance/op - labor	153,720	1,384	-	-	-	-	-	-	-	155,104
942	Ord maintenance/op - materials	66,535	1,019	-	-	-	-	-	-	-	67,554
943	Ord maintenance/op - cont costs	178,236	(3,502)	-	-	-	-	-	120	2,878	177,732
945	Emp benefit contrib - ord main	66,921	-	-	-	-	-	-	-	-	66,921
952	Protective services - other cont costs	-	-	55,261	-	-	-	-	-	-	55,261

Chillicothe Metropolitan Housing Authority
Balance Sheet
FDS Schedule Submitted to HUD
Proprietary Fund Type
Enterprise Fund
September 30, 2001

FDS Line Item No.	Account Description	14.850A Low Rent Public Hsg	14.850B Develop	14.854 Drug Elimination	14.859 Comp Grant	14.864 EDSS	14.872 Capital Grant Fund	14.870 ROSS	14.871 Sect. 8 Rent Cert Prgm	14.871 Sect. 8 Hsg Choice VO	TOTAL
EXPENSES - CONTINUED											
961	Insurance premiums	35,104	-	-	-	-	-	-	-	-	35,104
962	Other general expenses	(965)	-	-	-	-	-	-	-	-	(965)
963	PILOT	18,822	154	-	-	-	-	-	-	-	18,976
964	Bad debts - tenant rents	8,573	-	-	-	-	-	-	-	-	8,573
966	Bad debts - other	-	-	-	-	-	-	-	(50)	(10)	(60)
969	TOTAL OPERATING EXPENSES	1,321,623	12,046	96,990	23,850	46,852	1,112	26,805	3,686	167,950	1,700,914
970	EXCESS OPERATING REVENUE OVER EXPENSES	10,256	1,709,078	-	257,677	10,892	33,014	-	47,730	1,036,399	3,105,046
973	Housing Assistance Payments	-	-	-	-	-	-	-	45,775	1,039,529	1,085,304
974	Depreciation expense	638,526	98,763	-	16,375	1,759	1,100	-	-	242	756,765
900	TOTAL EXPENSES	1,960,149	110,809	96,990	40,225	48,611	2,212	26,805	49,461	1,207,721	3,542,983
EXCESS OF REVENUE											
1000	OVER EXPENSES	(628,270)	1,610,315	-	241,302	9,133	31,914	-	1,955	(3,372)	1,262,977
1103	Beginning equity	7,203,893	1,924,188	-	1,010,190	-	-	-	24,089	71,893	10,234,253
1104	Prior period adj/equity transfers	899,720	-	-	(897,300)	-	-	-	-	(6,609)	(4,189)
	ENDING EQUITY	\$ 7,475,343	\$ 3,534,503	\$ -	\$ 354,192	\$ 9,133	\$ 31,914	\$ -	\$ 26,044	\$ 61,912	\$ 11,493,041

**Chillicothe Metropolitan Housing Authority
Schedule of Federal Awards Expenditures
September 30, 2001**

	<u>FEDERAL CFDA NUMBER</u>	<u>FUNDS EXPENDED</u>
<u>FROM U.S. DEPARTMENT OF HUD</u>		
<u>DIRECT PROGRAMS</u>		
PHA Owned Housing:		
Public and Indian Housing	14.850	1,960.149
Public and Indian Housing	14.850	110.809
Public and Indian Housing Drug Elimination Program	14.854	96.990
Public Housing Capital Fund	14.872	40.225
Economic Development and Supportive Services Program	14.864	48.611
Public Housing Capital Fund	14.872	2.212
Resident Opportunity and Supportive Services	14.870	26.805
Housing Assistance Payments:		
Annual Contribution -		
Section 8 Housing Choice Vouchers (certificate)	14.871	49,461
Section 8 Housing Choice Vouchers	14.871	<u>1,207,721</u>
Total Cluster		<u>1,257,182</u>
Total - All Programs		<u><u>\$ 3,542,983</u></u>



**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
Chillicothe Metropolitan Housing Authority
Chillicothe, Ohio**

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

We have audited the general purpose financial statements of Chillicothe Metropolitan Housing Authority as of and for the year ended September 30, 2001, and have issued our report thereon dated February 25, 2002. 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.

Compliance

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 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chillicothe Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our 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 control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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.
February 25, 2002**



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

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

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

Compliance

We have audited the compliance of Chillicothe Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to each of its major federal programs for the year ended September 30, 2001. Chillicothe Metropolitan Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Chillicothe Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Chillicothe Metropolitan Housing Authority's compliance based on our audit.

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

In our opinion, Chillicothe Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2001.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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.
February 25, 2002

**Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505**

**Chillicothe Metropolitan Housing Authority
September 30, 2001**

1. SUMMARY OF AUDITORS' 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)?	No
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	Public and Indian Housing CFDA #14.850
Dollar Threshold: Type A/B Programs	\$300,000
Low Risk Auditee?	Yes

**Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505 - Continued**

**Chillicothe Metropolitan Housing Authority
September 30, 2001**

2. FINDINGS RELATED TO FINANCIAL STATEMENTS

There are no findings or questioned costs for the year ended September 30, 2001.

3. FINDINGS RELATED TO FEDERAL AWARDS

There are no findings or questioned costs for the year ended September 30, 2001.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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 9, 2002**